

OPERATING RULES AND PROCEDURES

**OF BROKER-DEALER COMPANY
MOMENTUM SECURITIES AD NOVI SAD**

May 2012

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Pursuant to Article 163 of the Law on the capital market (Official Gazette of RS, No. 31/2011, hereinafter referred to as: **“the Law”**), Article 14 paragraph 1 and Article 15 of the Rulebook On Granting Approval For General Enactments Of A Market Operator, Investment Firm And Central Securities Depository And Clearing House (Official Gazette of RS, No. 89/2011, hereinafter referred to as: **“the Rulebook”**), Article 29 of the Articles of Foundation(that represent the Founding Act) of the Broker-Dealer Company Momentum Securities ad Novi Sad and Article 43 of the Articles of Association of the Broker-Dealer Company Momentum Securities ad Novi Sad, the Shareholders’ Meeting of the Broker-Dealer Company Momentum Securities ad Novi Sad, as of May 16th, 2012 adopted the following:

OPERATING RULES AND PROCEDURES

OF BROKER-DEALER COMPANY MOMENTUM SECURITIES AD Novi Sad

I GENERAL PROVISIONS

Article 1

Broker-Dealer Company Momentum Securities ad Novi Sad (hereinafter referred to as: **“the Company”**) was established by the Articles of Foundation adopted on July 24th, 2007.

The Company conducts broker-dealer activities pursuant to license issued by the Securities Commission no. 5/0-02-6042/5-07 as of August 9th, 2007, and is registered in the Registrar of Companies pursuant to the Decision of the Serbian Business Register Agency BD 96764/2007 as of August 15th, 2007.

Article 2

These Operating rules and procedures of the Broker-Dealer company Momentum Securities ad Novi Sad (hereinafter referred to as **“the Operating Rules”**) shall regulate general operating terms and conditions of the Company, in particular:

- 1) Types of transactions performed by the Company and conditions and form of their performance;
- 2) Business conduct rules in providing investment services;
- 3) Procedure for client categorization/classification and for client category alteration;
- 4) Types of client orders, form and conditions of receipt of orders;
- 5) Order execution policy and order execution check ups;
- 6) Information delivered to clients, and in particular information delivered to retail clients;
- 7) Content of contracts with clients;
- 8) Mutual rights and obligations of the Company and of the clients;
- 9) Protection of client’s property (client’s financial instruments and funds);
- 10) Terms for lending/borrowing financial instruments;
- 11) Handling clients’ complaints and
- 12) Other issues relevant for the operations of the Company.

II TYPES OF TRANSACTIONS, CONDITIONS AND FORM OF THEIR PERFORMANCE

Article 3

Pursuant to the provisions of the Directive on Classification of Activities (“Official Gazette of RS, No. 54/2012) the Company’s main business operation is:

- 6612 – Brokerage activities with securities and stock exchange goods.

Article 4

According to the provisions of Article 148, paragraph 1, points 8) and 9) of the Law, the Company may carry out the following activities:

- 1) receipt and transfer of orders relating to the sale and purchase of financial instruments;
- 2) execution of orders for the account of the client;
- 3) services related to the offer and sale of financial instruments without redemption obligation.

Besides services mentioned under paragraph 1 of this Article, the Company shall be authorized to provide the following additional services:

- 1) storage and administering of financial instruments for client’s account, including storage of instruments with respective services thereof, such as administering funds and collaterals
- 2) approval of loans to investors enabling them to carry out transactions through one or more financial instruments, where the company-lender is included in the transaction;
- 3) counseling to companies regarding the structure of the capital, business strategy, merging, purchase of companies and similar issues;
- 4) foreign exchange services in relation to the provision of investment services;
- 5) research and financial analysis in the field of investment or other forms of general recommendations related to financial instrument transactions;
- 6) investment services and activities, as well as additional services related to the base of derived financial instruments pursuant to the Law, with regard to investment services and activities, as well as additional services.

Article 5

The Company shall provide services and perform activities provided for in the provisions of Article 4. of these Operating Rules pursuant to the license issued by the Securities Commission (hereinafter referred to as: **“the Commission”**) to perform the specified activities of the Company.

The license may contain one or more additional services referred to in Article 4, paragraph 2 of these Operating Rules, but the mentioned additional services may not be provided if the Company does not have permission to provide at least one of the investment services or activities provided for in Article 4, paragraph 2 of the Operating Rules.

With regard to the provision of additional foreign exchange services provided for in Article 4, paragraph 2, point 4) of the Operating Rules, the Company shall obtain an appropriate licence pursuant to the law governing foreign exchange activities.

III GENERAL ORGANIZATIONAL REQUIREMENTS FOR CONDUCTING ACTIVITIES OF THE COMPANY

Article 6

The Company shall:

1. establish and implement an organizational document specifying the decision-making procedure, responsibilities for the decisions and the method of reporting;
2. ensure that all relevant persons are aware of the procedures which must be followed;
3. establish, implement and regularly maintain adequate internal control mechanisms designed to secure compliance with decisions and procedures at all levels of the Company.

Internal control provided for in paragraph 1 point 3) of this Article is regulated by a special act of the Company.

The Company shall maintain adequate and orderly records of its business and internal organization.

Article 7

The Company shall provide:

1. adequate business premises for the provision of licensed activities;
2. technical and physical protection of premises, equipment and documentation.

Article 8

The Company shall perform services within separate organizational units.

Article 9

Employees of the Company must have relevant qualifications, knowledge and experience necessary for the sound provision of services of the Company.

The Company shall have at least two persons employed full-time and licensed by the Commission to perform the activities of a broker.

Article 10

Information system of the Company must be adequate considering the scale and complexity of service the Company provides.

The Company shall ensure efficient control, security, integrity and confidentiality of information, particularly:

- 1) Hardware and software protection from unauthorized access, by detailed surveillance (procedures for registering, analysis and control of every activity within the system), and access control by giving user permissions and authorizations;

- 2) Adequate training of employees about the use of such system and about prescribed system protection procedures;
- 3) Only authorized persons, on whom the Company keeps separate records, shall have access to the information system and be authorized to enter, alter and use data;
- 4) Any person with workstation access must have a user name and password, and access only to the functions necessary for carrying out that person's job, in addition, a user name and password may be used by one person only;
- 5) Only the data approved as established by the Company's enactments may be entered into the information systems;
- 6) All approved data have been entered into the information systems;
- 7) Regular verification of accuracy of entered data shall be performed.

The Company's information system data sheet copies shall bear the date and time when they were drawn up and a signature of the authorized person.

Article 11

The Company shall establish, implement and maintain measures aimed at ensuring information system operation continuity, particularly:

1. Protection of the information system by hardware and software solutions, reliable UPS systems, back-up telecommunication devices;
2. Reliability of the information system:
 - by simultaneous hard disk mirroring on servers and provision of a back-up server;
 - by making at least two copies of data at the end of each business day, whereby one copy shall be kept in the business premises and the other copy at some other location.

The Company shall establish, implement and maintain measures aimed at ensuring information system operation continuity in exceptional circumstances, including timely resumption of its services and preservation of functions and access to information, if the maintenance of unhindered operations are not possible in such exceptional circumstances.

Measures aimed at ensuring operation continuity in exceptional circumstances are regulated by a special act of the Company.

Article 12

The Company shall establish, implement and maintain accounting procedures that enable it to deliver in a timely manner financial reports which reflect a true and fair view of its financial position and which comply with the applicable accounting standards and rules.

The Company shall maintain business books and prepare financial reports in compliance with the Law and the law governing accounting.

IV BRANCH OFFICES OF THE COMPANY

Article 13

The Company may establish branch offices at home and abroad.

The Company shall be required to obtain a prior approval from the Commission to establish a branch in another country.

