

LAW ON SECURITIES

Skopje, November 2005

CHAPTER I: BASIC PROVISIONS AND DEFINITIONS

Scope of the Law

Article 1

(1) This Law regulates: the manner and conditions for the issuance and trading with Securities; the manner of and conditions for registration of Securities, clearance and settlement of purchase and sale transactions with respect to Securities, and execution of Non-Trade Transfers and restrictions on the rights arising from Securities; the manner and conditions for functioning of the capital market and of the licensed market participants; certain disclosure obligations of issuers of Securities, their officers and directors and certain shareholders; prohibited conduct with respect to operations with Securities; the status and authorities of the Securities Exchange Commission of the Republic of Macedonia; manner and conditions for managing the bankruptcy and liquidation of licensed market intermediaries; and other issues with regard to securities. [Former Article 1, revised].

(2) Provisions of the Trade Company Law and the Law on Bankruptcy, as amended, shall be applied for all matters that are not addressed by this Law. [Former Article 2 revised]

Definitions

Article 2

For the purposes of this Law, the following terms shall, have the following meanings unless otherwise specified:

(1) “Affiliate” shall mean: Related Individual Person; Related Legal Entity; or Individual Person Related to a Legal Entity.

“Related Individual Persons” shall mean natural persons who: are related by adoption or marriage; are siblings, parents, children, grandparents or grandchildren of each other; are otherwise related by kinship to the second degree or have lived together in lasting community for at least five years uninterruptedly, in a relationship of foster parent and child, step-parent and step-child or daughter/son-in-law and mother/father-in-law.

“Related Legal Entities” shall mean, with respect to two legal entities: an entity which owns, directly or indirectly at least 20% of the voting Shares of the other entity; an entity which has a Qualifying Holding in the other entity; an entity 50% of whose members of

the Board of Directors or Supervisory Board or Management Board, as the case may be, are also members of the Board of Directors, Supervisory Board or Management Board, as the case may be of the other legal entity; the same individual or individuals or legal entities have a Qualifying Holding in both entities; or an entity which, as defined by the Law on Trade Companies, as amended, has significant participation, majority participation or mutual participation in the other entity. [Based on SEC Regulation of July 11, 2002]

“Individual Person Related to a Legal Entity” shall mean a natural person who, with respect to a legal entity directly or indirectly owns at least 20% of the voting shares of the entity or in some other way has a Qualifying Holding in the entity. [Based on SEC Regulation of July 11, 2002]

The Commission shall have the authority to prescribe conditions for additional determination of a related person

(2) “Bond” shall mean a Long-Term debt Security, binding the issuer to pay the owner of the Bond, on predetermined dates, the nominal value of the Bond and interest thereon, in one or more installments. A Bond may be secured or unsecured, may have a fixed or floating interest rate, may be zero-coupon, may require interest and/or payments in predetermined installments, may be redeemable by either party under certain circumstances and/or may contain certain rights entitling the owner thereof to convert the Bond into other Securities of the issuer. [Former Articles 22 and 24]

(3) “Certificate of Deposit” shall mean any debt Security, issued by a licensed bank or savings house, based on money deposited with the issuer and which binds the issuer to pay the amount of the deposit and interest thereon to the certificate owner within a determined period of time. A Certificate of Deposit may be freely negotiable and may be issued as a Serial Security. A Certificate of Deposit may be a Long-Term Security or a Short-Term Security, may have a fixed or floating interest rate or be zero-coupon and shall have a fixed maturity date which may be subject to renewal, upon request of the owner, with proper notice requirements. [Former Articles 26 and 28]

(4) “Clearance” shall mean a several – phase process that consists of: identification of the authorized participants in the securities market that concluded trade transaction on the secondary market, identification of the securities that were traded, quantity of the securities that were traded and the price at which the transaction was concluded; confirmation of the elements of the trade transaction by the authorized participants in the securities market that concluded it; and calculation of the obligations between the authorized participants in the securities market that concluded trade transaction on the secondary market.

(5) “Commercial Bill” shall mean a Short-Term debt Security issued by a joint stock company or limited partnership by shares binding the issuer thereof to pay the owner thereof the nominal value on a fixed maturity date and the interest thereon. A Commercial Bill may have a fixed or floating interest rate, or may be zero-coupon.

(6) “Commission” is the Securities and Exchange Commission, which is autonomous and independent body responsible for implementing of this Law, the Law on Investment Funds, as amended, Law on Takeover of Joint Stock Companies, as amended and all regulations issued on the basis of these laws.

(7) “Dematerialized Security” shall mean, with respect to any Security, the existence in an electronic record of such Security.

(8) “Deposit Interest Rate” shall mean an average interest rate paid by commercial banks in the Republic of Macedonia on one-year fixed term denar deposits of physical persons.

(9) “ Depository Receipts” shall mean evidence of ownership in a foreign security (not other wises offered, sold or traded in Republic of Macedonia) created for the purpose of allowing securities activity regarding the foreign securities within Republic of Macedonia.

(10) “Derivative Financial Instruments” shall mean any instrument, the price of which directly or indirectly depends on the price of Securities, commodities, foreign currencies, Securities indices or interest rates, other than depository receipts. [Former Article 11(1), revised]

(11) “Exposure of a Brokerage House” shall mean an aggregate of receivables, securities investments and capital investments of a brokerage house.

(12) “Financial Statement” shall be comprised of an entity’s balance sheet, income statement, statement of changes in basic capital and statement of cash flows.

(13) “Futures Contract” shall mean a standardized contract for future sale of Securities, foreign currencies, commodities, Securities indices or interest rates pursuant to which one of the contracting parties is obliged to deliver the underlying asset and the other contracting party undertakes to pay the agreed-upon price on a previously agreed date. [Former Article 13]

(14) “Inside Information” shall mean any Price Sensitive Information that has not been made public through unrestricted and widespread dissemination via the print and electronic media.

(15) “Institutional Investor” shall mean a bank, insurance company, investment fund or pension fund.

(16) “Licensed Securities Market Participant” shall mean any person or entity involved in the operation of the securities market who has received an operating license from the

Commission, including any securities depository, any stock exchange, any brokerage house, bank, broker or investment advisor.

(17) “License for Operation with Securities” shall include a license for a broker and a license for an investment advisor.

(18) “Listing” shall mean placement by a securities exchange of a class of securities in a separate trading tier in accordance with an agreement between a licensed stock exchange and the issuer of the securities that regulates mutual rights and obligations.

(19) “Long – Term Security” shall mean any Security which matures in a period of one calendar year or longer from the day of its issuance.

”(20) “Price Sensitive Information” shall mean data of a precise nature relating directly or indirectly to an issuer of Securities and which, if it were made public, would either be likely to have a significant effect on the prices of such issuer’s Securities or an investor’s decision to purchase, sell or hold such Securities. [Former Article 152, revised; Based primarily on definition in EU Market Abuse Directive Article 1]

(21) “NBRM Bill” shall mean a Short-Term debt Security issued by the National Bank of the Republic of Macedonia (hereinafter “NBRM”), which requires the NBRM to pay the owner thereof the nominal value of the Security together with the stated interest rate on or prior to the maturity date which is one year or less after the date of issuance.

(22) “Non-Trade Transfer” shall mean any transfer of the ownership of the Securities that arises on the basis of a gift, inheritance, court decision, compensation and realization of a pledge agreement, in accordance with a law.

(23) “Option Contract” shall mean a standardized contract for the future purchase or sale of Securities, foreign currency, commodity, Securities indices or interest rates pursuant to which one of the contracting parties to the contract maintains the right, but not an obligation, to buy or sell the underlying asset at a previously agreed upon price on any business day up to and including the day on which the agreed period expires and for which the other party undertakes an obligation to unconditionally deliver or pay for the agreed underlying Security or other asset, upon the request of the option holder. [Former Article 12]

(24) “Primary Market” shall mean the initial sale of the securities by the issuers, i.e. the initial subscription and payment of the newly – issued securities.

(25) “Private Offering” shall mean offer for subscription and purchase of securities made to: (a) no more than 20 persons individually identified in the issuance act of such securities or (b) institutional investors only.

(26) “Prospectus” shall mean a written document describing Securities offered in the Primary Market, published in the Macedonian language, containing all Price Sensitive Information that enables a purchaser of Securities to make an assessment as to the issuer’s legal standing, financial standing, business prospects, risks of investment and rights attaching to the offered Securities. [based on Former Article 47(1)]

(27) “Public offering” shall mean a public invitation for subscription and purchase of securities, published through a public media.

(28) “Qualifying Holding” shall mean, with respect to an entity: ownership of the majority of voting rights in such entity or ownership of securities that provide a voting right that, if exercised is sufficient to appoint or remove the members of the management board and supervisory board or board of directors.

(29) “Reporting Company” shall mean any legal entity which either has conducted a public offering of Securities or has a basic capital in excess of 1,000,000 Euros in counter denar value and more than 100 shareholders or is listed on a stock exchange. [based on Article 155-a]

(30) “Repurchase Agreement” is a prompt sale/ buying of Securities agreement including an obligation of the seller/buyer for re – purchase / re – sale of the same or similar securities on a future date at a pre – determined price.

(31) “Request for Approval” shall mean a written request submitted to the Commission by the issuer of Securities for permission to make an public or private offering.

(32) “Settlement” is a process of meeting the liabilities of the authorized securities market participants arising from the concluded trade transaction on the secondary market, i.e. performance of the payment by the buyer and transfer of the securities ownership by the seller.

(33) “Secondary Market” shall mean any purchase or sale of previously issued Securities

(34) “Securities” shall mean any of the following instruments:

- (a) Shares in a company;
- (b) Bonds issued by any legal entity;
- (c) Money-Market Instruments;
- (d) Shares and units in the investment funds authorized under the Law on Investment Funds as amended;
- (e) Derivative Financial Instruments;
- (f) Depository Receipts; and
- (g) Other financial instruments determined as Securities according to the Commission;

(35) “Self- Regulatory Organization” shall mean a legal entity whose members are licensed securities market participants and which adopts rules and procedures designed to enforce the rules of the organization and securities legislation of Macedonian through investigation, adjudication and in the case of violations found, the imposition of disciplinary and other measures.

(36) “Serial Securities” shall mean any Securities issued at the same time by the same issuer, conferring equal rights and obligations upon all of the owners thereof.

(37) “Share” shall mean, with respect to a joint stock company or limited partnership by shares, a fractional, undivided ownership interest in the basic capital of that company or limited partnership by shares. A share may be ordinary or preferential [Former Articles 15 and 16, substantially modified]

(38) “Short-Term” with respect to securities shall mean any Securities that mature in a period of less than one year from the date of its issuance. [Former Article 7(1)]

(39) “Trade Transactions” shall mean transfer of the ownership of a Security on the Secondary Market resulting from a purchase or sale of the Security.

(40) Treasury Bill” shall mean a short-term debt security issued by the Republic of Macedonia . [Former Article 32]

(41) “Treasury Share” shall mean a share previously issued and sold by the joint stock company or a limited partnership by shares that has been subsequently acquired by the issuer.

CHAPTER II. ISSUANCE, OFFER AND SALE OF SECURITIES

Subchapter 1. Issuance of Securities

Issuers of Securities

Article 3

Securities may be issued by the Ministry of Finance on behalf of the Republic of Macedonia, the National Bank of the Republic of Macedonia, municipalities and the City of Skopje, joint stock companies, limited companies by shares or any other domestic or

foreign legal entities (hereinafter: the issuer) in accordance to this Law. [Former Article 3]

Dematerialized Securities

Article 4

Securities may be issued in a dematerialized form only.

Obligations of Issuers

Article 5

An issuer of Security shall comply with all obligations emerging from such Securities, as well as the provisions of this or other Laws and regulations issued pursuant to this or other Law.

[Former Article 8]

Nominal Value and Currency of Securities

Article 6

(1) Securities shall be clearly denominated with their nominal value. [Former Article 6(1) and 6(2)]

(2) Securities shall be denominated in Denars or in a foreign currency, but not both. [Former Article 6(3)]

(3) Trade Transactions with Securities within the territory of the Republic of Macedonia shall be conducted in Denars. [Former Article 6(3)]

(4) The issuance of Securities without a nominal value shall be prohibited. [Former Article 6(4)]

(5) Securities issued without nominal value shall be null.

Act of issuance for Securities

Article 7

(1) With respect to each issuance of Securities, the issuer thereof shall prepare an act of issuance which shall contain the following information regarding the Securities as applicable:

- (a) name of Issuer;
- (b) type of Security;

- (c) purpose for which Securities proceeds will be used;
 - (d) type and class of Shares;
 - (e) name of guarantor;
 - (f) series of Security;
 - (g) aggregate value of Securities offered;
 - (h) nominal value of the Security;
 - (i) voting rights conferred by Securities;
 - (j) manner of payment of dividend;
 - (k) interest rate, method of calculation and payment of the interest rate;
 - (l) with respect to Bonds or Commercial Bills only, the amount of basic capital of the issuer (computed on a pro forma basis, taking into account the Security issuance) and calculation of the percentage of the issuer's permanent capital that is attributable to the Securities issuance;
 - (m) convertibility features;
 - (n) sources of funds from which Securities shall be repaid;
 - (o) method and time of Security subscription;
 - (p) quantity and denomination of Securities;
 - (q) method and deadline for payment of subscribed Securities;
 - (r) pre-emption rights (and priority of execution of such rights with respect to multiple series of Shares);
 - (s) manner of announcing Securities issuance;
 - (t) Securities allocation procedure;
 - (u) rights attaching to preferred Shares;
 - (v) identity of known buyers if the issuance is a Private Offering; and
 - (w) sales price of Securities.
- [Former Articles 18, 23, 27, 33 and 34 combined]

(2) The Commission shall prescribe the form and contents of the document on issuance of securities by types of securities.