The Commission shall further prescribe the content of the requirements of paragraph 1 of this Article, and such approval shall be filed with evidence that competent authorities in the other country are prepared to permit the Company to conduct investment services and activities in such country.

The Company may also conduct activities within the units of the Company which have no legal personality, but have certain powers in legal transactions, separate accounting of business results and a separate sub-account – provided that such units meet the conditions for conducting the activities of the Company.

The provisions of these Operating Rules and the Law regarding the granting of license for performing the activities of the Company, shall apply accordingly to the granting of license for performing such activities for branches of the Company.

V BUSINESS CONDUCT RULES IN PROVIDING INVESTMENT SERVICES

Article 14

When providing investment services to clients, the Company shall place the interests of its clients before the interests of the Company and shall act honestly, fairly and professionally in accordance with the best interests of its clients and comply, in particular, with the principles set out in the provisions of the Law.

All information, including marketing communications, addressed by the Company to its clients or potential clients shall be fair, clear and not misleading, and the marketing communications shall be clearly identifiable as such.

In order for the clients to be able to understand the nature and risks of the investment service and of the specific type of financial instrument that is being offered and, consequently, to take investment decisions on an informed basis, the Company shall provide to the clients and potential clients appropriate information in a comprehensible form regarding:

- 1) the Company and its services;
- 2) financial instruments and proposed investment strategies, including appropriate guidance on and warnings of the risks associated with investments in those instruments or in respect of particular investment strategies;
- 3) transaction execution venues;
- 4) costs and associated charges.

Information referred to in the previous paragraph of this Article may be provided in a standardized format.

Article 15

When providing investment services that only consist of execution and/or the reception and transmission of client orders without providing additional services, the Company shall be permitted to provide such investment services to its clients without the need to obtain the information regarding its knowledge and expertise in the area of investments that is of significance to the financial instrument or service offered or requested, provided that all of the following conditions are met:

- 1) the above services relate to shares admitted to trading on a regulated market or on a MTF in an equivalent third country market meeting requirements set by the Law, money market instruments, bonds or other forms of securitized debt, UCITS and other financial instruments, excluding securities and forms of securitized debt containing a derivative financial instrument;
- 2) the service is provided at the initiative of the client or potential client;
- 3) the client or the potential client has been clearly informed that in the provision of this service the Company is not required to assess the suitability of the instrument or service provided or offered and that therefore the client does not benefit from the corresponding protection of the relevant conduct of business rules; this warning may be provided in a standardized format;
- 4) the Company complies with its obligations under the Law and Article 46 of these Operating Rules, regulating prevention of the conflict of interest between the Company and its clients.

Article 16

The Company shall be obliged to provide access to the Operating Rules and the Tariff Rate Rules in business premises where it deals with clients, as well as to publish them on its Internet page.

Directors, management and employees of the Company shall be obliged to keep, as business secret, information about client accounts and transactions and amounts in such accounts, and they shall not disclose the information to third parties, use the information other than to further the interests of the respective client.

By exception to the previous paragraph of this Article, client information referred to in that paragraph may be disclosed and made available:

- 1) with the written approval of the client;
- 2) in effecting supervision by the Commission, Central Registry or any regulated market;
- 3) on the grounds of a 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.

Article 17

When holding clients financial instruments, the Company shall determine a proper system of protection of clients' property rights in order to prevent utilization of clients financial instruments for account of the Company or for account of other clients, unless provided with explicit consent of the client.

The Company shall not:

- 1) pledge or dispose of financial instruments owned by a client without the client's prior written authorization;
- 2) execute a client's orders in the manner contrary to this Law, Commission regulations, or regulations of the regulated market or MTF, whose member or user is the Company;
- 3) encourage clients to make frequent transactions for the sole purpose of collecting commissions.

When holding clients' cash assets i.e. financial instruments, the Company shall fulfill the following requirements in order to protect clients' rights:

- 1) to keep records and accounts in a manner to allow it in any moment and without delay to separate assets of one client from assets of other client as well as from its own assets;
- 2) to keep records, accounts and correspondence in relation to clients' financial instruments and cash assets on accounts kept by it precisely and accurately;
- 3) to reconcile its internal accounts with records and third parties accounts holding those assets on a regular basis;
- 4) to undertake necessary measures to ensure that all clients' financial instruments registered with the Central Registry may be separated from financial instruments of the Company;
- 5) to undertake necessary steps to ensure that all clients' cash assets deposited in a credit institution being a member of the Central Registry are kept on the account(s) that are separated from accounts used for cash assets of the Company;
- 6) to set proper measures to reduce risk of loss or reduction of the clients' assets i.e. rights in relation to the assets that may be caused by assets misuse, fraud, poor management, inadequate keeping of records or negligence.

VI PROCEDURE FOR CLIENT CATEGORIZATION AND CLIENT CATEGORY ALTERATION

Article 18

The Company shall categorize the client as a professional or retail client.

The client categorization, referred to in paragraph 1 of this Article shall be conducted by the Company based on information available to it, about the client's:

1. investment objectives;
2. knowledge and experience;
3. financial situation.

The Company shall be obliged to inform every client, through permanent media, about:

- 1) category of client's classification;
- 2) level of interest protection provided to the client;
- 3) client's right to request classification into a different category, as well as about all changes of client's protection resulting from such respective decision.

Whenever the Company determines that a client does not belong to initially established client category, the Company shall undertake appropriate measures as to change client category.

Professional client

Article 19

The following entities shall be regarded as professional clients in providing investment services and performing investment activities:

- 1) entities which are required to be authorized and/or regulated by the competent regulatory authority to operate in the financial market such as: credit institutions, investment firms, other financial institutions whose operations are authorized or supervised by the competent supervisory authority, insurance companies, collective investment companies and their management companies, pension funds and management companies of such funds, commodity derivatives dealers as well as other entities supervised by the competent authority;
- 2) legal persons meeting at least two of the following requirements:
 - total assets amounting to minimum 20.000.000 euro;
 - annual net income amounting to at least 40.000.000 euro;
 - own funds amounting to minimum 2.000.000 euro;
- 3) Republic, autonomous provinces and local self-government units as well as other states or national and regional bodies, the National Bank of Serbia and central banks of other states, international and supranational institutions such as the International Monetary Fund, the European Central Bank, the European Investment Bank as well as other similar international organizations.

The Company may provide to professional clients referred to in paragraph 1 of this Article on their request a treatment involving a higher level of protection or a treatment provided to other clients that are not professional clients.

Where the client of the Company is an undertaking which is regarded as a professional client as referred to in paragraph 1 of this Article prior to provision of services, the Company must inform it that, on the basis of the information available to the Company, such legal person is deemed to be a professional client and will be treated as such.

The Company must inform the professional client that it can request a variation of the terms of the agreement in order to secure, on its request, a higher level of protection of its interests whereas it is the responsibility of the client, considered to be a professional client, to ask for a higher level of protection when it deems it is unable to properly assess or manage the risks involved.

When a professional client enters into a written agreement with the Company to the effect that it shall not be treated as a professional, whereas such agreement shall specify whether this applies to one or more particular services or transactions, or to one or more types of instrument or transaction the Company shall provide a higher level of protection to it.

The Company may treat also other clients as professional clients at their own request and when assesses that such a client owns enough knowledge, experience and expertise of the client, gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the client is capable of making its own investment decisions and understanding the risks involved.

Article 20

Clients treated as professional clients may waive at their own request the benefits of a higher level of protection provided by their status in compliance with the following procedure:

- 1) professional client must inform the Company in writing that it wishes to be treated as a professional client, either generally or in respect of a particular investment service or transaction, or type of transaction or financial instrument;
- 2) the Company must give professional client an unambiguous written warning of the protection of interests and rights to be compensated from the Investor Protection Fund it may lose;
- 3) professional client must state in writing, in a separate document from the contract, that it is aware of the consequences of losing such level of protection.