Maximum Value of Issuances of Securities

Article 8

- (1) An issuer that is a joint stock company or limited partnership by shares may issue any amount of new Shares, as authorized by the issuer's Statute. [Former Article 43(2)]
- (2) The nominal value of a single issuance of Bonds or Commercial Bills, which are not guaranteed by a bank, the NBRM or the Republic of Macedonia shall not exceed the amount of the issuer's basic capital. [Former Article 43(3)]
- (3) If an issuance of Bonds or Commercial Bills is guaranteed by a bank, or the Republic of Macedonia, the highest value of the issuance shall not exceed the amount of the basic capital and the amount of the issued guarantee. [Former Article 43(4)]

Commission Approval for Issuance of Securities

Article 9

(1) The issuance of the Securities in the Primary Market including Treasury shares shall be carried out only upon approval granted by the Commission except in a cases from the Article 29 of this law. [Former Article 37(1) and (2)]

(2) The issuance of Securities in the Primary Market including Treasury shares may be carried out through a Public Offer or Private Offering [Former Article 44, modified]

Option and Futures Contract and other Derivative Financial Instruments

Article 10

The manner and procedure of issuance, offer and sale of Options and Futures Contracts and other derivative financial instruments on the primary market, trade transactions in these instruments in the Secondary Market and the clearance and settlement of trade transactions in these instruments shall be prescribed by the Commission. [Former Article 14]

Depository Receipt

Article 11

(1) Depository receipt which is issued, offered, sold and transferred within the Republic of Macedonia evidences fractional, undivided ownership in one or more: common shares, preferred shares or debt securities of a foreign issuer listed on a stock exchange or traded on another regulated market of any member state of the Organization for Economic Cooperation and Development; and/or debt securities issued or guaranteed by the Government of the member countries of the Organization for Economic Cooperation and Development or the central banks of such states.

(2) The act of issuance specifically provides that income received from the [underlying security](#), whether in the form of interest, dividends or otherwise, shall be distributed to the holders of the depository receipt and shall not be reinvested into the [deposited securities](#).

(3) The act of issuance specifically provides that proceeds resulting from the maturity of any underlying debt security or other [underlying limited lifespan security](#) shall be distributed to the holders of the depository receipt and shall not be reinvested into the [deposited securities](#).

(4) The depository receipt has to have the words “depository receipt” in its name.

(5) The provisions of this law that apply to issuance, offer, sale, non-trade transfer, the reporting requirements of the issuer and the Commission authority with regard to other securities, shall also apply to depository receipts.

Subchapter 2. Public Offerings

Requirement for Approval for Public Offerings of Securities

Article 12

(1) The issuance, issuance, offer and sale of Securities shall be carried out upon approval granted by the Commission to the request for issuance of securities through public offerings, unless otherwise provided herein. [Former Articles 37(1) and (2)]

Contents of the Request for Approval for Issuing Securities through Public Offer

Article 13

(1) The issuer shall submit a Request for Approval to the Commission in order to issue Securities through the process of public offering. [Former Article 38(1)]

(2) The Request for Approval shall consist of the following:

- (a) basic data about the issuer of the Securities;
- (b) basic data about the persons on the Supervisory Board and Management Board or the Board of Directors of the issuer
- (c) basic data about the Security to be issued; and
- (d) data about the business of the issuer and the use of proceeds from the emission of the Securities.

[Former Article 38(2)]

(3) The Commission shall prescribe the contents of the Request for Approval for issuance of Securities, per types of issuers and per types of Securities, through the process of public offering. [Former Article 38(3)]

Documents Submitted with the Request for Approval

Article 14

(1) When submitting a Request for Approval, the issuer shall also submit the following documentation:

- a) Statute of the company;
- b) Trade registration;
- c) Financial Statements for the previous three years compiled in accordance with the International Financial Reporting Standards;

- d) Report of a certified auditor for the previous three years conforming to International Standards of Auditing;
 - e) Act for issuing Securities;
 - f) A statement of the management, appointing a person who is designated by the issuer as the one who is responsible for the contents for the Prospectus and who assures that:
 - i. the issuance is in compliance with this Law and the act of issuance;
 - ii. the data and information contained in the Request for Approval are true and correct; and
 - iii. the data and information contained in the Prospectus are true and correct and the Prospectus does not omit any Price Sensitive Information, except omissions approved by the Commission;
 - g) A proposed Prospectus and invitation to subscribe and pay for the Securities and other information for purchasers;
 - h) Other documents that the Commission further requires.
- [Former Article 39(1) and 47(2)]

(2) In the event that the Request for Approval relates to a second or further public offer of Shares the issuer shall submit the following data:

- a) Value of the previous approved and realized sales; and
- b) Type and quantity of the previously issued securities, with a description of the rights deriving from them and their nominal value.

[Former Article 39(2)]

- c) Other information related to the issued securities according to regulations issued by the Commission

(3) The issuer shall also pay a fee imposed by the Commission for its work in reviewing the Request for Approval in accordance with the Commission's tariff from the Article 227, paragraph 2 of this law..

(4) The Commission shall prescribe the form and contents of the Prospectus and invitation for subscription of securities.

Non-Disclosure of Price-Sensitive Information

Article 15

(1) A legal entity that has submitted a Request for Approval may, in exceptional circumstances, request from the Commission permission not to disclose in its Prospectus certain information in accordance with the provisions of this Chapter if public disclosure of such information would significantly endanger the business secrets of the legal entity and would be contrary to both purchaser's and current shareholder's interest and if the legal entity is able to guarantee that such data would not otherwise be disclosed to the public.

(2) The approval of the Commission for nondisclosure of price-sensitive information referred to in Paragraph 1 of this Article shall be published in the Prospectus.

(3) The Commission shall prescribe the contents, method and deadlines for the request referred to in Paragraph (1) of this Article.

Decisions on Requests for Approval

Article 16

(1) The Commission shall issue a formal decision to approve or reject a Request for Approval not later than sixty (60) calendar days following the day of submission of the complete documentation. [Former Article 41, modified]

(2) On the basis of the information and documentation submitted pursuant to Articles 13 and 14 of this Law, the Commission shall decide whether to grant or deny a Request for Approval. [Former Article 42, modified]

(3) The approval shall not be granted if the Prospectus:

- (a) fails to comply in any substantial respect with this Law or the regulations deriving under this Law;
- (b) contains any promise, statement, estimate or forecast that is misleading, false or deceptive; or
- (c) contains a misrepresentation or omits important information.

(4) If the Commission issues an approval for issuance of Securities the Prospectus submitted pursuant to Article 14 Item (g) of this Article shall be deemed approved. [new]

Commencement of Procedure for Subscription and Payment in of Securities

Article 17

(1) The issuer shall begin the procedure for subscription and payment for publicly offered Securities within, but not later than, thirty (30) calendar days following the date of receipt of the Commission's approval pursuant to Article 16 of this Law. [Former Article 45(1)]

(2) In the event that the Commission, having approved an emission obtains information which, had it been obtained in due time, would have been a reason to deny the Request for Approval, if the circumstances have changed to such an extent that the Commission will no longer grant its approval and/or the issuer or any affiliated person issues an advertisement that violates Article 20 of this Law, the Commission may issue a decision to cancel its decision, and the issuer shall immediately cease any further sale of Securities. [Former Article 45(2)]

(3) If the Commission cancels the decision pursuant to Paragraph (2) of this Article, all subscriptions for the Securities shall be cancelled and any payments received by the issuer for such Securities shall be returned to the purchaser together with interest calculated at the deposit interest rate. [new].

Publishing of the Invitation for Subscription and Payment in and

Prospectus

Article 18

(1) The issuer shall publish an invitation for subscription for and payment of its Securities in the Macedonian language and Cyrillic alphabet in a daily newspaper published on the territory of the Republic of Macedonia, fourteen (14) calendar days prior to the commencement of the subscription for Securities. [Former Article 46(2)]

(2) The invitation from paragraph 1 of this Article may also be published in a daily newspaper published on the territory of the Republic of Macedonia in one of the languages of the ethnic communities which are not majority in the Republic of Macedonia.

(3) The issuer shall publish the Prospectus and invitation for subscription and payment of the Securities on the stock exchange's web page where the Securities are or will be listed fourteen (14) calendar days prior to the commencement of the subscription for Securities.

(3) The Prospectus shall be made available to all interested parties in the main offices of the issuer and in all locations at which the applicable Securities may be subscribed for and paid. [Former Article 47(2)]

(4) The final contents of the Prospectus as published and made available to interested parties shall not differ from the version of the Prospectus approved by the Commission when granting the Request for Approval. [Former Article 49]

Change in Circumstances during Public Offer

Article 19

(1) During the course of a public offer, the issuer shall not change its general acts related to the rights of Security owners that are described in the Prospectus. [Former Article 50(1)]

(2) Should, during the course of a public offering, any Price Sensitive Information in the Prospectus cease to be true and accurate or should new information become available which would be important to an investor's purchase decision in the course of the public offering, the issuer shall immediately (a) cease the public offer of the Securities; (b) notify the Commission and the public; and (c) seek the Commission's approval to

undertake appropriate amendments of the Prospectus. Such amendments must be made public within three (3) business days of receiving approval from the Commission. The issuer shall deliver an updated Prospectus to all persons who previously subscribed to Securities during the offering, along with a notice to the subscribers of their right of cancellation pursuant to paragraph 3 of this Article.

(3) Any person who had subscribed and/or paid for such Securities on the basis of the original Prospectus shall, within fifteen (15) calendar days of receiving an amended Prospectus, be entitled to cancel their subscription and receive a full refund of any monies paid for such Securities, together with interest calculated according to the deposit interest rate. [Based on Former Article 50, substantially revised]

Advertising during Public Offer

Article 20

(1) An issuer of Securities may issue advertisements in conjunction with a public offering of Securities.

(2) All advertisements relating to an public offer of Securities shall include information on the day of the first publishing of the Prospectus and the location where a copy of it may be obtained.

(3) Advertisements shall be of promotional nature. The information in an advertisement shall not be inaccurate or misleading and shall be consistent with the information contained in the Prospectus.

[new Article, based on EU Directive 2003/71/EC]

Subscription Procedure

Article 21

(1) Subscription for publicly offered Securities shall be carried out at the seat of the issuer or at an office of a brokerage house or bank which is authorized by the issuer. [Former Article 51(1)]

(2) Authorized market intermediaries shall ensure that the subscription for Securities complies with this Law. [Former Article 51(2)]

(3) During the subscription period, all amounts paid by a purchaser for offered Securities shall be kept in a special account at a bank and such funds may not be withdrawn or used by an issuer until the offering has been successfully closed in accordance with Article 23 of this Law. [new]

(4) Any amounts paid by an investor during a subscription period shall not be considered part of the bankruptcy estate of the issuer in the event that the issuer becomes insolvent or

is subject to bankruptcy proceedings at any time prior to the successful close of an offer in accordance with Article 23 of this Law.

(5) In the event that the issuer becomes insolvent or subject to bankruptcy proceedings, the offering shall be automatically cancelled and subscribers' monies shall be returned according to Article 23, paragraph 2 of this Law. [new]

(6) The Commission shall prescribe the procedure of subscription of Securities. [Former Article 51(3)]

Public Offer Realization Deadline

Article 22

The public offer of Securities shall be conducted no longer than twelve (12) months after the day stipulated in the Prospectus for the commencement of subscribing and paying in of the Securities. [Former Article 52(1), modified]

Closing a Public Offer

Article 23

(1) The public offer shall be deemed successful if, within the deadline set forth in Article 22, at least 60% of the Securities offered in the Prospectus are subscribed for, unless a higher threshold is stipulated by the issuer in the Prospectus. [new]

(2) If the public offer is not realized as referred to in paragraph (1) of this Article, it shall be considered unsuccessful and all subscriptions for the offered Securities shall be rescinded and any payments received for the offered Securities shall be refunded to the investors together with interest calculated according to the deposit interest rate. [new]

(3) The issuer may close the offer on a date determined by the issuer, prior to the deadline set forth in Article 22, provided that 60% of the offered Securities (or a higher threshold, as stipulated by the issuer in the Prospectus) have been subscribed and paid for. In this event the issuer shall provide notice to the Commission and the public at least 15 (fifteen) days prior to the closing date. The issuer may not close an offering prior to the date set forth in the Prospectus. [new]

(4) After the public offer has been closed in accordance with Paragraphs (1) and (3) of this Article, all of the Securities which have not been paid shall not be subject to sale.

(5) Upon successful closing the public offer the issuer shall register the Securities with a licensed securities depository.

(6) During the public offer, no trading in the Secondary Market in the Securities being offered may occur until the Securities are registered with the authorized depository. Article 52(2), modified]

(7) The Commission shall prescribe the required content of the notification required under paragraph 3 of this Article.