Before deciding to accept any request for waiver of the protection, the Company must take all reasonable steps to ensure that the client requesting to be treated as a professional client meets the relevant requirements.

Article 21

Professional clients are responsible for keeping the Company informed about any fact, which could affect their current categorization.

Should the Company become aware that the client no longer fulfils the initial conditions, which made the client eligible for a professional treatment, it must take appropriate actions.

Professional client considering not to be able to correctly assess i.e. manage the risks typical for a certain investment, can request in writing from the Company to have a higher level of protection of its interests in respect of all or individual service, type of transaction, i.e. financial instrument.

In case of request pursuant to the previous Article, the Company and the client shall conclude a contract or annex to the contract specifying the services, i.e. transactions or financial instruments due to which the client does not wish to be in the professional client category.

Retail client

Article 22

Retail clients are all other clients not categorized as professional clients.

Retail client wishing to be treated as professional client can request in writing from the Company a higher level of protection of its interests in respect of all or individual service, type of transaction, i.e. financial instrument.

In cases of requests pursuant to previous paragraph of this Article:

- 1) the Company shall:
 - warn the client unambiguously, and in writing about the decrease in protection of its interests and loss of the right to recovery from Investor Protection Fund;
 - assess if the client possesses sufficient knowledge and experience for independent decision making on investments and correct risk assessment in respect of investments;
 - conclude contract with the client i.e. annex to the contract specifying the services, transactions or financial instruments regarding which the client wishes to be treated as professional client or refuse to acknowledge the professional client status;
- 2) the client shall declare in a special document separate from the contract that the client is aware of the consequences resulting from the loss of protection level.

The assessment from paragraph 3, point 1) line 2 of this Article whether the client is fulfilling requirements for classification as professional client shall include at least two of the following requirements to be fulfilled by the client:

- 1) the investor makes at least 10 transactions quarterly on financial market within the last 2 years of quarterly value EUR 50.000;
- 2) investor's portfolio value exceeds EUR 500.000 in RSD counter value;
- 3) the investor works or has worked for not less than one year in financial sector dealing with jobs requiring investments in securities.

Markets where financial instruments regarding which the client wants the professional investor status shall be deemed as financial markets under paragraph 4, point 1) of this Article.

VII TYPES OF CLIENT ORDERS, FORM AND CONDITIONS OF RECEIPT OF ORDERS

Types of orders

Article 23

Clients can deliver to the Company the following types of orders:

1) by type of transaction:

- order to purchase
- order to sell;

2) by duration:

- daily order
- until date order, with validity period of not more than 90 days;
- until revocation order – within 90 days from the date of issuance

3) by price:

- order with limited price
- market order which by duration can be only a daily order;

4) withdrawal order;

5) orders with specific execution terms (specific orders):

- execute immediately and completely or not at all (fill or kill -FOK),
- execute immediately or cancel (immediate or cancel - IOC)
- order to change (modify) a placed order
- order hiding the actual order quantity (Iceberg)
- stop order;
- market maker order;
- trading block order, (at the open – ATO)
- at the close – ATC

Specific orders may be used only if their application is provided for in the acts of the organizer of the market.

Apart from types of orders mentioned in paragraph 1 of this Article, the clients may place other types of orders to the Company that are provided for in the acts of the organizer of the market.

Elements of an order

Article 24

Elements of an order include:

1. unique identification of market organizer member (ordering party);
2. type of securities (name or symbol);
3. order number from the book of records of market organizer member (ordering party);
4. type of transaction (purchase or sale);
5. quantity of securities;
6. type of order by price, with specified price;
7. duration of order, with specified validity expiration date;
8. client identification from trade order, in a manner prescribed in procedures agreed among the market organizer and the Central Securities Depository;
9. type of financial instruments account, with a selection of depository of account;
10. type of account money, with a selection of depository of account;
11. commission fee;
12. type of business (broker or dealer)
13. date and time of order reception;
14. special conditions of order execution;
15. other elements.

Order Reception

Article 25

The Company may receive client orders:

1. in the Company's headquarters;
2. in an organization branch;
3. in an affiliate office;
4. in business premises of authorized investment company.

The client's order shall be deemed received whenever received in the Company's headquarters or its affiliate or organization branch that are licensed for order execution.

The Company may receive client orders:

1. directly;
2. via telephone, fax or electronically, if provided for in the contract with the client.

An order may be received via telephone, if the Company applies appropriate protection mechanisms, such as recorders, as to secure accuracy and reliability of Company's order records, which imply cumulative fulfillment of the following conditions:

1. determination of exact time of order reception (date, hour and minute);

2. identification of telephone number from which the order has been delivered;
3. accurate identification of the client that delivered the order.

Record of delivered order shall be kept by the Company in an electronic form on an appropriate medium that provides a clear and precise reproduction of the same, for at least two years from the date of delivering the order in the information system of the stock exchange or other market organizer.

When securities trade orders are delivered electronically, the client is obliged to have a username and password, as well as personal digital certificate for digital signature provided by the Company. Orders to purchase or sell securities delivered electronically using electronic name, password and personal digital certificate for digital signature of clients are deemed to be delivered by the client. User manual for handling trade orders at Belgrade Stock Exchange, electronically delivered via E-ClientTrader web application is provided by the Managing Director of the Company.

Whenever affiliate office that does not have legal entity status, or organization branch of the Company is receiving client orders, yet without license to execute orders, they shall warn the client:

1. that they do not have order execution license;
2. about arrival deadline for the order for execution in Company's headquarters;
3. that the order shall be considered received after its receipt for execution in Company's headquarters.

Book of Orders

Article 26

The Company shall keep a Book of Orders wherein orders shall be registered immediately at reception, including orders to be transferred for execution to authorized investment company, changes and order revocations.

The Company shall keep the Book of Orders in electronic form, in a manner preventing additional changes to the data entered.

The Company's Book of Orders particularly includes:

1. name and surname/company name or other client label;
2. name and surname/company name or label of client representatives;
3. order number;
4. date and precise time of order reception, changes and order revocation;
5. financial instrument identification;
6. financial instrument price and label of the currency expressed in the price;
7. financial instrument quantity;
8. purchase or sell label;
9. type of order by nature if it is not purchase or sell order;
10. order type;
11. order status;
12. all other details, conditions and instructions in relation to order execution.

When the Company transfers orders for execution to other investment company, the Book of Orders shall also include:

1. name and surname/company name or other client label;
2. company name or other label of investment company to which the order was transferred;
3. date and precise time of transfer of order, i.e. change of order;
4. order transfer conditions.

VIII ORDER EXECUTION POLICY AND ORDER EXECUTION CHECK UPS

Order execution

Article 27

The Company shall immediately, and not later than the following work day after order receipt deliver information to the client through permanent media as follows:

- 1) about the time, and place of order reception, changes or order revocations;
- 2) about acceptance or rejection of order execution stating reasons for the rejection of execution.

Article 28

The Company is obliged to reject a purchase or sale order and to inform without any delay the the Securities Commission thereof if there are reasons for reasonable doubt those executions of such order:

- 1) would be infringing provisions of the Law or the law regulating prevention of money laundering and terrorism financing
- 2) would represent an act legally punishable as criminal act, economic offence or offence.

When determining the circumstances under item 1 of this Article, the Company may use its own information, i.e. information received from its clients, unless it has knowledge or should have knowledge that such information are obviously obsolete, incorrect, or incomplete.

The Company may reject execution:

- 1) of a purchase order where there are insufficient funds on client's cash account needed for the settlement of liabilities arising from execution of such order;
- 2) of a sale order where there are insufficient instruments needed for the settlement of liabilities arising from execution of orders on client's financial instrument account.