Reporting on the Outcome of the Public Offer

Article 24

(1) Not later than fifteen (15) calendar days following the close of a public offer, the issuer shall notify the Commission of the quantity of the subscribed and paid Securities i.e., the realization percentage. [Former Article 52(3)]

(2) The Commission shall prescribe the required content of the notification of the subscribed and paid Securities (i.e., the realization percentage.) [Former Article 52(4)]

(3) The issuer shall publish the information set forth in Paragraph (1) of this Article in at least one daily newspaper published on the entire territory of the Republic of Macedonia in the Macedonian language and its Cyrillic alphabet or in a language of the ethnic communities which are not majority in the Republic of Macedonia no later than fifteen (15) calendar days after the offering is closed. [Former Article 52(5)].

(4) In case the issuer is to provide consent of another entity on the registration of Securities sold, the notification to the Commission of Paragraph (1) of this Article shall be submitted following the provision of such consent. [Former Article 52(6)]

Offer for Sell of Treasury Shares

Article 25

(1) A joint stock company and limited partnership by shares intending to offer for sell Treasury Shares shall notify the Commission and submit the decision on resale of treasury shares.

(2) All offers for sales of Treasury Shares shall be considered a Public Offer, unless the offer qualifies as an exempt in accordance to Article 26 or private offering in accordance to Article 27 of this Law.

Subchapter 3. Exempt Offerings

Offerings in an Amount Lower than 25,000 Euros in Denar Counter Value

Article 26

(1) Commission's approval shall not be required for any issuance of Securities where the value of the sale does not exceed 25,000 Euros in denar counter value. [Former Article 37(2)]

(2) An issuer of Securities referred to in Paragraph (1) of this Article shall notify the Commission of such offering and submit to the Commission an act of issuance with respect to the Securities, as well as provide a public announcement regarding these offerings. [Former Article 40]

(3) An issuer may make an issuance of Securities without Commission approval pursuant to paragraph (1) of this Article no more than once every two (2) calendar years. [Former Article ____]

(4) The Commission shall prescribe the contents of the notification referred to in Paragraph 2 of this Article.

Subchapter 4. Private Offering

Procedure for Realization of the Private Offering.

Article 27

(1) In the event of a Private Offering, the issuer shall submit to the Commission its request for approval of private offering, an act of issuance of securities and a proposed announcement to the public for realization of the Private Offering. [Former Article 46(3), modified]

(2) The Commission shall issue a decision to approve or deny the application for a Private Offering within thirty (30) calendar days after receiving the complete documentation referred to in paragraph (1) of this Article.

(3) On the basis of the information and documentation submitted pursuant to paragraph (1) of this Article, the Commission shall decide whether to approve or deny the private offering.

(4) Securities offered pursuant to a Private Offering shall be paid for within fifteen (15) calendar days of the finality of the decision referred to in paragraph (2) of this Article.

(5) Within five (5) business days of closing a Private Offering offering, an issuer shall inform the Commission as to the quantity of the Securities subscribed for and paid for (i.e., the realization percentage).

(6) The procedure for realization of the Private Offering in accordance with this Law shall be also applied when the principle of the company increases in a form of new shares, regardless of the number of shareholders that acquire new shares.

(7) An issuer may make a private offering of securities pursuant to this Article not more than once per calendar year.

(8) The issuer shall also pay a fee imposed by the Commission for its work in reviewing the Request for Approval in accordance with the Commission's tariff from the Article 227, paragraph 2 of this Law.

(9) The Commission shall prescribe the form and the contents of the request for approval and announcement referred to paragraph (1) of this Article and the notice referred in paragraph (5) of this Article. [former Article 40 and Article 46(4) combined]

Change in Purchasers in Private Offering

Article 28

(1) If the identity of any of the named purchasers is changed in the course of a Private Offering, the issuer shall seek the Commission's approval on the change. [Former Article 46-a]

(2) If the identity of any of the named purchasers is changed, the issuer shall submit a revised act of issuance with correct information as to the purchasers' identities.

(3) The Commission may nullify any Private Offering, which results in a sale of Securities to a purchaser not identified in the issuer's act of issuance. [Former 46-a]

Subchapter 5. Exemption when the Approval from the Commission Is Not Required

Exemptions when the approval from the Commission is not required

Article 29

(1) The requirements set forth in this chapter shall not apply to:

(a) securities issued or guaranteed by the Republic of Macedonia; [Former Article 37(2)]

- (b) securities issued by the National Bank of the Republic of Macedonia; [Former Article 37(2)]
- (c) securities issued upon the process of transformation of one form of legal entity into a joint stock company or limited partnership by shares, provided that the amount of the basic capital of the entity remains unchanged and all holders receive their pro rata amount of newly-issued Shares; [Former Article 37(2)]
- (d) securities issued upon the simultaneous founding of a joint stock company or limited partnership by shares. [Former Article 37(2)]
- (e) certificates of deposit not issued as serial securities;
- (f) stock splits.

CHAPTER III. SECURITIES DEPOSITORIES, REGISTRATION OF SECURITIES, SETTLEMENT OF TRADE TRANSACTIONS AND NON-TRADE TRANSFERS

Subchapter 1. Securities Depositories

Registration of Securities, Settlement of Trade Transactions and Non-Trade Transfers

Article 30

- (1) A securities depository (hereinafter, “Depository”) shall be established for registration of Securities, execution of Non-Trade Transfers and for settlement of Trade Transactions in the Republic of Macedonia. [Former Article 127 (1).]
- (2) A depository shall function as a self-regulatory organization.

Ownership Rights of Securities

Article 31

- (1) Ownership rights with respect to Securities are created upon the entry of the Security into the owner’s account at a Depository and transferred by entry of the Security into the account of the new owner at a Depository. [Former Article 137(1)]
- (2) Rights conferred by Securities may be obtained, limited or transferred only by means of entry in the securities accounts of a Depository, unless otherwise determined by law. [Former Article 137(2)]

(3) All data recorded at a Depository pertaining to the ownership of Securities shall be deemed to be true and accurate. [Former Article 135(1)]

(4) A statement of balance of a securities account provided by a Depository to an owner of Securities pursuant to paragraph (2) or (4) of Article 66 of this Law shall be considered proof of ownership rights of such Securities as of the date and time such statement was issued. [new]

Depository Functions

Article 32

(1) The functions of a Depository shall be:

- (a) registering issuances and transfers of all Securities issued in the Republic of Macedonia in electronic form (Maintenance of a register of Securities);
- (b) issuance of international securities identification number (“ISIN”) for all issued Securities;
- (c) registration of the owners of Securities;
- (d) Settlement of Trade Transactions according to the “delivery versus payment” principle;
- (e) execution of Non-Trade Transfers
- (f) facilitation of the borrowing and lending of Securities;
- (g) monitoring over the solvency of its members in order to manage risk related to possible non performance;
- (h) providing additional services to issuers of Securities as set forth in the following paragraph.

[Former Article 133; items, (d) and (e) are new]

(2) A Depository may also render the following additional services on behalf of issuers of Securities:

- (a) submission of an updated list of all existing owners of such issuer’s Securities;
- (b) other services related to issued Securities like calculation and payment of dividend and interest, notifications to shareholders of shareholder assemblies etc.

[Former Article 145]

License to Establish a Depository

Article 33

(1) A legal entity may not conduct the functions in Article 32, paragraph 1 of this Law without obtaining a license to establish a depository from the Commission in accordance to Article 43 of this law.

(2) No person or entity may register in the Trade Companies Register under the name “securities depository”, nor may it operate using the name “securities depository” unless it has obtained a license for establishment and operation as a Depository from the Commission. [new, based on Revised Article 68(2) to be consistent with provisions applying to stock exchange]

Establishment of a Depository

Article 34

(1) A Depository shall be founded as a joint stock company with its headquarters in the Republic of Macedonia in accordance to the Law on Trade Companies and this Law. [former Article 128(2)]

(2) A Depository may be founded by brokerage houses, banks, insurance companies or fund management companies. [former Article 128(1)];

(3) A Depository must have and maintain at all times a Minimum Basic Capital in the amount of at least 500,000 Euros (in Denar counter value calculated at the middle exchange rate of the NBRM), commencing on the date of receipt of a license to establish and operate an depository. [Former Article 129, changed from 300,000 to 500,000 Euros]

(4) The Commission shall prescribe the required structure and the manner of calculation of the Minimum Basic Capital for a Depository. [new]

Ownership Rights in a Depository

Article 35

(1) Only brokerage houses, banks, insurance companies or fund management companies may be shareholders of a Depository. [new, to be consistent with provisions applying to securities exchange]

(2) No shareholder of a Depository, along with its Affiliates, may own more than 15 % of the voting shares of the Depository. [Former Article 128(3)]

(3) In case a shareholder at the Depository, together with the related persons, acquires more than 15% of the voting shares of the Depository he/she shall transfer the amount of shares in excess of the permitted percentage that he/she possesses within one (1) year. During the possession of the amount of shares in excess of the permitted percentage the excess shares shall be deprived of the voting right.

(4) During a shareholder’s assembly the percentage of voting shares deriving from the aggregate of the issued shares of the Depository shall be reduced by the amount of shares

acquired in excess of the permitted percentage referred to in Paragraph 2 of this Article, so that in exercising the voting right the shareholder referred to in Paragraph 2 of this Article shall be deemed to possess 15% of the voting right.

(5) Equity holdings may be returned to shareholders members only in case of permanent termination of the Depository, following a complete clearance of all liabilities of the Depository. [new, based on former Article 84 to be consistent with provisions applicable to securities exchange.]

(6) Owners of shares of the Depository may sell their shares only to the persons mentioned in the paragraph 1 of this Article.

Board of Directors of Depository

Article 36

(1) A member of the Board of Directors or Supervisory and Management Board, as the case may be, of a Depository, may be each person that has experience in the field of finance and business law for at least three (3) years and may not a person:

(a) sentenced to imprisonment from the period of effectiveness of the verdict till the day of servicing the sentence and 5 years from the day when he/she serviced the sentence, in the case of conviction up to 3-year imprisonment;

(b) sentenced to imprisonment from the period of effectiveness of the verdict till the day of servicing the sentence and 10 years from the day when he/she serviced the sentence, in the case of conviction beyond 3-years imprisonment;

(c) against whom a security measure prohibition performance of a profession, activity or duty has been enforced.

In a case of deleting the conviction referred to in the item 1 and 2 of this Article provisions of the Criminal Code shall apply.

(2) In the case of a Depository with a two-tier management structure, at least 1/3 of the members Management Board and Supervisory Board shall be individuals who are not employed by or otherwise affiliated with the Depository, any shareholder or member of the Depository or other legal entity which is a Licensed Securities Market Participant. [new, based on Commission's proposal for outside directors; consistent with provisions applicable to securities exchange]

(3) In the case of a Depository with a one-tier management structure, at least 1/3 of the members of Board of Directors shall be individuals who are not employed by or otherwise affiliated with the Depository, any shareholder or member of the Depository, or any legal entity that is a Licensed Securities Market Participant. [new; based on Commission's proposal for outside directors]

Statute of Depository

Article 37

A Depository Statute, in addition to issues determined in the Trade Company Law as amended, shall determine the following:

- (a) criteria and duties and rights of members of the Depository;
- (b) conditions, criteria and documents required for admission of individual members to the Depository and their rights and duties;
- (c) possible reasons for denying certain Depository members the right to participate in Depository operations;
- (d) basic principles in Depository operating ;
- (e) method of audit conducted by the Depository itself over operations carried out by the Depository and its members;
- (f) the method of resolving potential disputes between members of the Depository, the Depository and its members and the clients and members;
- (g) the method of prevention of abuse of information not accessible to all members of the Depository;
- (h) the method of prevention of abuse and failure to settle Trade Transactions.
- (i) the method of organizing information systems; and
- (j) other issues related to the operation of the Depository.

[New – parallel to requirement in proposed Chapter IV (Exchange)]

Members of a Depository

Article 38

(1) Only Licensed Securities Market Participants that are registered in the Trade Companies Register may be members of a Depository. [new, based on revised former Article 87 to be consistent with provisions applicable to securities exchange].

(2) A member of the Depository may not be required to become a shareholder of the Depository. [new]

(3) A Depository shall adopt Membership Rules that closely determine membership criteria and duties and rights of members of the Depository in accordance to this Law and the Statute of the Depository. [new]

(4) A Depository shall be obliged to allow any entity meeting the conditions laid down in its Membership Rules to become a member of the Depository. [New]

(5) The Depository's Membership Rules shall require that a Depository member shall:

- (a) be licensed by the Commission for performing services with respect to Securities;
- (b) be adequately equipped in terms of organization and technical equipment; and
- (c) satisfy any other criteria as the Commission and the Depository may prescribe.;

(d) submit copies of the financial reports to the CSD as filed to the Commission pursuant to this Law.

(6) The Depository's Membership Rules shall require that an entity applying for membership shall submit the following:

(a) application in writing and in such form and with such content as determined by the Depository;

(b) a copy of its by-laws ;

(c) a copy of its license for performing services related to Securities as issued by the Commission; and

(d) any additional information as the Depository may require under its membership rules. [new, based on former Article 89 to be consistent with provisions applicable to the exchange]

(7) Licensed Securities Market Participants that are denied membership in a Depository may appeal the Depository's decision to the Commission within fifteen (15) calendar days of receipt of the decision. [new]

(8) All Depository members shall comply with the Rules of the Depository. [new]

Operating Rules of Depository

Article 39

(1) A Depository shall issue Operating Rules which closely determine:

(a) the manner of maintaining the register of Securities;

(b) the manner and procedure for settlement of liabilities resulting from a Trade Transaction;

(c) the manner and procedure for execution of Non-Trade Transfers;

(d) the manner of maintaining the accounts of Securities owners; and

(e) the means of protecting against errors in operation of the Depository.

[Based on former Article 139(1)]

(2) A Depository shall establish a system or mechanism for securing continuity of settlement of trade transactions prescribed by the Depository. [new]

Tariff of a Depository

Article 40

All users of services of a Depository shall pay fees in accordance with a tariff adopted by the Depository. [Former Article 149(2)]

Self-Regulatory Organization Status

Article 41

(1) A Depository as a Self-Regulatory Organization (“SRO”) shall adopt Conduct and Disciplinary Rules designed to enforce the Depository’s Rules, the provisions of this Law, regulation issued in accordance to this law or other laws within the Commission’s competence.

(2) A depository’s Conduct and Disciplinary Rules shall grant authority to the Depository’s General Director to take measures and/or temporarily or permanently revoke a member’s right to participate in the operation of the Depository if the member fails to comply with the rules of the Depository or fails to fulfill liabilities under executed transactions with respect to Securities. [new; parallel to the Exchange]

(3) The Depository’s Conduct and Disciplinary Rules shall include the right to appeal:

(a) a disciplinary decision made by the Depository’s General Director to the Depository’s Board of Directors or Management Board, as the case may be, within fifteen (15) calendar days of receipt of such decision; and

(b) a disciplinary decision made by the Depository’s Board of Directors or Management Board, as the case may be, to the Commission within fifteen (15) calendar days of receipt of such decision. [Former Article 140, revised]

Settlement of Disputes Among Members

Article 42

(1) A licensed securities Depository shall adopt Arbitration Rules designed to closely resolve disputes between members and between members and their customers in a fair, efficient and trustworthy manner. [new]

(2) All disputes between members of the Depository shall be resolved through arbitration. Disputes between members and their customers shall be resolved through arbitration upon request of the customer. [new]

(3) A Depository may develop Arbitration Rules in cooperation with other depositories and/or securities exchanges and may jointly apply the same.

(4) The Commission shall approve the Arbitration Rules referred to in paragraph 3 of this Article.

License for Establishing a Depository

Article 43

(1) Founders of a depository submitting an application to the Commission for a license for establishing a securities depository shall submit the following:

(a) a written application, in such form and with such contents as determined by the Commission;

(b) proposed copy of its Operating Rules, Membership Rules, Conduct and Disciplinary Rules and Arbitration Rules;

(c) Statute; and

(d) business plan for the establishment and operation of the Depository which shall include, without limitation:

i. proof that the Depository has adequate infrastructure and computer systems to maintain a register of Securities in a manner that fully protects the interest of securities holders and issuers;

ii. proof that the Depository has sufficient equipment and capability for quick and accurate settlement of Trade Transactions and execution of Non – trade Transfers; and

iii. proof that the Depository is adequately equipped in terms of staff, technology and organization to perform the functions of a securities depository.

(2) The Commission shall decide upon Depository's license application within sixty (60) calendar days after it has notified the applicant that it has received a complete application. The Commission shall submit the notification for completion of application to the applicant within five (5) working days of the day of receipt of the application.

(3) The Commission shall grant an application for the license to establish a depository if it finds that:

(a) the Membership Rules provide for open and equal access by all qualified applicants;

(b) the Operating Rules provide for a high degree of:

(i) effective method for registration of Securities;

(ii) orderly settlement of Trade Transactions;

(iii) equal treatment of members;

(iv) open access to all members;

(v) honesty in business dealings;

(vi) security of confidential information; and

(v) dissemination of required information.

(c) the Conduct and Disciplinary Rules are adequate to provide for full and fair enforcement of the Depository's rules, this Law and the regulations adopted hereunder;

(d) the Arbitration Rules provide efficient, fair and timely dispute resolution;

(e) the Depository is capable of performing all required operations in terms of staff, technical equipment and organization;

(f) the Depository has at least three employees with a license for operating with securities;

(g) the Depository has adequate information, computer and communication system to perform registration and recording functions with respect to both Trade Transactions and Non-Trade Transfers; and

(h) the Depository shall have organizational departments to provide efficient and uniform performance of Depository functions.

(4) The Commission shall issue a decision for refusal of the application for issuing license for establishing a Depository if it finds that the conditions under paragraph 3 of the Article are not satisfied.

(5) The decision regarding an approval of a license for a Depository shall be published by the Commission in the Official Gazette of the Republic of Macedonia, as well as on the web site of the Commission

(6) The Commission shall prescribe the manner and the procedure for obtaining a license for establishing a Depository. [Former Article 130]

Liability of Depository

Article 44

A Depository shall be liable for damages compensation for loss, including lost income, occurring due to inaccuracy or loss of data related to Dematerialized Securities and/or improper execution of a Trade Transaction or Non-Trade Transfer and/or by violation of its rules, if the conduct arises from negligent activity by the depository's employees, officers or directors. [new]

Prohibited Acts

Article 45

(1) A Depository may not purchase or otherwise acquire or own any Security for its own account if it registers those Securities in its system.

(2) Notwithstanding paragraph 1, the Depository may purchase or otherwise acquire or own government securities and its Treasury Shares.

(3) No full-time employee of a Depository may be a member of the Supervisory Board and the Management Board or Board of Directors of a shareholder or member of the Depository and may not perform any services for them or activities on their behalf, outside the scope of their responsibilities as Depository employee.

Acts Subject to Commission Approval

Article 46

(1) A Depository shall obtain approval from Commission for:

(a) Statute and any changes and amendments to it;

(b) adoption of its Membership Rules, Operating Rules, Arbitration Rules and Conduct and Disciplinary Rules and any amendments thereto;

- (c) Tariff book and any changes to the tariff book; or
- (d) adoption of acts for different manners of connecting or merging with other Depositories.

(2) For the purpose of investor protection or securing fair and proper registration of securities, clearing and settlement of the trade transaction and execution of non trade transaction with Securities, the Commission may direct the Depository to introduce changes or adopt new acts or Rules related to the work and operations of the Depository. [Former Article 131, revised and paragraph 2 is new – based on parallel provision in proposed Chapter IV (Exchange)]

Appointment of a Depository Director

Article 47

- (1) The appointment of a Director of a Depository shall be approved by the Commission.
- (2) Along with the request for consent for appointment of a Depository Director, the following documents shall be submitted:
 - (a) short biography or curriculum vitae of the proposed Director;
 - (b) resolution of the Depository's authorizing body appointing the proposed Director;
 - (c) certificate of educational background in the area of economic, finance or business law;
 - (d) a copy of the license for operating with securities issued by the Commission; and
- (3) The Commission shall approve the appointment of the Director within sixty (60) calendar days from the day of reception of the request referred in paragraph 2 of this Article unless it finds that the proposed Director:
 - (a) is subject to a security measure prohibiting performance of a profession, activity or duty;
 - (b) is sentenced to imprisonment :
 - from the period of effectiveness of the verdict till the day of servicing the sentence and 5 years from the day when he/she serviced the sentence, in the case of conviction up to 3-year imprisonment;
 - from the period of effectiveness of the verdict till the day of servicing the sentence and 10 years from the day when he/she serviced the sentence, in the case of conviction beyond 3-years imprisonment.

In a case of deleting the conviction referred to in the item (b) paragraph 3 of this Article, provisions of the Criminal Code shall apply.

- (c) does not possess a license to perform services with respect to Securities issued by the Commission;
- (d) has been irrevocably adjudicated by a court to have contributed to or caused the bankruptcy of a legal entity; or
- (e) provides false information in the documents submitted in accordance with paragraph 2 of this Article.

(4) The Commission shall provide a reasonable written explanation of any decision not to approve the request for appointment of a Director of a Depository.

(5) The Commission shall issue regulations regarding the manner and procedure for the process of appointing a Director of a Depository.

Data Storage and Safekeeping

Article 48

(1) A Depository is obliged to undertake measures to protect the computer system and the data contained therein against unauthorized use and against change and loss.

(2) A Depository shall preserve in a safe place in the original form the original documentation used for making entries in the data storage media of at least five (5) years.

(3) Data recorded on electronic media shall be permanently stored.

(4) A Depository may establish more detailed manners and techniques for protecting the computer system and data it contains and which pertain to Dematerialized Securities.
[New]

Subchapter 2. Registration of Securities and Recordkeeping

Registration of Securities

Article 49

(1) All Securities issued in the Republic of Macedonia shall be registered with a Depository as electronic records.

(2) All Securities shall be registered in the name of the owner of such Security.

(3) An issuer shall submit the securities for registration in the Depository within three (3) business day after registration of the basic capital in the Trade Registry. [Former Article 2(3)].

(4) A class of Securities issued by an issuer shall be registered in one depository only.

(5) The issuer shall not dispose of the monies deposited on a special account before the day the securities are registered in the depository.

(6) As an exception of paragraph 1 of this Article, the National Bank Bills are recorded in the National Bank of the Republic of Macedonia.

Accuracy of Data Maintained by Depository

Article 50

(1) An issuer of Securities is responsible for the submission of accurate information to a Depository regarding Securities to be registered with the Depository.

(2) After a Security is registered, a Depository maintains responsibility at all times for the accuracy of data pertaining to that Security. [Former Article 135]

Contents of Electronic Records

Article 51

The electronic records shall include at minimum the following data:

1. Name, head office and unique identification number of the issuer;
2. Issuance date;
3. Type of Security (e.g., Shares, Bonds, NBRM Bills);
4. Nature and class of Shares (e.g., preferred or common);
5. Identity of owners of Securities (for Macedonian individuals, this shall include name, address and Birth Registry Number of the citizen; for foreign individuals, this shall include the name, citizenship and passport number; for all legal entities, this shall include the name, address and registered office of such entity and unique identification number of the issuer issued by the Central Register of the Republic of Macedonia);
6. Quantity of Security units;
7. Nominal value of the Securities (e.g., number of Shares, number of Bonds);
8. In the case of Bonds, Certificates of Deposit, NBRM Bills, Treasury Bills and Commercial Bills:
 - a. the amount of the interest rate;
 - b. method of interest calculation;
 - c. payment dates; and
 - d. maturity date;
9. In the case of preferred Shares, preferences as to
 - a. dividends (amount and whether cumulative);
 - b. voting right;
 - c. liquidation proceeds; and
10. Date of entry of Security in Depository. [Former Article 19, 25, 29 and 35]

Securities Account

Article 52

- (1) Each owner of Securities shall maintain a securities account at a Depository. [new]
- (2) A securities account shall be the aggregate balance of all Securities owned by each individual owner of Securities, registered in the Depository. [Former Article 143(1)]
- (3) Accounts shall be opened in the Depository on which balances of Securities of individual owners shall be maintained, changes of rights to ownership of Securities shall be carried out and the restrictions on securities ownership rights and changes in the securities ownership rights shall be entered. [Former Article 143(2)]
- (4) The restrictions on securities ownership rights and changes in the securities ownership rights referred to in paragraph (3) of this Article that are recorded in a depository may arise only from the act of issuance, pledge, effective court decision, an act of the Securities Commission or an act issued by the Public Revenue Office.
- (5) An owner of Securities may not have more than one securities account at one Depository.
- (6) Licensed securities market participants shall maintain an account for their own securities at one depository and other accounts necessary for executions and settlement of trade transaction of clients;
- (7) A custodian of a pension and investment fund shall maintain an account for their own securities and other accounts for each client for whom it acts as a custodian.

Contents of Securities Account

Article 53

Each Securities account shall contain data on:

- (a) type of Securities;
- (b) issuer of Securities;
- (c) the balance (quantity) of each Security held;
- (d) the owner's rights reflected in each Security;
- (e) the unique identification number of the owner of rights conferred by the Securities (e.g., name, address and Birth Registry Number for Macedonian citizens; name, citizenship and passport number for a foreign individual; and name, address and registered office of any legal entity);
- (f) any restrictions on securities ownership rights or changes in securities ownership rights;
- (g) other data pertaining to the rights conferred by the Securities [Former Article 144]

Subchapter 3. Non-Trade Transfers

Permitted Non-Trade Transfers

Article 54

Other than Trade Transactions and the primary market of securities, the ownership of Securities may be acquired or disposed of through the following means:

1. Gift;
2. Compensation agreement;
3. Foreclosure (realization) upon Securities pledged as collateral
4. Inheritance;
5. Effective court order;

.

Recording Non-Trade Transfers

Article 55

(1) Transfers of Securities arising from permitted Non-Trade Transfers are performed by entries in a Depository's electronic records. [New]

(2) A Depository shall further prescribe execution of the non-trade transfers in its Operating rules.

(4) The date of recording changes in ownership based on Non-Trade Transfers shall be no later than three (3) working days after receipt of the required supporting documentation is submitted to the Depository according to this Law or other laws that regulate the transfers prescribed in Article 54 of this Law.

Non-Trade Transfers by Gift

Article 56

Acquisition and termination of ownership rights with respect to a Security on the basis of a gift shall be done on a basis of an agreement for a gift notified by a notary and a stamped receipt from the Public Revenue Office evidencing payment of the gift tax.