The Company shall not be obliged to reject order execution if client order can be executed:

- 1) from realized, but not balanced transactions;
- 2) through the Company's loan to the client, pursuant to valid regulations;

3) through lending of financial instruments, according to the rules which regulate lending of financial instruments.

Article 29

The Company shall determine the measures and systems for fast, fair and efficient client order execution, in respect of orders of other clients or orders of the Company.

For order execution according to the previous paragraph of this Article, the Company shall:

- 1) immediately and correctly enter order information from the order that is to be executed for client's account in the Book of Orders;
- 2) immediately execute all similar client orders complying with the time when orders were received, except if prevailing market conditions or order's characteristics inhibit that or if client's interests involve different actions;
- 3) immediately and accurately classify orders executed for client's account;
- 4) undertake all necessary actions needed for securing that all client's financial instruments or funds received while balancing liabilities pursuant to executed order, would be duly and orderly transferred to the account of respective client;
- 5) inform the client on all significant obstacles relating to the order execution immediately as they become known.

Article 30

When executing client orders, the Company shall take all reasonable steps to obtain the best possible results for their clients, considering in particular:

1. the price of the financial instrument;
2. costs, speed and likelihood of execution;
3. costs, speed and likelihood of settlement;
4. size, nature and type of order and
5. any other consideration relevant to the execution of the order.

When the Company receives a client order with a specific instruction from the client, the Company shall execute the order following the specific instruction, and it shall warn a retail client that the order will be executed pursuant to the instruction and not in compliance with the best execution policy of the Company.

When determining relevant considerations for the client order executions, the Company shall take into account the following criteria:

1. the characteristics of the client, including the categorization of the client as professional or retail;
2. the characteristics of the client order;
3. the characteristics of financial instruments that are the subject of the order;
4. the characteristics of the execution venues to which that order can be directed.

In order to assess the trading venue to execute a client order, for the purposes of delivering best execution, the Company shall take into account its own commissions and costs for executing the order on each of the eligible execution venues.

The Company shall not structure or charge its commissions in such a way as to discriminate unfairly between execution venues.

Delivery of best execution of an order on behalf of a retail client shall be determined by the Company in terms of the total consideration comprising:

1. the price of the financial instrument;
2. costs related to the execution of the order born by the client, including commissions and fees of:
 - execution venue,
 - clearing and settlement,
 - the Company,
 - paid to third parties involved in the execution of the order.

The Company shall act in accordance with the best interests of its clients when placing orders with another investment company.

In order to comply with the previous paragraph of this Article, the Company shall take the following actions:

1. ensure obtaining the best possible result for its clients taking into account the factors relevant for the order executions and the criteria based on which the importance of these factors is determined;
2. ensure that the specific instructions from its client are followed with respect to the best execution policy of the Company.

Article 31

When executing client orders, the Company shall establish and implement effective systems and in particular an order execution policy to allow it to obtain, for its client orders, the best possible result.

A best execution policy shall comprise:

1. information about the importance the Company assigns to the factors relevant to the order execution, and in accordance with the criteria set out in these Operating Rules, and the process by which the Company determines the importance of these factors;
2. information about different venues where the Company executes client orders and the factors determining the selection of an adequate venue for order execution for each class of a financial instrument;
3. a warning, in respect of the factors covered by the instructions, that any specific instructions from a client may prevent the Company from taking the steps that it has designed in its execution policy to obtain the best possible result for the client.

Order execution policy from paragraph 1 of this Article is given in Appendix 3 and is an integral part of these Operating Rules.

The Company must, prior to execution of an order:

1. provide information on the order execution policy to the client, and provide the retail client with the execution policy on a durable medium;
2. warn the client of the possibility, envisioned in the execution policy, that the order may be executed outside a regulated market or MTF;
3. obtain written consent of its clients to the order execution policy, and/or of the possibility referred to in paragraph 2, point 2, and the consent shall be an integral part of the contract with the client.

The client may provide its consent to the order execution outside of a regulated market or MTF in the form of a general agreement or in respect of individual transactions.

The Company shall:

1. monitor the effectiveness of its order execution policy in order to identify and correct any deficiencies;
2. assess, at least once per annum, whether the execution venues included in the order execution policy provide for the best possible result for the client or whether it is necessary to make changes to its execution arrangements;
3. notify clients of any material changes to its order execution arrangements or execution policy;
4. demonstrate to its clients, at their request, that the Company has executed its orders in accordance with the Company's execution policy.

Article 32

In the case of a client limit order in respect of financial instruments admitted to trading on a regulated market or MTF which are not immediately executed under prevailing market conditions, the Company shall, unless the client instructs otherwise, make measures to facilitate the earliest possible execution of that order.

The measures under the previous paragraph of this Article shall understand that the Company has immediately after accepting the order, made public such order making it easily accessible to other market participants, entailing:

1. transmission of the client limit order to a regulated market or MTF, which has an order book trading system;
2. making public the order immediately while executing it as soon as the market conditions permit, which represents the taking of measures

- necessary to ensure that the information to be published is reliable, monitored continuously for errors, and corrected as soon as errors are detected,
- facilitating the consolidation of the data with the same data from other sources,
- making the information available to the public on a non-discriminatory commercial basis at a reasonable cost.

The Company shall not have the obligation to make public a limit order that is large in scale compared with normal market size as determined under the rules of the regulated market or MTF.

Article 33

The Company may execute a client order in aggregation with another accepted client order if the following conditions are met:

1. the Company has an effective order allocation policy, providing in sufficiently precise terms for the fair allocation of aggregated orders, including in particular:

- how the volume and price of orders determines allocations and
- the treatment of partial executions;

2. it is unlikely that the aggregation of orders will be to the disadvantage of any client whose order is to be aggregated;

3. the Company has warned each client whose order is to be aggregated that the aggregation of orders may work to the disadvantage of the client in relation to a particular order.

Where the Company aggregates an order with one or more other client orders, and the aggregated order is partially executed, it allocates the related trades in accordance with its order allocation policy.

Article 34

The Company shall in its Book of Orders record the execution of orders after they have been executed or after the receipt of a confirmation on conducted transaction, if the Company is transferring orders to another investment company for their execution.

The records referred to in the previous paragraph shall contain:

1. full name, i.e. company name or another label of the client;
2. date, time and place of trading;
3. identification label of the financial instrument;
4. quantity of the financial instrument;
5. individual and total price and indication of the currency of the price;
6. buy/sell indicator;
7. nature of the order if other than buy or sell;
8. authorized person who executed the transaction or who is responsible for its execution.

Article 35

The Company shall, in relation to every order received from a client, immediately make a record of the following details:

- 1) name of the client;
- 2) name or other label of any relevant person acting on behalf of the client;
- 3) buy/sell label, financial instrument identification label, unit price and quantity;
- 4) nature of the order if other than buy or sell;
- 5) type of order;

- 6) any other details, conditions and particular instructions from the client that specify how the order must be executed;
- 7) date and precise time of the receipt of the order, or of the decision to execute, by the Company.

Immediately after executing a client order, or, in the case if the Company transfers orders to another investment company for execution, immediately after receiving confirmation that an order has been executed, the Company shall record the following details:

- 1) name of the client;
- 2) trading date, trading time, buy/sell indicator, financial instrument identification label, unit price, price notation, quantity, quantity notation and venue identification;
- 3) total price, being the product of the unit price and the quantity;
- 4) nature of the transaction if other than buy or sell;
- 5) authorized person who executed the transaction or who is responsible for the execution.

If the Company transfers an order to another investment company for execution, it shall immediately record the following details after making the transmission:

- 1) name of the client whose order has been transmitted;
- 2) name or other designation of the person to whom the order was transmitted;
- 3) terms of the order transmitted;
- 4) date and precise time of transmission.