Non-Trade Transfers by Compensation Agreement

Article 57

Acquisition and termination of ownership rights with respect to a Security on the basis of payment of compensation shall only be permitted upon submission of compensation agreement notified by a notary and documentation for claims and liabilities that are subject of the compensation

Non – Trade Transfers by Pledge Agreement Execution

Article 58

Non – Trade Transfer by Pledge Agreement execution shall be performed after a previous procedure conducted for realization of the pledge right on the securities by the pledge in accordance with the Law on Contractual Pledge and after a certificate for deletion of the pledge has been issued by the Central Registry

Non-Trade Transfers Pursuant to Inheritance

Article 59

Acquisition and termination of ownership rights of a Security on the basis of a will, testament or trust arrangement shall be recorded by a Depository upon presentation of the effective court decision

Non- Trade Transfers Pursuant to Court Decision

Article 60

Acquisition and transfer of ownership rights of a Security on a basis of the court decision shall be performed upon presentation of such effective and enforceable court decision to the Depository.

Recordkeeping of Non-Trade Transfers

Article 61

(1) All documentation presented in accordance with Non-Trade Transfers shall be kept by the Depository for a period of five (5) years. [new]

(2) After a non-Trade Transfer is made the Depository shall register the information and the submitted documentation based on which on-trade transfer has been made in an applicable electronic records.

Subchapter 4. Clearance and Settlement of Trade Transactions

Settlement of Trade Transactions Made in Depository

Article 62

- (1) Settlement of all Trade Transactions in Securities shall be carried out in a Depository. [Former Article 136]
- (2) A Depository may perform settlement of Trade Transactions that occur on licensed securities exchanges and markets for Short-term Securities regulated by the National Bank of the Republic of Macedonia. [new]
- (3) Settlement of NBRM Bills is exempt from the requirements of paragraph 1 of this Article.
- (4) Upon settlement of trade transactions the transfer of securities and transfer of monies arising from the trade transaction shall be considered final and irrevocable.

Delivery versus Payment Settlement Mechanism

Article 63

Obligations to transfer Securities resulting from Trade Transactions shall be settled by simultaneous change of the right in securities ownership from the seller's account to the buyer's account and payment of the purchase price of Securities, in accordance with the "delivery versus payment" principle. [Former Article 138]

Timing of Settlement of Transactions

Article 64

Settlement of transactions concluded on the Secondary Market shall be carried out immediately but, in any event, must occur no later than three (3) business days after the transaction date.

Lending of Securities in Trade Transactions

Article 65

- (1) A Depository may register the lending of Securities between individual owners of Securities, upon written consent of the owner of Securities.
- (2) The lending of Securities may take place solely for the purpose of settlement of Trade Transactions.

(3) The Commission shall issue additional regulations prescribing detailed rules and procedures for the process of lending Securities.

Supervision over Fulfillment of Liabilities

Article 66

A Depository shall conduct supervision over the settlement of liabilities pertaining to Trade Transactions with the aim of revealing any non-compliance with the general acts and procedures prescribed by the Depository or other violations by Depository members. [Former Article 142]

Subchapter 5. Depository Reporting and Disclosure Obligations

Notification to Owners of Securities

Article 67

(1) Each owner of Securities registered in a Depository shall be notified of the balance of their securities account in accordance with this Law and the Operating Rules of the Depository. [Former Article 147(1)]

(2) No later than the 31st day of January of each year a Depository shall issue a statement of balance on his/her securities account to each owner of a securities account, as of 31st day of December of the preceding year. [Former Article 147(2)]

(3) If a transfer of ownership in Securities occurs in the account of a Security owner during any particular financial quarter, the Depository shall issue a statement of balance to that Security owner within five (5) business days of the end of that financial quarter. [new]

(4) Upon the request of a natural person and/or legal entity, which are the owners of Securities, the Depository shall provide a statement of such owners' Securities accounts no more than once per month without a fee.

(5) A Depository is obliged to issue a list of all owners of a particular issuer's Securities to such issuer of Securities as well as to governmental bodies authorized by law. [Former Article 147(4)]

(6) On the first business day of each month, a Depository shall publish on its web site a list of individuals and legal entities holding in excess of 5% of any class of securities of a Reporting Company

Access to Depository Data

Article 68

(1) An owner of a Security shall have access to the registered list of natural persons and legal entities that own that Securities upon prior notification to the Depository and payment of the required fee set forth in the Depository's tariff.

(2) Data obtained pursuant to this Article shall be used exclusively for the purpose of exercising shareholders' rights.

(3) A shareholder obtaining data pursuant to paragraph (1) of this Article shall not communicate or make such data accessible to any other person.

(4) The manner of realization of the right to access referred to in paragraph (1) of this Article shall be regulated by the Operating Rules of the Depository.

Reporting by Depository to the Commission

Article 69

(1) The Depository shall report to the Commission regarding newly issued Securities and overall value of transfer of securities ownership, as well as about other facts and circumstances that are relevant to the operation of the securities market.

(2) The Depository shall notify the Commission within five (5) business days after recording a transfer of Securities, which results in an owner of Securities holding in the aggregate greater than 5% of any nature and class of Security issued by a Reporting Company. [new]

(3) The Commission shall prescribe the contents and the method of reporting and notification referred to in paragraphs (1) and (2) of this Article. [new]

Financial Statements

Article 70

(1) No later than May 31st of each year, a Depository shall submit to the Commission its complete annual report for its performance for the previous year.

(2) The depository's annual report shall be contain Financial Statements as of the close of the previous year, prepared in accordance with International Financial Reporting Standards and audited by an authorized auditor in accordance with the International Standards on Auditing. (new)

(3) If in the opinion of the Commission, a review is needed of certain parts of the annual report on Depository operations, the Commission shall undertake supervision measures of control over the Depository and its management.

(4) The Depository shall publish a summary of its annual audit reports in the Official Gazette of the Republic of Macedonia.

(5) The Depository shall publish the complete annual report on its web – site.

(6) The Commission shall prescribe the contents of the summary referred to in paragraph (4) of this Article.

Operational Program

Article 71

No later than seven (7) calendar days after adoption of the operational program by the Shareholder Assembly, a Depository shall submit to the Commission an operational program for that year. [new, based on similar requirement imposed in Former Article 102 that is imposed on the Exchange]

CHAPTER IV. TRADING IN SECURITIES

Subchapter 1. Secondary Trading In Securities

Requirement for Secondary Trading to Occur on a Licensed Securities Exchange

Article 72

- (1) All secondary trading in Securities shall be conducted through a securities exchange licensed by the Commission. [Revised Article 175(1)]
- (2) Purchase and sale transactions concluded contrary to paragraph (1) of this Article shall be null. [Former Article 175(2)]
- (3) Notwithstanding Paragraph 1 of this Article, purchasing and selling of short-term securities and government bonds (other than bonds issued for compensation of foreign deposits of the citizens and denationalization bonds) and realization of repo-agreements may be conducted also through the over-the-counter markets organized by the National Bank of the Republic of Macedonia in cooperation with Ministry of Finance.
- (4) The Securities Exchange shall function as a self-regulatory organization.

Exchange Operations

Article 73

In its operation, a securities exchange provides:

- (a) collection of offers to buy and sell Securities;
- (b) market formation of the prices of Securities traded on the exchange;
- (c) execution of trades in Securities;
- (d) clearance and reporting of the realized transactions in Securities;
- (e) compliance with the rules and standards of the exchange, this Law and the regulations adopted hereunder, by the participants in its operation;
- (f) protection of the interests of investors with respect to Securities;
- (g) admission of Securities for trading on the exchange, including listing of Securities; and
- (h) informing the public on issues relevant for the operation of the exchange. [Former Articles 71 and 90]

License to Establish a Securities Exchange

Article 74

(1) A legal entity and physical person may not engage in the activities specified in Article 73 without obtaining a license from the Commission in accordance with Article 86 of this Law..

(2) No legal entity may register in the Trade Companies Register under the name “stock exchange” or “securities exchange” and in its operations cannot use the name “stock exchange” or “securities exchange” unless it has obtained a license for establishment and operation as a securities exchange from the Commission. [Revised Article 68(2)]

(3) The securities exchange shall report to the Commission any changes regarding the entry of information relating to the securities exchange into the trade register, within five (5) business days following the entry of any such changes into the trade register. [Former Article 81]

Establishment of a Securities Exchange

Article 75

(1) A licensed securities exchange (hereinafter: securities exchange) shall be founded as a joint stock company with its headquarters in the Republic of Macedonia in accordance to this law and Law on Trade Companies. [former Article 70]

(2) A securities exchange may be founded by legal entities and individuals, both domestic and foreign. [former Article 72]

(3) A securities exchange must have and maintain at all times a Minimum Basic Capital in the amount of at least 500,000 Euros converted in Denars counter value calculated by the middle exchange rate of the NBRM, beginning on the date of obtaining a license to establish and operate an exchange. [former Article 82(1)].

(4) The Commission shall prescribe the required structure and the manner of calculation of the Minimum Basic Capital for a securities exchange. [new]

Ownership Rights in a Securities Exchange

Article 76

(1) A shareholder, together with all of its affiliates, may not own more than 10% of the voting shares of a securities exchange. [revised former Article 83(1).]

(2) A shareholder of a securities exchange can sell its Shares to any legal entity or physical person. [former Article 82(2)]

(3) In case a shareholder at the securities exchange, together with the related persons, acquires more than 10% of the voting shares of the securities exchange, he/she shall transfer the amount of shares in excess of the permitted percentage that he/she possesses

within one (1) year). During the possession of the amount of shares in excess of the permitted percentage the excess shares shall be deprived of the voting right

(4) During a shareholder's assembly the percentage of voting shares deriving from the aggregate of the issued shares of the securities exchange shall be reduced by the amount of shares acquired in excess of the permitted percentage referred to in Paragraph 1 of this Article, so that in exercising the voting right the shareholder referred to in Paragraph 1 of this Article shall be deemed to possess 10% of the voting right.

(5) Equity holdings may be returned to shareholders of a securities exchange on a proportionate basis only in case of permanent termination of the securities exchange, following a complete clearance of all liabilities of the securities exchange. [former Article 84]

(6) A member of the securities exchange may not be required to become a shareholder of the securities exchange.

Board of Directors of a Securities Exchange

Article 77

(1) A member of the Board of Directors or Supervisory and Management Board, as the case may be, of an exchange, may be each person that has experience in the field of finance and business law for at least three (3) years and may not a person:

- (a) sentenced to imprisonment from the period of effectiveness of the verdict till the day of servicing the sentence and 5 years from the day when he/she serviced the sentence, in the case of conviction up to 3-year imprisonment;
- (b) sentenced to imprisonment from the period of effectiveness of the verdict till the day of servicing the sentence and 10 years from the day when he/she serviced the sentence, in the case of conviction beyond 3-years imprisonment;
- (c) against whom a security measure prohibition performance of a profession, activity or duty has been enforced.

In a case of deleting the conviction referred to in items 1 and 2 of this paragraph provisions of the Criminal Code shall apply.

(2) In the case of an exchange with a two-tier management structure, at least 1/3 of the members of the Management Board and Supervisory Board shall be individuals who are not employed by the exchange or affiliated with any shareholder, member of the exchange or a legal entity which is Licensed Securities Market Participant. [new, based on Commission's proposal for outside directors; consistent with provisions applicable to securities exchange]

(3) In the case of an exchange with a one-tier management structure, at least 1/3 of the Board of Directors shall be individuals who are not employed by the exchange or affiliated with any shareholder, member of the exchange or a legal entity - Licensed

Securities Market Participant. [new, based on Commission's proposal for outside directors]

Content of the Statute

Article 78

A securities exchange's Statute,, in addition to issues determined in the Trade Company Law as amended, shall determine the following:

- (a) criteria and duties and rights of members of the securities exchange;
- (b) conditions, criteria and documents required for admission of individual members to the securities exchange and their rights and duties;
- (c) possible reasons for denying certain members in the operation of the securities exchange the right to participate on the exchange;
- (d) basic principles of securities exchange operation;
- (e) method of control conducted by the securities exchange itself over operations carried out on the securities exchange and over its members;
- (f) the method of resolving potential disputes between members of the securities exchange and between members and their customers;
- (g) the method of prevention of abuse of information not accessible to all members of the securities exchange;
- (h) the method of organizing the information system; and
- (i) other issues related to the work of the exchange. [former Article 76]

Exchange Members

Article 79

(1) Only Licensed Securities Participants that are registered in the Trade Companies Register may be members of a securities exchange. [revised former Article 87]

(2) A securities exchange shall adopt Membership Rules consistent with its by-laws that closely determine membership criteria and duties and rights of exchange members. [new]

(3) An exchange shall be obliged to allow any licensed market participant pursuant to paragraph 1 of this Article meeting the conditions laid down in its Membership Rules to become a member of the exchange. [New]

- (4) The exchange's Membership Rules shall require that an exchange member shall be:
- (a) licensed by the Commission for performing services with respect to Securities;
 - (b) be adequately equipped in terms of organization and technical equipment;
 - (c) a member in any or all licensed securities Depositories as a condition of exchange membership; and
 - (d) satisfy any other criteria as the Commission and the exchange may prescribe.
- (5) The exchange's Membership Rules shall require that a company applying for membership shall submit the following:
- (a) application in writing and in such form and with such content as determined by the exchange;
 - (b) a copy of its by-laws and ;
 - (c) a copy of its license for performing services related to Securities as issued by the Commission;
 - (d) any additional information as the exchange may require under its Membership Rules.
- [former Article 89]
- (6) Licensed Securities Participants that are denied membership in an exchange may appeal the exchange's decision to the Commission within fifteen (15) calendar days of receipt of the decision. [new]
- (7) All exchange members shall comply with all Rules of the exchange.