Outsourcing services and business activities

Article 36

The Company may outsource the activities pertaining to:

1. the promotion of its services;
2. the provision of investment recommendations;
3. reception and transmission of orders.

When outsourcing, the Company shall:

1. ensure that the service provider has the expertise, ability and necessary authorizations for the professional performance of outsourced activities;
2. conclude with the service provider a written contract regulating mutual rights and obligations, particularly the obligations of the service provider to:
 - protect any confidential information relating to the Company and its clients,
 - properly supervise the execution of outsourced activities,
 - adequately manage the risks associated with outsourcing,
 - keep records on personal transactions and on request of the Company make available the list;
 - timely report to the Company on any development that may have an effect on its ability to execute the outsourced activities effectively;

- fully cooperate with the auditors and the Commission and other competent authorities in connection with the outsourced activities;

3. establish methods for assessing the performance of the service provider and apply appropriate action if it appears that the service provider may not be carrying out the activities effectively and in accordance with the relevant regulation;
4. together with the service provider establish, implement and maintain a contingency plan for disaster recovery and periodic testing of backup facilities, where that is necessary having regard to the services outsourced;
5. be able to terminate the contract on outsourcing without detriment to the continuity and quality of its provision of services to clients;
6. undertake other measures aimed at avoiding other risks and ensuring that the outsourcing shall not significantly impair the quality of internal control and supervision over operations of the Company in accordance with the relevant regulations.

When the Company outsources its activities, the Company remains fully responsible for compliance with the relevant regulations.

The Company shall ensure that the outsourcing shall not result in:

1. a change in conditions under which the Company was licensed;
2. in the delegation by senior management of its responsibility to other entities;
3. a change in the relationship and obligations of the Company towards its clients;
4. creation of unnecessary, additional business risks;
5. undermining the quality of internal control;
6. hindering supervision over the operations of the Company in accordance with the relevant regulations.

The Company shall notify the Commission of the outsourcing within seven days following the conclusion of the contract.

The Company shall submit to the Commission all the documents and information pertaining to the outsourcing, on request and within the time periods set by the Commission.

When trading abroad the Company has contractual partners for brokerage services in certain markets. The Company in relation to the client does not accept any responsibility for the misconduct of contractual partners, but shall in the event of misconduct represent the interests of the client until the removal of irregularities/misconduct.

IX INFORMATION DELIVERED TO RETAIL CLIENTS IN PARTICULAR

Article 37

Prior to concluding a contract and providing services to a retail client, or a potential retail client, the Company shall provide that client with the following information in a durable medium or by means of a website:

1. the Company and its services;
2. financial instruments;
3. safekeeping of client financial instruments and funds;
4. costs and charges.

The Company shall notify its clients and potential clients in a timely manner about any material change to the information provided under the previous paragraph of this Article.

Information about the Company and its services

Article 38

Information about the Company and its services shall include the following:

1. name and address of the Company, and the contact details necessary to enable clients to communicate effectively with the Company;
2. number and the date of its operating license and name and contact address of the issuing authority;
3. methods and languages of communication to be used between the Company and the client, including the methods for sending and reception of orders and receiving documents and other information from the Company;
4. nature, frequency and timing of the reports on the performance of the service provided by the Company to the client;
5. a summary description of the steps which it takes to ensure their protection, including summary details of the Investor Protection Fund, which the Company is a member of, if the Company holds client financial instruments or client funds;
6. a summary description of the conflicts of interest policy.

The Company shall provide, when requested by the client, further details of that conflicts of interest policy maintained by the Company.

Information about financial instruments

Article 39

Information about financial instruments shall comprise a general description of the nature and risks, characteristic of the financial instruments.

The description of risks referred to in the previous paragraph of this Article, where relevant to the specific type of instrument concerned, shall include the following elements:

1. the risks associated with that type of financial instrument including an explanation of leverage and its effects, and the risk of losing the entire investment;

2. the volatility of the price of such instruments and any limitations on the available market for such instruments;
3. an explanation that as a result of transactions in such instruments, additional financial and other obligations, including contingent liabilities additional to the cost of acquiring the instruments might be incurred;
4. any margin requirements, arising from a loan used for the purchase of the instrument, or similar obligations applicable to instruments of that type.

The Company shall, when providing information about a financial instrument:

1. that is a subject of a current offer to the public and a prospectus has been published in connection with that offer – provide clients and potential clients where that prospectus is made available to the public;
2. in the case of financial instruments that incorporate a guarantee by a third party, the information about the guarantee shall include sufficient detail about the guarantor and guarantee to enable the client and a potential client to make a fair assessment of the guarantee;
3. where the risks associated with a financial instrument composed of two or more different financial instruments or services are likely to be greater than the risks associated with any of the components, the Company shall provide an adequate description of the components of that instrument and the way in which its interaction increases the risks.

Information about safekeeping of client financial instruments and funds

Article 40

The Company, when authorized to hold client funds and/or financial instruments, shall provide those clients with the following information:

1. that financial instruments or funds of that client may be held by a third party on behalf of the Company and of the responsibility of the Company for any acts or omissions of the third party and the consequences for the client of the insolvency of the third party;
2. where financial instruments are held in an omnibus account by a third party, the Company shall inform the client thereof and provide a warning of the resulting risks;
3. where accounts that contain financial instruments or funds belonging to that client or potential client are or will be subject to the law of a jurisdiction of a EU Member State or a non-EU member state, and shall indicate that the rights of the client or potential client relating to those financial instruments or funds may differ accordingly;
4. about the existence and the terms of any security lien which the Company has or may have over the client's financial instruments or funds;
5. before entering into securities financing transactions in relation to financial instruments held by it on behalf of a retail client, or before otherwise using such financial instruments, shall in a timely manner, before the use of those instruments, provide the retail client, in writing, with clear, full and accurate information on the obligations and responsibilities of the Company with respect to the use of those financial instruments, including the terms for their restitution, and on the risks involved.

Prior to providing a service to a client, which is categorized as a professional client, provide information provided for in the previous paragraph, points 4 and 5 of this Article.

Information about costs and charges

Article 41

Information about costs and charges shall include the following:

1. total price to be paid by the client in connection with the financial instrument or the service, including all related fees, commissions, charges and expenses, and all taxes payable via the Company;
2. basis for the calculation of the total price, when the exact price cannot be indicated;
3. an indication of the currency and the applicable currency conversion rates and costs, where any part of the total price referred to in point 1 of this Article is to be paid or represents an amount of foreign currency;
4. notice of the possibility that other costs including taxes and other payments, related to the transaction in connection with the financial instruments or the service may arise for the client that are not paid via the Company or imposed by it;
5. payment arrangements.

For the purposes of the previous paragraph, points 1 and 2 of this Article the commissions charged by the Company shall be itemized separately in every case.

X CONTENT OF CONTRACTS WITH CLIENTS AND MUTUAL RIGHTS AND OBLIGATIONS

Article 42

The Company shall conclude with the client a written contract including:

1. rights and duties of the parties to the contract which may be incorporated by reference to other documents available to the client;
2. other terms on which the Company will provide services to the client;
3. a statement of the client that the Operating Rules and Tariff Rate Rules of the Company have been made available to the client prior to concluding the contract.

Apart from content provided for in the previous paragraph of this Article, the client contract may include other elements.

When the Company receives orders from clients, the parties to the contract shall be the client and the Company.

The Company shall make available to its clients the alterations of the Operating Rules and Tariff Rate Rules within seven days from the date of implementation of those alterations.