Listing of Securities

Article 80

- (1) The managerial body of the issuer shall issue a decision for listing of securities on the securities exchange.
- (2) Securities are listed upon written request and application of the issuer. [Former Article 94]
- (3) A general precondition for listing of the Securities is that they must be fully paid and with unlimited transferability.
- (4) The listing conditions, manner of listing, as well as the procedure for listing of Securities shall be regulated by separate Listing Rules adopted by the securities exchange. [Former Article 86]
- (5) The Listing Rules shall establish disclosure and notification requirements for the listed joint stock companies. These conditions shall not be less detailed or less stringent than disclosure and notification requirements for the Reporting Companies in accordance with this Law. [new]

(6) Securities approved for listing on a securities exchange must have all formal features as set by law, as well as by the approval for their issuance. [Former Article 94]

(7) A securities exchange shall keep a separate register for each issuer, in whom it shall register and keep all relevant data and documents pertaining to issuers whose Securities are listed on the securities exchange. [former Article 95]

(8) The issuer whose securities are listed on the securities exchange shall comply with all Listing Rules.

(9) Delisting of the securities from the securities exchange at a request of the issuer is performed only upon a decision brought by the shareholders assembly.

Trading Rules

Article 81

(1) A securities exchange shall adopt Trading Rules, which shall determine the following:

- (a) conditions and manner of trading Securities on the securities exchange;
- (b) conditions and manner of exchange operations designed to confirm and compare trades and transfer of information to facilitate the clearance and settlement of trades;
- (c) conditions under which the securities exchange may temporarily suspend or permanently halt trading in a Security in order to avoid manipulative operations;
- (d) other issues relevant to the operation of the securities exchange. [former Article 77].

(2) The Trading Rules of a securities exchange must provide for comparison and confirmation of trades and transfer of information to a Depository that will facilitate the clearance and settlement of all trades conducted through the exchange no later than three (3) business days following the transaction date. [new]

(3) The permissible methods for organizing a securities exchange are:

- (a) centralized trading through the use of a physical trading floor or an electronic system where all members submit all bids and offers for Securities on behalf of their own account and/or for the accounts of their customers, and all trades that are completed;
- (b) a market between brokerage houses that are trading only for their own account which achieves centralized trading through the use of a physical trading floor or electronic system.

(4) The Commission shall prescribe requirements regarding the permissible trading methodology to be employed by any securities exchange pursuant to paragraph (3) of this Article. [new]

Self-Regulatory Organization Status

Article 82

(1) A securities exchange as a Self-Regulatory Organization (“SRO”) shall adopt Conduct and Disciplinary Rules designed to enforce the securities exchange’s Rules, the provisions of this Law and other Laws and the regulations adopted hereunder.

(2) An exchange’s Conduct and Disciplinary Rules shall grant authority to the exchange’s General Director to take measures and/or temporarily or permanently revoke a member’s right to participate in the operation of the exchange if the member fails to comply with the general acts of the exchange or fails to fulfill liabilities under executed transactions with respect to Securities. [new; parallel to the Depository structure]

(3) The exchange’s Conduct and Disciplinary Rules shall include the right to appeal:

(a) a disciplinary decision made by the exchange’s General Director to the exchange’s Management Board or Board of Directors, as the case may be; and

(b) a disciplinary decision made by the exchange’s Management Board or Board of Directors as the case may be, to the Commission within fifteen (15) calendar days of receipt of such decision.

Settlement of Disputes Among Members

Article 83

(1) A securities exchange shall adopt Arbitration Rules designed to resolve disputes between members and between members and their customers in a fair, efficient and trustworthy manner. [new]

(2) All disputes between members of the exchange shall be obligatorily resolved through arbitration. Disputes between members and their customers shall be resolved through arbitration upon request of the customer.[new]

(3) A Depository may develop Arbitration Rules in cooperation with other depositories and/or securities exchanges and may jointly apply the same.

(4) The Commission shall approve the Arbitration Rules referred to in paragraph 3 of this Article.

Data, Records and Information System

Article 84

(1) A securities exchange shall have an adequate computerized system through which it shall regularly inform the public of the:

- (a) name of issuer and type of Securities traded on the exchange;
- (b) last transaction price, highest price, lowest price and average price of each Security traded;
- (c) volume and value of the Securities traded in the market;
- (d) other information relevant to the operations of the exchange. [former Article 96]

(2) A securities exchange shall protect the computer system and the data contained therein against unauthorized use and against change and loss of the data.

(3) A securities exchange shall preserve in a safe place in the original form the original documentation used for making entries in the data storage media for at least five (5) years.

(4) The original documentation related to trading activities must be recorded on electronic media.

(5) Data recorded on electronic media shall be permanently stored. [new; parallel to CSD]

(6) The Commission shall prescribe the manner of keeping and maintaining all data regarding the operations of the securities exchange.

Application for License to Establish an Securities Exchange

Article 85

(1) Legal or physical person applying for a license to establish and operate a securities exchange shall submit the following:

- (a) a written application, in such form and with such contents as determined by the Commission;
- (b) a copy of its Statute;
- (c) a proposed copy of its Membership Rules;
- (d) a proposed copy of its Trading Rules;
- (e) a proposed copy of its Listing Rules;
- (f) a proposed copy of its Conduct and Disciplinary Rules;
- (g) a proposed copy of its Arbitration Rules;
- (h) a business plan on the establishment and operation of the exchange. [revised former Article 74]

(2) The Commission shall prescribe additional information required in a license application for an exchange and the process for issuing a decision regarding the same.

Grant and Denial of License to Establish a Securities Exchange

Article 86

(1) The Commission shall issue a decision with respect to a securities exchange's license application within ninety (90) calendar days after it has notified the applicant that it has received a complete application. The Commission shall submit the notification for completion of application to the applicant within five (5) working days of the day of receipt of the application.

(2) The Commission shall grant an application for the license to establish an exchange if it finds that:

(a) the Membership Rules provide for open and equal access by all qualified applicants;

(b) the Trading Rules provide for high degree of:

- i. orderly settlement of Trade Transactions with Securities
- ii. open access to all investors and equal treatment of members;
- iii. honesty in business dealings;
- iv. security of confidential customer information;
- v. transparency in trading; and
- vi. dissemination of pre-trade and post-trade information.

(c) the Listing Rules are designed to promote full and fair disclosure to the market from listed securities issuers;

(d) the Conduct and Disciplinary Rules are adequate to provide for full and fair enforcement of the exchange's rules, this Law and the regulations adopted hereunder;

(e) the Arbitration Rules provide efficient, fair and timely dispute resolution;

(f) the exchange is capable of performing all required operations in terms of staff, technical equipment and organization;

(g) the exchange employs at least three licensed brokers;

(i) the exchange has adequate information, computer and communication systems to perform execution and settlement of Trade Transactions; and

(j) the exchange shall have organizational departments to provide efficient and uniform performance of all exchange operations. [items (a) through (f) are new. Items (g) through (i) from former Article 73.]

(3) The Commission shall issue a decision for refusal of the application for issuing license for establishing a securities exchange if it finds that the conditions under paragraph 2 of the Article are not satisfied.

(4) The decision regarding an approval of a license for an exchange shall be published by the Commission in the Official Gazette and on the web page of the Commission.

Prohibited Actions

Article 87

(1) A licensed securities exchange may not purchase, otherwise acquire and own any Securities for its own account through a Trade Transaction that is conducted on the exchange. [new].

(2) Notwithstanding paragraph 1 of this Article, the Stock Exchange may buy or otherwise acquire or own government securities and Treasury shares..

(3) No full-time employee of a securities exchange may be a member of the Supervisory Board and Management Board or Board of Directors of a shareholder or member of the securities exchange and may not perform any services for them or activities on their behalf outside the sphere of their responsibilities as a securities exchange employee.

Acts Subject to Commission Approval

Article 88

(1) The securities exchange shall obtain approval from the Commission for:

- (a) Statute and any changes and amendments to it;
- (b) adoption of its Membership Rules, Trading Rules, Listing Rules, Arbitration Rules and Conduct and Disciplinary Rules, and any amendments thereto;
- (c) any acts relating to commissions charged on Trade Transactions, and any amendments to the occurrences of such charges ; and
- (d) adoption of forms of connecting or merging with other securities exchanges.

(2) For the purpose of investor protection or securing fair and proper trading in Securities, the Commission may direct the securities exchange to introduce changes or adopt new acts or rules related to the work and the operations of the securities exchange. [former Article 79]

Approval for the Appointment of a Securities Exchange Director

Article 89

(1) The appointment of a Director of a securities exchange must be approved by the Commission.

(2) Along with the consent request for appointing a securities exchange Director, the following documents must be submitted:

- (a) short biography or curriculum vitae of the proposed Director;
- (b) resolution of the exchange's authorized body for appointing the proposed Director;
- (c) certificate for educational background of the proposed Director in the field of economy finance and business law;
- (d) a copy of the license for operating with securities issued by the Commission.

(3) The Commission shall approve the appointment of the Director within sixty (60) calendar days from the day of reception of request referred in paragraph 2 from this Article, unless it finds that the proposed Director:

(a) is subject to a security measure prohibiting performance of a profession, activity or duty;

(b) is sentenced to imprisonment :

- from the period of effectiveness of the verdict till the day of servicing the sentence and 5 years from the day when he/she serviced the sentence, in the case of conviction up to 3-year imprisonment;
- from the period of effectiveness of the verdict till the day of servicing the sentence and 10 years from the day when he/she serviced the sentence, in the case of conviction beyond 3-years imprisonment.

In a case of deleting the conviction referred to in the item (b) of the paragraph 3 of this Article, provisions from the Criminal Code shall apply.

(c) does not possess a license to perform services with respect to Securities issued by the Commission;

(d) has been irrevocably adjudicated by a court to have contributed to or caused the bankruptcy of a legal entity; or

(e) provides false information in the documents submitted in accordance with paragraph 2 of this Article.

(4) The Commission shall provide a reasonable written explanation of any decision not to approve the request for appointment of a Director of a securities exchange.

(5) The Commission shall issue regulations regarding the manner and procedure for the process of appointing a Director of a securities exchange. [former Article 80]

Supervision Over the Securities Exchange Operations

Article 90

(1) The Commission conducts supervision over the work of the securities exchange and its members.

(2) The Commission also has the power to conduct supervision of issuers listed on the securities exchange regarding the issuance, offer, sale, listing and trading of Securities.

(3) The Commission carries out the supervision by reviewing the periodic and annual operational reports, as well as the other books and documentation of the securities exchange and its members. [former Article 98]

(4) In order to perform the supervision, the Commission reviews in particular any documentation related to:

(a) legality of activities related to trading in Securities;

- (b) fulfillment of obligations by the issuer as prescribed by law (i.e., the act of issuance of Securities);
- (c) implementation by the securities exchange and its members of legal and other regulations related to the operations with Securities, as well as their own Rules, By-laws and other acts on the basis of which a license to operate on the securities exchange is issued;
- (d) trading in Securities on the securities exchange in accordance with prescribed conditions for trading;
- (e) control of the financial situation of the securities exchange members; and
- (f) the conditions and manner of securities exchange operations designed to assist members in meeting their liabilities in order to perform clearance and settlement of Trade Transactions.

Reports on Operation of the Securities Exchange

Article 91

- (1) The securities exchange shall submit to the Commission daily, weekly and monthly reports for its working performances. [former Article 100(1)]
- (2) The Commission shall prescribe the required content and deadlines for filing the reports described in paragraph (1) of this Article. [new]

Annual Report

Article 92

- (1) No later than 31 May of each year the securities exchange shall submit to the Commission its complete annual report for its performances for the previous year. [former Article 100(2).]
- (2) The securities exchange's annual report shall contain Financial Statements as of the close of the previous year, prepared in accordance with International Financial Reporting Standards and audited by a certified auditor, in accordance with International Standards on Auditing and operating report of the securities exchange.
- (3) If, in the opinion of the Commission, a review is needed of certain parts of the annual report on operation of the securities exchange, the Commission undertakes supervision measures over the securities exchange and its management. [former Article 101]
- (4) The securities exchange shall publish a summary of its annual audit reports in the Official Gazette of the Republic of Macedonia.
- (5) The securities exchange shall publish the complete annual report on its web site.

(6) The Commission shall prescribe the contents of the summary referred to in paragraph 4 of this Article.

Operational Program

Article 93

No later than seven (7) calendar days after adoption of the operational program by the Shareholder Assembly, a securities exchange shall submit to the Commission an operational program for that year. [new, based on similar requirement imposed in Former Article 102 that is imposed on the Exchange]

CHAPTER V. MARKET INTERMEDIARIES

Subchapter 1. Provision of Services with Respect to Securities

Types of Services Securities

Article 94

Services that may be performed with Securities pursuant to this Law shall include the following:

- (a) the purchase and sale of Securities at the order of and for the account of a customer ;
 - (b) the purchase and sale of Securities for its own name and account;
 - (c) the portfolio management of Securities at the order and for the account of an individual customer;
 - (d) performing transactions and activities for the account of an issuer of Securities necessary for a successful public offering of Securities, without mandatory buyout of unsold securities;
 - (e) performing transactions and activities for the account of an issuer of Securities necessary for a successful public offering of Securities, with mandatory buyout of unsold Securities;
 - (f) providing listing sponsor activities;
 - (g) providing investment advice;
 - (h) performing transactions and activities for the account of third parties necessary for carrying out a takeover of a joint stock company in accordance with the Law on Company Takeovers as amended;
- ;

Legal Entities Performing Operations with Securities

Article 95

- (1) Services as set forth in Article 94 may only be performed by:
- (a) a brokerage house which has obtained an operational license from the Commission (hereinafter: brokerage house);
 - (b) an authorized bank in accordance with the Law on Banks, as amended which has obtained an operational license from the Commission;
 - (c) a subsidiary of a foreign brokerage house which has obtained an operational license from the Commission;
- (2) All provisions of this Chapter concerning brokerage houses shall be equally valid for banks, unless otherwise stipulated herein. [Former Article 104]
- (3) A bank shall segregate the services with Securities from other financial services in terms of structure and organization [new, Croatia Article 39];

Ban on the Provision of Services with Regard to Securities

Article 96

A legal entity other than those referred to in Article 95, paragraph 1 shall not be permitted to provide services with Securities.

Subchapter 2. Establishment and Organization of a Brokerage House

Requirement to Obtain an Operational License

Article 97

No natural person or legal entity may engage in services with Securities without obtaining an operational license from the Commission.

Establishment of a Brokerage House

Article 98

(1) A brokerage house shall be founded as a joint stock company with its headquarters in the Republic of Macedonia in accordance to this law and the Law on Trade Companies.

(2) A brokerage house must be established by at least two legal entities or natural persons, either domestic or foreign, except in the event that the founder is a bank. or insurance company. [Former Article 107(1)]

(3) A brokerage house must employ at least two full-time employees that own a broker license or an investment advisor license issued by the Commission.

(4) The Commission shall prescribe the required content and calculation of the Minimum Basic Capital for a brokerage house.
[Former Article 108]

Minimum Basic Capital of the Brokerage House

Article 99

A brokerage house must have and maintain at all times a Minimum Basic Capital in the amount of at least:

- (i) 75,000 Euros (in Denar counter value at the mid rate of the NBRM) valid on the date of granting a license for operation, provided that the brokerage house is registered to conduct the activities listed in paragraphs (a), (f) and (g) of Article 94;
- (ii) 150,000 Euros (in Denar counter value at the mid rate of the NBRM) valid on the date of granting a license for operation, provided that the brokerage house is registered to conduct the services listed in paragraphs (a), (c), (f) and (g) of Article 94; and
- (iii) 500,000 Euros (in Denar counter value at the mid rate of the NBRM) valid on the date of granting an operational license, provided that the brokerage house is registered to conduct all of the activities listed in Article 94.

Risk Management

Article 100

(1) A brokerage house shall always have liquid assets at disposal, in amount prescribed by the Commission depending on the extent and the type of services related to securities and the risks it is exposed to while performing the services.

(2) For the purpose of reducing the risk the brokerage house shall operate so that it does not exceed the coefficient of exposure limitations prescribed by the Commission.

(3) The brokerage house shall fulfill the due liabilities and maintain the solvency.

(4) The Commission shall prescribe the amount, type and the manner of maintaining, calculating and inspection of the liquid assets of the brokerage house.

Consent for Appointment of a Brokerage House Director

Article 101

(1) The appointment of the Director of a brokerage house must be approved by the Commission.

(2) Along with the consent requested for appointing a Director of a brokerage house, the following documents must be submitted:

- (a) short biography or curriculum vitae of the proposed Director;
- (b) decision of the brokerage house's authorized body for appointing the proposed Director;
- (c) certificate of educational background of the proposed Director in the areas of economy, finance and business law ;
- (d) copy of the operational license by the Commission.

[paragraphs 1 and 2 from Former Article 110]

(3) The Commission shall approve the appointment of the Director within sixty (60) calendar days from the day of reception of request referred in the paragraph 2 from this Article unless it finds that the proposed Director:

- (a) is subject to a security measure prohibiting performance of a profession, activity or duty;
- (b) is sentenced to imprisonment :
 - from the period of effectiveness of the verdict till the day of servicing the sentence and 5 years from the day when he/she serviced the sentence, in the case of conviction up to 3-year imprisonment;
 - from the period of effectiveness of the verdict till the day of servicing the sentence and 10 years from the day when he/she serviced the sentence, in the case of conviction beyond 3-years imprisonment.

In a case of deleting the conviction referred to in the item (b) of the paragraph 3 of this Article, provisions from the Criminal Code shall apply.

(c) has been irrevocably adjudicated by a court to have contributed to or caused the bankruptcy of a legal entity.

(d) has submitted any false information in conjunction with the documents provided pursuant to paragraph (2) of this Article.

(4) The Commission shall provide a reasonable written explanation of any decision not to approve the request for appointment of a Director of a brokerage house. [Former Article 110(3)]

(5) The Commission shall prescribe the manner and procedure for the process of appointing the Director of a brokerage house. [Former Article 110(4)].

Subsidiary of a Foreign Brokerage House

Article 102

(1) A foreign brokerage house which is licensed to perform all or some services with regard to Securities in any member country of the Organization for Economic Cooperation and Development shall be allowed to perform those services in the territory of the Republic of Macedonia through a subsidiary which has a license issued by the Commission.

(2) A foreign brokerage house referred to in paragraph (1) of this Article shall attach to the application for the issuance of an operational license the following certified copies:

(a) a translation and the original of the authorization to perform services with Securities in the country of its domicile and proof that the foreign brokerage house is duly registered in the country of its domicile; and

(b) a translation and the original of the document issued by the appropriate foreign securities market regulator in the country of its domicile approving the establishment of a subsidiary office in the Republic of Macedonia.

(c) audited financial statements for the preceding 3 years.

(3) A subsidiary office of a foreign brokerage house referred to in paragraph (1) of this Article shall be subject to all provisions of this Law and all regulations promulgated hereunder, provided, however, that the subsidiary office need not comply with the Minimum Basic Capital requirements set forth in Article 99 so long as:

(a) the subsidiary of a foreign brokerage house is in compliance with all capital requirements and exposure limits imposed by the foreign securities market regulator in the country of its domicile;

(b) the foreign brokerage house simultaneously submits to the Commission all information and data that it submits to the securities market regulator in the country of its domicile regarding its compliance with capital requirements and exposure limits.

Prohibition on Distribution of Profits

Article 103

A brokerage house shall not be allowed to distribute its profits as dividends if such distribution would result in a violation of the brokerage house's basic capital set forth in Article 99. [new]

Share Ownership in a Brokerage House

Article 104

- (1) A legal entity or a natural person (including their respective Affiliates) may be a shareholder of only one brokerage house. [former Article 107(4)].
- (2) A brokerage house shall furnish information on every change in its ownership structure to the Commission within eight (8) calendar days of the date when such change occurred. [new]
- (3) A bank may own Shares of only one brokerage house.

Employees and Board Members

Article 105

- (1) No physical person shall be an employee or a member of the Supervisory Board, Management Board or Board of Directors, as the case may be, of more than one brokerage house. [new]
- (2) Each member of the Supervisory Board and Management Board or Board of Directors, as the case may be, must possess university degree and working experience of at least three (3) years in the area of economy, finance and business law, needed to manage the operations of a brokerage house. [new]

Application for an Operational License for a Brokerage house

Article 106

- (1) A brokerage house may not be entered into the trade register without obtaining an operational license from the Commission.
- (2) An entity applying for a license to operate a brokerage house shall submit the following:
 - (a) copy the draft Statute;
 - (b) description of the brokerage house's proposed services;
 - (c) information on the founders, including the founders' Securities holdings in other entities;
 - (d) evidence of satisfaction of the basic capital set forth in Article 99;
 - (e) documentation prescribed by the Commission to demonstrate that the brokerage house is sufficiently equipped in terms of staff, technology and organizational aspects to perform all services for which it is founded;

- (f) licenses from a competent authority with respect to the founders, in the event that a founder is a bank, savings house or insurance company; and
 - (g) data regarding the proposed compliance officer who shall oversee implementation of the laws and other legal acts, regulations of the self-regulatory organizations and acts of the brokerage house in its operation
 - (h) business plan for establishment and operation of a brokerage house;
- (3) The Commission shall prescribe additional information required in an application for a license to establish a brokerage house.[Former Article 109, slight modifications/additions]

Approval for License for Operation of a Brokerage House

Article 107

- (1) The Commission shall issue a decision with respect to an application for a brokerage house operational license within ninety (90) calendar days after it has notified the applicant that it has received a complete application. The Commission shall submit the notification for completion of application to the applicant within five (5) working days of the day of receipt of the application.
- (2) The Commission's decision to approve a brokerage house operational license shall specify the particular services referred to in Article 93 of this Law for which the license is issued.
- (3) The Commission's decision to approve a brokerage house operational license shall be published in the Official Gazette and on the Commission web site within eight (8) calendar days of granting such approval.
- (4) The Commission shall maintain a register of brokerage houses and their subsidiaries.[new]
- (5) The Commission shall prescribe a form, contents and manner for maintaining register of brokerage houses and their subsidiaries.
- (6) A brokerage house is obliged to start operating within six (6) months after receiving license for operation by the Commission.

Brokerage House Branch Office

Article 108

(1) A brokerage house may open a branch office anywhere in the territory of the Republic of Macedonia.

(2) A branch office established in accordance with paragraph (1) of this Article must have at least one employee, who has a license for operation with securities, except in cases when only technical and other supporting activities are performed in the branch office.

(3) A brokerage house shall inform the Commission prior to opening or closing any branch office.

[new]

Membership in Self-Regulatory Organization

Article 109

(1) A brokerage house shall be a member of at least one self-regulatory organization licensed by the Commission.

(2) A brokerage house shall notify the Commission within eight (8) calendar days after becoming a member or before terminating of its membership in a licensed self-regulatory organization. [new]

Request for Termination of License for Operation of a Brokerage House

Article 110

The Commission may terminate a brokerage house license upon request by a brokerage house to terminate its operations only if the brokerage house has met all of its liabilities to customers.[new]

Mergers of Brokerage houses

Article 111

In the event that a brokerage house merges with another brokerage house, the newly merged brokerage house shall file an application for a license with the Commission to conduct its operations. [new]

Authorized Brokers

Article 112

(1) Services related to the execution of customers' orders, informing customers on the purchase and sale of Securities that is not investment advice may, within a brokerage house only be provided by licensed brokers (hereinafter: brokers).

(2) A broker must be of legal age and must have successfully passed the examination of expertise necessary for providing brokerage services.

(3) A broker must have received at least four (4) year high school diploma.

(4) A broker may not have been irrevocably convicted of a felony within five (5) years prior to applying for a brokerage license.

(5) A broker may not have been irrevocably adjudicated by a court to have contributed to or caused the bankruptcy of any legal entity.

(6) The Commission shall prescribe the manner and conditions for the examination referred to in paragraph (2) of this Article.

[Based on Former Article 111]

Application for Broker License

Article 113

(1) An application for a license to perform brokerage services may be submitted by a natural person who fulfills the conditions in Article 112 of this law.

(2) The Commission shall respond to an application set forth in paragraph (1) of this article for a broker license within ninety (90) calendar days after it has notified the applicant the application is complete. The Commission shall submit the notification for completion of application to the applicant within five (5) working days of the day of receipt of the application.

(3) The Commission shall grant the broker license if it is established that the applicant meets the conditions set forth in Article 112 of this law for the provision of brokerage services.

(4) The Commission shall maintain and make available to the public a register of all brokers.

(5) The Commission shall prescribe the form, content and manner for maintaining a register of all brokers.

(5) A broker license shall be valid for a period five (5) years. [new]

Renewal of Broker License

Article 114

- (1) Each broker shall be required to renew the license for operation with securities every five (5) years.
- (2) Each broker is obliged within a three (3) months before the expiration of the term in the paragraph 1 of this Article to submit an application for renewal of its broker license to the Commission.
- (3) The application set forth in paragraph (2) of this Article shall contain documentation required in Article 112 of this law.
- (4) The obligation referred in paragraph 1 of this Article shall apply to the persons employed as brokers in licensed securities market participants
- (5) The Commission shall prescribe the procedure for renewing a broker license.

Obligations of a Broker

Article 115

- (1) In its work, a licensed broker shall
 - (a) strictly follow instructions given by a customer;
 - (b) act in a conscientious manner with due professional care based on customer stated investment objectives and customer's financial conditions ; and
 - (c) strictly respect the rules of any self-regulatory organization of which it is a member,
- (2) A broker shall not unnecessarily postpone the execution of a customer's order if market conditions would otherwise allow such execution to take place.

Subchapter3. Brokerage House Operations

Publication of Services and Price List

Article 116

(1) A brokerage house shall be obliged, at premises where its customers are serviced, to provide access to the general conditions of its operation and price list for services with respect to Securities. The general conditions for operation shall, at a minimum, inform customers as to:

- (a) the mutual rights and obligations of the brokerage house and the customer;
- (b) risks associated with conducting specific transactions with regard to Securities;
- (c) its membership in a self-regulatory organization;
- (d) manner of dispute resolution between the brokerage house and the customer.

(2) Prior to accepting a customer's first order to buy or sell Securities and/or prior to entering into an agreement with the customer on services with regard to Securities, a brokerage house shall be obligated to deliver to the customer a copy of its general conditions of operation.

[new]

Protection of Customer's Interests

Article 117

(1) In providing services with Securities to a customer, a brokerage house shall be obliged to protect the interest of the customer.