Article 43

The Company shall not be required to enter into agreements with the following professional clients, if it provides them services of receipt, transmission, execution of orders and ancillary related services:

1. persons licensed and supervised by the relevant supervisory authority for their operations on the financial market, including: Credit institutions, investment firms, other authorized or regulated financial institutions, insurance companies, collective investment schemes and their management companies, pension funds and their management companies, commodity dealers and other persons supervised by the competent authority;
2. the Republic, autonomous provinces and local government authorities, national and regional governments, the National Bank of Serbia and central banks of foreign countries, international and supranational institutions such as the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organizations.

For clients referred to in the previous paragraph of this Article, the Company shall not be required to apply Articles 18., 20., 42. and 43. of these Operating Rules.

Pursuant to the client contract, the Company shall open a financial instrument account with the CSD for the client, directly or through the medium of another member of the CSD.

By exception to the previous paragraph of this Article, the Company shall open the account of financial instruments for persons for whom a client contract is not required based upon the instructions of such persons and in accordance with the rules of the CSD.

Article 44

Lending contract

The Company may loan to another client, another investment company or a credit institutions that is a member of the CSD financial instruments:

1. whose lawful holder is the Company;
2. whose lawful holder is a client with whom the Company has signed a contract of:
 - keeping a financial instrument account, provided a lending agreement has been signed with the client or there is a written authorization from the client,
 - management, whereby the client financial instrument lending option has been provided;

The Company may loan the client financial instruments for their own account provided the conditions referred to in the previous paragraph, point 2 of this Article have been satisfied.

For the account of the client, the Company may intermediate in the conclusion of an agreement on lending of financial instruments.

Financial instruments over which there is lien or whose turnover is limited shall not be subject to a lending contract.

A lending contract or an authorization for lending shall include, in particular:

1. mutual rights and obligations of the contracting parties;
2. CFI code and ISIN or another internationally recognized indication and the quantity of the financial instruments to be loaned or borrowed;
3. the duration of the contract which must be for at least a year;
4. the time period for which the client financial instruments may be loaned or borrowed;
5. an authorization a client provides the Company to transfer financial instruments from the contract;
6. the provisions on fees, commissions and payment conditions.

The Company shall notify the client of the transfer date, the quantity of transferred instruments and the time period for which the instruments are loaned, by the following working day after the transfer of financial instruments from the client account.

The settlement of obligations of a borrower shall be guaranteed by a lien.

If the borrower fails to settle its due liabilities arising from the lending contract, the lender may determine the value of its claim relative to the value of the financial instruments held on the day of entering into such contract, or on the day of settling the borrower's liabilities, and sell the lien in accordance with the regulations governing contracts and torts.

XI PROTECTION OF CLIENT'S PROPERTY

Article 45

For the purposes of protection of clients' rights, the Company, licensed by the Commission to keep financial instruments and funds of clients shall comply with the following:

1. Records, accounts and relevant correspondence:

- shall be maintained precisely and accurately,
- shall be regularly reconciled with the records and accounts of third persons keeping client assets,
- shall be kept as necessary to enable them at any time and without delay to distinguish assets held for one client from assets held for any other client and from its own assets;

2. Introduce measures ensuring that:

- its account of financial instruments deposited with the CSD is kept separately from the financial instruments of its clients,
- all the client funds deposited in a credit institution which is a member of the CSD are held in an account or accounts identified separately from any accounts used to hold funds belonging to the Company;

3. Introduce measures to minimize the operating risk of the loss or diminution of client assets, or of rights in connection with those assets.

The previous paragraph of this Article shall be applied accordingly when the Company maintains client assets in an omnibus account.

The Company shall use the financial instruments from its client accounts only based on client order.

The Company shall not:

1. Pledge or dispose of client financial instruments without the client's prior written consent;
2. Use client financial instruments to meet its obligations and obligations of other clients.

Article 46

When selecting a foreign depository in which accounts client financial instruments will be held, the Company shall exercise all due care about:

1. the expertise and market reputation of the depository;
2. that the depository is subject to specific regulation in the jurisdiction, governing protection of financial instruments for the account of another person;
3. periodic review of the depository and of the arrangements for the holding and protection of those financial instruments.

By exception to the previous paragraph, point 2 of this Article, the Company shall be allowed to deposit financial instruments held by it on behalf of its clients into an account or accounts opened with a depository in a jurisdiction where the holding and protection of financial instrument for the account of another person are not regulated, only if one of the following conditions is met:

1. the nature of the financial instrument or of the investment services connected with those instruments requires them to be deposited with the depository in that country;
2. where the professional client requests the Company in writing to deposit its instruments with the depository in that country.

Article 47

The Company shall be allowed to enter into arrangements for securities financing transactions in respect of financial instruments held by it on behalf of a client or otherwise use such financial instruments, only if the financial instruments are used on specified terms to which the client has given his consent, and in the case of a retail client, the consent in writing.

The Company shall be allowed to use financial instruments held by it on behalf of its clients in an omnibus account, in securities financing transactions or otherwise, only if, in addition to requirements laid down in the previous paragraph of this Article, the following conditions are also met:

1. each client whose financial instruments are held together in an omnibus account must have given prior express consent to the use of the financial instruments on specified terms;

2. the Company must have in place systems and controls which ensure that only financial instruments belonging to clients who have given prior express consent are used, in accordance with point 1 of this Article.

Article 48

The Company shall ensure that records are kept on:

1. details of the client on whose instructions the use of financial instruments has been effected;
2. quantity of financial instruments used belonging to each client who has given its consent.

The data specified in the previous paragraph of this Article shall be maintained in a way which enables fair allocation of potential losses.

Article 49

The Company licensed to hold client funds shall open a cash account with a credit institution - member of the CSD, separate from the Company's own cash account.

The Company shall ensure that funds from the client account:

1. are used for the payment of obligations in connection to the services performed for the client;
2. are not used for the payment of obligations of another client;
3. are not used for the payment of obligations of the Company.

The Company depositing client funds in a bank abroad shall apply Article 38. of these Operating Rules.

XII TERMS FOR LENDING/BORROWING FINANCIAL INSTRUMENTS

Article 50

Lending of financial instruments, conclusion of repurchase agreements and other similar transactions shall be performed through a member of the CSD.

The Company shall keep records related to transactions in its monthly reports to be submitted to the Commission.

The profit generated from lending of financial instruments of a client shall be attributed to the client, whereas the Company may charge fee for lending contracting services in compliance with the Tariff Rate Rules.

The Company lends financial instruments of one client to another client, other investment company or a credit institution being a member of the CSD if the contract referred to in Article 31 of these Operating Rules or a written authorization authorizes the Company to do so.

The Company may lend financial instruments from its own account to persons referred to in the previous paragraph of this Article while the generated profit stemming from lending of financial instruments shall be attributed to the Company.

XIII CONFLICT OF INTEREST

Article 51

The Company shall be obliged to organize its business operation in such a way to reduce to the greatest possible extent conflicts between its clients' interests and the interests of the Company, including its shareholders, supervisory board or management board and employees of the Company.

When determining conflicts of interests that might damage the interests of clients, the Company shall assess whether the Company, relevant persons or persons closely linked to it, because of providing services or for other reasons:

1. might make a financial gain or avoid a financial loss at the expense of the client;
2. have an interest or benefit from the outcome of the service provided to the client or from a transaction carried out on behalf of the client, which is distinct from the client's interest;
3. have a financial or other incentive to favor the interest of another client or group of clients over the interests of the client;
4. carry out the same business as the client.

Article 52

The Company shall establish, implement and maintain an effective conflicts of interest policy appropriate to the nature, scale and complexity of its business that shall include the following:

1. identify circumstances which constitute or may give rise to a conflict of interest entailing damage to the interests of one or more clients, with reference to the specific investment services carried out by or on behalf of the Company;
2. when the Company is a member of a group, all the circumstance of which the Company is or should be aware, which may give rise to the conflicts of interest arising as a result of the structure and business activities of other members of the group;
3. procedures and measures the Company must implement in order to manage conflicts of interest entailing damage to the interests of one or more clients.

Procedures and measures designed to manage conflicts of interest must:

1. prevent or make impossible to any person to improperly influence the way in which relevant persons provide investment services;
2. remove any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of other relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities;
3. prevent or control the exchange of information between relevant persons involving a risk of a conflict of interest which may harm the interests of one or more clients;
4. prevent or control simultaneous or sequential involvement of a relevant person in services, where such involvement may impair the proper management of conflicts of interest;

5. provide for separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to clients, whose interests may conflict or who otherwise represent different interests that may conflict, including the interests of the Company.

The conflicts of interest policy from paragraph 1 of this Article is given in Appendix 2 and is an integral part of these Operating Rules.

Article 53

Prior to providing a service for the client, the Company shall inform the client of potential types and sources of conflicts of interest with the interests of the Company, or the interests of other clients of the Company.

Taking into account the classification of clients, the notification referred to in the previous paragraph of this Article shall contain sufficient information enabling the client to take an informed decision with respect to the services in the context of which the conflict of interest arises.

The Company shall keep and regularly update information about the services carried out by or on behalf of the Company in which a conflict of interest entailing a material risk of damage to the interests of one or more clients has arisen, or in the case of an ongoing service or activity, may arise.

Professional secrecy

Article 54

Employees, directors and managers of the Company are bound by the obligation of professional secrecy concerning:

1. information about clients;
2. information about client accounts and transactions and amounts in such accounts;
3. information about services provided to clients;
4. other information and facts obtained while providing services.

The Company shall not use or divulge to third persons nor enable third parties to use the information referred to in the previous paragraph of this Article.

The information from paragraph 1 of this Article may be disclosed and presented to third persons only:

1. with the written consent of the client;
2. in the course of supervisory functions of the Commission, CSD or market organizer;
3. based on a court order;
4. based on an order issued by the authority in charge of prevention of money laundering or terrorism financing;
5. on the grounds of an order of another competent government authority.

XVI PERSONAL TRANSACTIONS

Article 55

Personal transaction is a financial instrument transaction done by the relevant person acting beyond relevant person's field of activities, or a transaction performed for the account of the relevant person, a person family related to the relevant person, or tightly close thereof according to the Law, or person whose relation with the relevant person is of such nature allowing the relevant person to have direct, or indirect material interest in transaction results, other than a fee for transaction execution.

The Company shall prohibit any relevant person to carry out the following activities:

1. enter into personal transactions if:

- it involves misuse or improper disclosure of inside or other confidential information relating to clients or transactions with or for clients,
- it conflicts or is likely to conflict with an obligation of Company;

2. advising or procuring any other person to enter into transaction in financial instruments in a way which exceeds authorizations of the relevant person or not covered by the contract on the provision of services;

3. disclose to other person any information or opinion, except within the regular authorizations or within the contract on the provision of services, if the relevant person knows or ought to have known that as a result of such disclosure that other person might:

- enter into a transaction in financial instruments,
- advise or procure another person to enter into such transaction.

Article 56

The Company shall establish, implement and maintain adequate measures preventing prohibited activities by a relevant person who:

1. is involved in the activities that may give rise to a conflict of interest or
2. or has access to inside or other confidential information pertaining to clients or transactions with or for clients by virtue of an activity carried out on behalf or for the Company.

The Company must ensure that:

1. Each relevant person of the Company is aware of the restrictions on personal transactions and of the measures of the Company in connection with personal transactions and disclosure;
2. The Company is informed promptly of any personal transaction;
3. In the case of outsourcing the Company must ensure that the service provider maintains records of personal transactions entered into by any relevant person and provides the information to the Company promptly on request;

4. A record is kept of all personal transactions, including any authorization or prohibition in connection with such transactions.

Article 57

The provisions of these Operating Rules on personal transactions shall not apply to personal transactions in units in open-end investment funds, if the relevant person and any other person for whose account the transactions are effected are not involved in the management of such entity.

Paragraph 1 of this Article shall apply also to persons with whom the relevant person is related or with whom the relevant person has close links.

XIV HANDLING CLIENTS' COMPLAINTS

Article 58

The Company shall establish, implement and maintain effective and transparent procedures for the reasonable and prompt handling of complaints received from retail clients.

The procedure for handling complaints received from retail clients is given in Appendix 3. and is an integral part of these Operating Rules.

The Company shall keep a record of each complaint and the measures taken for its resolution, using the methods and within the time periods stipulated by the Law and bylaws.

Article 59

Client complaints due to possibly irregularly performed transaction by the Company shall be submitted exclusively in written form, via registered mail, to the address of the Company's registered head office or personally delivered to the premises of the Company.

The complaint submitter shall submit his personal information as well as reasons for the complaint.

The Company shall not be obliged to act at anonymous and incomplete complaints.

The Company shall inform the complaint submitter about undertaken actions in respect of resolving the complaint.

XV CAPITAL ADEQUACY AND RISK MANAGEMENT

Capital adequacy

Article 60

The own funds of the Company shall not at any time fall below the minimum capital requirements stipulated by the Law.

In the event that the own funds of the Company fall below the minimum capital requirements referred to stipulated by the Law, the Commission shall allow the Company a limited period of time in which to rectify their situations, or it shall impose supervisory measures provided for under this Law.

The own funds of the Company shall consist of the sum of basic capital, additional capital I and additional capital II as well as other forms of capital reduced by deductible items in compliance with the Commission regulations.

The Commission shall lay down a method for calculation of the capital and the capital adequacy of the Company, as well as which part will be used to cover certain risk types.

Article 61

The Company shall have own funds which are always more than or equal to the sum of capital requirements for market risks, credit risks and operational risks.

The Company shall hold own funds which must at all times be equivalent to not less than one quarter of their preceding year's fixed overheads.

The Commission shall regulate a method for calculation of capital requirements required in order to manage certain types of risks, taking into consideration types of investment services and activities conducted by the Company.

Article 62

The Company shall, in compliance with the Commission regulation, submit to the Commission a report each and every fall in the capital of the company below the level stipulated by the Law and Article 60. of these Operating Rules, and to state in the report facts and circumstances causing the capital fall below that level.

Capital levels referred to in paragraph hereof shall not exceed 120% of the capital requirements for the Company in compliance with the Law, Article 60. of these Operating Rules and the Commission regulations.

The Commission may require from the Company, if it fails to satisfy the capital requirements referred to in paragraph 1 of the law, or if the capital falls below such requirements, to discontinue immediately all investment services and activities of the broker-dealer company with respect to which the Company fails to satisfy such capital requirements and may order the Company to:

- 1) immediately undertake measures to raise its capital above the thresholds required in paragraphs 1 and 2 hereof;
- 2) limit its investment services and activities in areas specified by the Commission until such thresholds are reached or exceeded;
- 3) file timely reports with the Commission regarding the Company's capital until prescribed thresholds are reached or exceeded.

Risk Management

Article 63

Capital of the Company shall always correspond to capital required to cover its liabilities and potential losses due to risks to which the Company is exposed to in its business operations and aimed at preventing from damaging clients or participants in transactions with the Company.

The Company shall calculate the capital amount, risks and exposure as prescribed by the Commission regulation.

Risk management is a set of measures and methods designed to identify, measure, and monitor risks, including also reporting on risks that the Company is or could be exposed to in its business operations.

The Company shall identify measures and assess risks exposed to in its business operations and manage those risks.

The Company shall prescribe procedures concerning identification, risk measurement and assessment as well as risk management in compliance with regulations, standards and rules, which shall contain:

- 1) provisions ensuring functional and organizational separation of activities related to risk management and regular business activities of the Company;
- 2) identification procedures, risk measurement and assessment;
- 3) risk management procedures;
- 4) procedures ensuring control and consistent implementation of all internal procedures of the Company related to the risk management;
- 5) procedures for regular reporting of the management of the Company and the Commission on risk management.

The Company shall be required to have robust governance arrangements, which include a clear organizational structure with well-defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks and large exposures it is or might be exposed to, and adequate internal control mechanisms, including sound administrative and accounting procedures.

The Company's procedures from paragraph 5 of this Article are given in Appendix 4 and are an integral part of these Operating Rules.

Article 64

The Company's procedures from the previous paragraph include all types of risks to which the Company is exposed in its business, in particular:

- 1) market risks;
- 2) credit risks;
- 3) liquidity risks;

- 4) operational risks;
- 5) risks of exposure to one person or a group of affiliated persons.

Market risks

Article 65

Market risks consist of the following: risk of a price change, settlement and counterparty credit risk, large exposures risk, foreign-exchange risk and commodities risk.

Risk of a price change is one due to losses from price changes in the financial instrument or in case of derivative financial instruments it is the price change of bases from which those instruments stem from.

Risk of a price change shall be divided into:

- 1) general position risk – risk of a price change in the financial instrument concerned due to a change in the level of interest rates or to a broad equity-market movement unrelated to any specific attributes of that financial instrument;
- 2) specific position risk – risk of a price change in the instrument concerned due to factors related to its issuer or, in the case of a derivative, the issuer of the underlying instrument.

Settlement risk and credit counterparty risk are the risks of loss due to the counterparty's default to meet the obligations on the basis of trading-book positions.

Foreign-exchange risk is a risk of exchange rate fluctuations.

Commodities risk is a risk of changes to prices of commodities.

The Company shall develop and apply proper policy and procedures relevant to measurement and management of all important elements and effects of market risks.

Credit risk

Article 66

Credit risk is a risk of loss due to incapacity of a client to settle its financial liabilities to the Company.

The Company shall identify credit risks, measure and assess against clients solvency and its timely fulfillment of obligations toward the Company as well as against quality of the instrument of security for a claim of the Company.

The Company shall develop and apply proper policy and procedures for credit risk management.

The Company shall establish and implement an adequate system of management and monitoring of portfolios and individual exposure associated to credit risks as well as appropriate reconciliation of values.

Liquidity risk

Article 67

Liquidity risk is a risk of appearance of adverse effects to financial results and the capital of the Company due to incapacity of the company to settle its financial liabilities.

The Company shall develop and implement proper policies and procedures in relation to continuous liquidity risk measurement and management, regular inspection of adequacy of facts on which the risk liquidity management system is based, current and future cash inflow and outflow management and adoption of a liquidity crisis action plan.

Operational risk

Article 68

Operational risk is a risk of loss resulting from errors, disruptions or impairments caused by inadequate internal processes, people and systems or from external events, and includes legal risk.

The Company shall develop and implement proper policies and procedures in relation to operational risk measurement and management, including some infrequent events that have significant effects and determining what are operational risks in terms of those policies and procedures.

The Company shall adopt a contingency plan as well as operation continuity and loss limitation plan in cases of significant disruption or interruption of business operations.

Risks of exposure of the Company

Article 69

The exposure of the Company to a person shall consist of the total amount of receivables related to that person or a group of persons (credits, investment securities, equity investment and shares, guarantees and aval, etc.).

A group of connected persons referred to in paragraph 1 of this Article shall consist of two or more legal entities or individuals who, unless it is shown otherwise, constitute a single risk for the Company and:

- 1) one of them, directly or indirectly, has control over the other or others;
- 2) they are interconnected in a way which makes it highly probable that, if one of them were to experience improvement or deterioration of economic and financial situation, the other or all of the others would be likely to encounter improvement or deterioration of economic and financial situation, and between them there is a possibility for the transfer of loss, gain or creditworthiness;
- 3) they are related as family members.

Risk related to exceeding the allowed exposure limits is risk of loss due to exceeding the maximum allowed exposure to one person or a group of affiliated persons on the bases of positions from the trading book.

The Company's exposure to a person or a group of connected persons shall be considered a large exposure where its value is equal to or exceeds 10% of the Company's own capital.

The Company may not incur an exposure to a person or a group of connected persons the value of which exceeds 25% of its own capital.

Should the risk exposure of the Company exceed the abovementioned limit, the Company shall promptly inform the Commission on the exposure amount in compliance with provisions of the Law.

Upon completed assessment, the Commission may set a deadline for the Company to comply with the prescribed limit.

The total risk exposure of the Company to persons referred to in Article 46. of these Operating Rules shall not exceed 50% of the Company's own capital.

The sum of total risk exposure of the Company shall not exceed 800% of the Company's own capital.

XVII RECORD KEEPING OF BUSINESS DOCUMENTATION

Article 70

The Company shall keep electronic records and documents of all services and transactions carried out, in a way that facilitates supervision of operations of the Company, and especially supervision of the Company's obligations towards clients.

The Company must:

1. provide the records are up to date;
2. enable access to individual records at any time;
3. keep records of operations with each individual client separate from records on operations with other clients and records on their own operations;
4. provide protection from unauthorized access and potential losses;
5. in the case of transactions carried out on behalf of clients, the records shall contain all the information and details of the identity of the client, and the information required by the law governing prevention of money laundering and terrorism financing.

Article 71

The Company shall keep all the records and documents of all services and transactions carried out for the Company or on behalf of the client, for a period of at least five years after the expiration of the business year the records relate.

Records which set out the respective rights and obligations of the Company and the client shall be retained for at least 5 (five) years after the expiration of the business year in which the contracted relationship with the client has been terminated, or in which the Company has ceased to provide investment services to the client.

The Company shall retain records and business documents for a period longer than provided in paragraphs 1 and 2 of this Article, if it is necessary for the exercise of the supervisory function or a court proceeding.

Article 72

The Company shall maintain records and documents of all services and transactions carried out in such a manner which:

1. enables the Commission to access them readily and to reconstitute each key stage of each transaction;
2. makes it possible for any corrections or other amendments and the contents of the records and documents prior to such corrections or amendments to be easily ascertained;
3. it must not be possible for the records to be manipulated or altered.

When providing investment services based on a client order given over a telephone, by fax or electronically, the Company shall save the original record of all received orders, stating the time of reception and acceptance of such orders.

The Company shall maintain backup copies of all records on a location other than its business premises in a way and within time periods set by these Operating Rules.

The Company shall, after the adoption of the decision revoking its operating license and removal from the Register of Broker-Dealer Companies, submit to the competent archive according to the head office of the Company the entire documentation in relation to clients and other documents which it is, pursuant to relevant regulations, obliged to keep records of in paper or electronic form, and deliver confirmation to the Commission, prior to the entry of these alterations in the Registrar of Companies.

XVIII FINAL PROVISIONS

Article 73

The Shareholders' Meeting of the Company adopts these Operating Rules in the manner and under the procedure laid down for their approval, in accordance with the provisions of the general acts of the Company.

These Operating Rules shall be submitted to the Commission for approval.

Upon obtaining approval from the Commission mentioned in the previous paragraph, in the process of coordination of the Company with the Law, the Operating Rules shall be published on the Company's website.

Operating Rules of Broker-Dealer Company “Momentum Securities” a.d. Novi Sad as of July 5th, 2011, shall become invalid as on the date of entering into force of these Operating Rules.

MOMENTUM SECURITIES AD NOVI SAD

Radoslav Pilja, Chairman of the Meeting

APPENDICES:

- 1) **Appendix 1** – Order execution policy
- 2) **Appendix 2** – Conflicts of interest policy
- 3) **Appendix 3** – Policy of handling complaints of retail clients
- 4) **Appendix 4** – Risk management procedures.