(2) A brokerage house shall be obliged to promptly inform its customers as to all circumstances relevant to the customer's decisions with regard to orders to buy or sell Securities and/or other services provided, as well as the risks pertaining to investments in Securities.

(3) A brokerage house shall be obliged to endeavor to acquire from its customers appropriate data on their experience in the field of investment in Securities, their financial capabilities and their goals relating to investment in Securities which are relevant to the protection of the customer's interests.

[new]

Conflict of Interest

Article 118

(1) A brokerage house shall be obliged to inform its customers about any possible conflict of interest between the customer, the interests of the brokerage house and/or the interests of other customers of the brokerage house.

(2) A brokerage house shall be obliged to operate so as to minimize any possible conflict between the customers' interests, the interests of the brokerage house and the interests of those employed by the brokerage house.

[new]

Customer Orders

Article 119

(1) An order is a one-sided statement of the customer's instruction or instruction by a portfolio manager on behalf of a customer that may be given orally, in writing or as an electronic record that is addressed to the brokerage house to conduct a certain transaction with Securities for the customer's account.

(2) The means by which a customer authorizes orders to be given is regulated by agreement between the brokerage house and the customer.

Acceptance of Customers Order

Article 120

(1) Entry by the brokerage house of the order referred to Article 119, paragraph 1 into the brokerage house's order book shall mean that the brokerage house has accepted the order.
[new]

(2) The Commission shall prescribe the manner of confirmation of acceptance of an order as referred to in Paragraph 1 of this Article.

Keeping the Order Book

Article 121

(1) A brokerage house shall keep an order book in electronic form with respect to executing all Trade Transactions i.e. Trade Transactions executed on behalf of a customer, Trade Transactions for the brokerage house's own account and Trade Transactions executed pursuant to a portfolio management agreement.

(2) Any subsequent alteration of entered data in the order book is prohibited.

(3) The order book shall be kept permanently.

(4) The Commission shall prescribe the content of the order book and the manner in which it is kept.
[new]

Execution of Customer Orders

Article 122

- (1) A brokerage house shall be obliged to execute a customer's order as soon as the Securities market conditions for execution of the order are met.
- (2) A brokerage house shall execute customer orders to buy and/or sell Securities in accordance with the priority in the order book.
- (3) All customer orders must be submitted to competing bids and offers on a licensed securities exchange. [new]
- (4) A brokerage house shall not buy and/or sell Securities for its own account or for the account of any employees if, as a result of such purchase or sale, it would be unable to execute a customer's order to buy and/or sell or if such an order could only be executed under conditions less favorable for the customer.
[new]

Customer's Financial Assets

Article 123

- (1) A brokerage house shall keep the funds remitted by customers for payment of Securities or the money received from the sale of a customer's Securities in a separate account which shall be opened for that particular purpose.
- (2) A brokerage house shall fully remit the funds in the customer's account earned as a result of the sale of Securities exclusively in favor of the customer account within one (1) business day after the receipt of the proceeds arising from the sale unless otherwise agreed upon by the brokerage house and the customer.
- (3) The funds in an individual account set forth in paragraph (1) of this article may only be used in accordance with the customer's instructions or the order of a portfolio manager.
- (4) A brokerage house shall not be permitted to make payments arising from transactions made for its own account from the financial assets of any customer.
- (5) A brokerage house shall not be allowed to make use of any customer's financial assets for the account of any other customer.
- (6) A customer's financial assets cannot be included in a brokerage house's estate in the event of a liquidation or insolvency and cannot be used for payment of a brokerage house's liabilities.

[new]

Notification of Trade Transactions to Customers

Article 124

(1) A brokerage house shall be obliged to provide, to its customers a notification on each transaction entered into regarding a Security no later than two (2) business days after clearance and settlement of such transaction is complete. The brokerage house must possess evidence of actual receipt of notification by the customer.

(2) The notification required by paragraph (1) of this Article shall contain:

- (a) the title of the issuer of the traded Security;
- (b) the type of Security traded;
- (c) the type of the order (i.e., purchase or sale)
- (d) the amount of Securities sold or purchased;
- (e) the price at which the Securities were sold or purchased;
- (f) the commission levied for the executed transaction;
- (g) the date of the purchase or sale order; and
- (h) the date that settlement and clearance of the transaction was completed.

[new]

Recordkeeping

Article 125

(1) A brokerage house shall be obliged to keep all documents so as to enable, at any point in time, the verification of any transaction performed for its own account or for any customer's account. [new]

(2) The Commission shall prescribe the manner and contents of records to be maintained by a brokerage house pursuant to paragraph (1) of this Article. [Former Article 113(2)]

Customer Contracts

Article 126

(1) Prior to accepting a customer's first order to buy or sell Securities, a brokerage house shall be obliged to enter into a written agreement with the customer.

(2) The brokerage agreement shall contain, at a minimum:

- (a) the general conditions of the brokerage house's operation;
- (b) a statement by the customer acknowledging that he/she has been presented with

the general conditions of operation prior to executing the agreement and that he/she has had the opportunity to become familiar with the contents of said agreement.

(3) Unless otherwise stipulated in this Law, conventions of the Law on Obligations, as amended shall apply to the relationship between a brokerage house and its customers.

(4) A brokerage agreement may not:

(a) purport to waive any rights the customer may have arising from this Law or the regulations issued hereunder;

(b) purport to waive any rights the customer may have to pursue judicial remedies in the event of a dispute with the brokerage house;

(c) allow any type of fee other than the standard commission to compensate the brokerage house for executing a Trade Transaction at a price more favorable to the customer than the terms contained in the customer order.

[new, based on Slovenia, Article 134, 141 and 142]

Maintaining accounts

Article 127

A brokerage house shall keep the accounts in compliance with International Financial Reporting Standards and the laws of the Republic of Macedonia.

[Former Article 115]

Advertising by Brokerage Houses

Article 128

(1) Only a brokerage house may publish advertisements in any media offering to perform services with Securities or offering to buy or sell Securities.

(2) It is unlawful to publish advertisements whose content might mislead investors as to the rights and risks resulting from the ownership of Securities or engaging in transactions with Securities.

(3) A brokerage house must file with the Commission the text of any proposed advertisement before it is published. If, within five (5) business days after filing the text of the advertisement, the Commission does not prohibit its publication, a brokerage house may publish the advertisement. The brokerage house shall bear the burden of proving that the Commission received the proposed advertisement.

[new]

Portfolio Management Agreements

Article 129

(1) A portfolio management agreement shall be an agreement whereby a brokerage house or investment advising company obliges itself, in accordance with the investment policy laid down in the agreement and for the account of the customer, to invest the customer's financial assets in Securities with the aim of spreading risk, for which the client is obliged to pay commission.

(2) A portfolio management agreement shall be in writing and must stipulate the amount of financial assets which the customer allocates to the brokerage house or investment advising company, the customer's investment policy and the amount of commission and the method of calculating the commission.

Brokerage house Liability

Article 130

A brokerage house shall be liable for any negligent acts or omissions on the part of a broker or an investment advisor employed by such brokerage house that causes damage to a customer. [new]

Reporting to the Commission

Article 131

(1) On the fifteenth (15) day following the last day of the preceding calendar month, a brokerage house shall submit to the Commission a monthly reporting statement, signed by the director of the brokerage house, including calculations of its basic capital, any changes in its status and changes in ownership structure. The monthly report shall be accompanied by a declaration signed by the director stating that the brokerage house has at all times during the relevant period complied with the basic capital specified under Article 99 of this Law and secondary regulations issued hereunder.

(2) A brokerage house shall be obliged to immediately report to the Commission on any inability to settle any liability owing to a customer when due. [new]

(3) A brokerage house shall notify the Commission of any change to the data provided in its application for the issuance of an operating license within eight (8) calendar days of such change. [new]

(4) A brokerage house shall submit to the Commission an annual report for its work no later than the 31 of May each year, for the previous year.

(5) The annual report of the brokerage house shall contain the Financial Statements for the previous year prepared according to International Financial Reporting Standards and audited by an authorized auditor in accordance with the International Auditing Standards.

(6) A subsidiary of a foreign brokerage house which has a license to operate in the Republic of Macedonia shall submit an annual report of the operation of the foreign brokerage house no later than May 31st of the current year for the previous year.

(7) A subsidiary of a foreign brokerage house licensed to perform services with respect to Securities in the Republic of Macedonia, either through a branch office or a separate brokerage house shall inform the Commission immediately if it should lose its license to perform such services in the country of its domicile. [new]

(8) The Commission shall issue regulation prescribing the form and content of the reports required pursuant to paragraph (1) and (4) of this Article.
[Former Article 117, slightly modified]

Subchapter 4. Closure of a Brokerage House

4.1 Liquidation Proceeding

Conditions for Opening Liquidation

Article 132

(1)The Commission shall issue a decision for satisfying the requirements for opening liquidation if:

- (a) shareholders Assembly reaches a decision for closure of the brokerage house;
- (b) the license for operation with securities has been revoked permanently;
- (c) the brokerage house did not commence the activities within six months after receiving the license for operation by the Commission.

(2)The Commission shall reach the decision within eight (8) working days from the:

- (a) the day of receiving the notice by the managing body about shareholders assembly decision on termination of the brokerage house;
- (b) the day of issuing the decision for revocation of the license;
- (c) the day of expiration of the deadline for commencement of operation of the brokerage house.

(3) The Commission shall submit a proposal to a competent court for opening a liquidation proceeding with an attachment of the resolution for satisfying the requirements for opening liquidation.

Liquidation proceeding before the court

Article 133

- (1) The Competent Court of the area where the seat of the brokerage house is located shall be competent for opening and conducting a Liquidation Proceeding.
- (2) The Liquidation Council and the liquidator are the organs of the Competent Court that conducts the liquidation. The Court shall appoint the Liquidation Council which consists of three judges.
- (3) The Liquidation Council shall reach a decision within eight (8) working days of the day of the receiving the proposal for opening liquidation, without a hearing.
- (4) The brokerage house shall be entitled to appeal against the decision within eight (8) working days after receiving the decision. The appeal shall not postpone the effectiveness of the decision.

Appointing a Liquidator

Article 134

- (1) Together with the decision for opening liquidation, the Liquidation Council shall appoint a liquidator of the brokerage house on the proposal of the Commission.
- (2) The decision for opening liquidation shall contain the following data:
 - (a) the company title, seat, address, account number and unique identification number of the brokerage house;
 - (b) full name and address of the liquidator; and
 - (c) the date of the opening the liquidation.
- (3) With the decision for opening liquidation the creditors shall be called to report their claims to the liquidator within a deadline that may not be longer than 30 days of the day of the last announcement for opening liquidation.

(4) The liquidator shall compose the list of claims of creditors and the order of their settlement.

(5) With the decision for opening liquidation the debtors shall be called to settle their obligations and the Liquidation Council shall prescribe registration of the opening of liquidation in the trade register.

Contents of the announcement for the opened liquidation

Article 135

(1) The creditors and debtors shall be informed on the opening of the liquidation by announcement

(2) The announcement shall be placed on the bulletin board at the Competent Court, as well as in the “Official Gazette of the Republic of Macedonia” and in at least one daily newspaper, within a period of time of 5 working days consequently. The announcement shall be placed on the bulletin board at the Competent Court on the day of reaching the decision for opening liquidation and on the web page of the Central Registry of the Republic of Macedonia.

(3) The announcement for opening liquidation shall contain the following:

- (a) name of the court that has brought the decision for opening liquidation;
- (b) copy of the decision for opening liquidation;
- (c) company title, seat, account number and unique identification number of the brokerage house;
- (d) full name and address of the liquidator;
- (e) appeal to the creditors of the brokerage house to report their claims;
- (f) appeal to the debtors of the brokerage house to settle their obligations immediately;
- (g) date of the placing the announcement on the bulletin board at the Competent Court; and
- (h) date of the hearing when the claims reported by the creditors are to be examined.

Submitting the Decision for Liquidation

Article 136

(1) The decision for opening liquidation shall be submitted to the Commission, brokerage house, banks and performer of payment operations where the brokerage house has an account and to the Central Register of the Republic of Macedonia.

(2) The Central Register of the Republic of Macedonia shall register the opening of the liquidation ex officio based on the submitted decision for opening liquidation.

(3) The decision for opening liquidation shall be placed on the web page of the Central Register of the Republic of Macedonia.

Legal Consequences Arising from Liquidation

Article 137

(1) Legal consequences arising from the liquidation shall appear on the day the opening of receivership procedure is announced on the bulletin board in the court and on the web page of the Central Register of the Republic of Macedonia.

(2) The day the legal consequences arising from the liquidation appear all the rights and obligations of the members of the managing organ and the brokerage house's supervisory organ as well as the rights of the Assembly of shareholders shall cease to exist.

(3) As of the day the legal consequences arising from the liquidation appear the liquidator of the brokerage house shall not be entitled to conclude new contracts with clients.

Balances on Initiation of Liquidation

Article 138

(1) The liquidator shall prepare balances for initiation of the liquidation with the status which includes period of 30 days before the day the liquidation has initiated as well as a report explaining the items of the liquidation balances.

(2) The liquidator shall submit the liquidation balances and the report to the Competent Court and to the Commission within fifteen (15) working days of the day the liquidation has initiated.

Rights and obligations of the Liquidator

Article 139

(1) The liquidator shall have the same rights and obligations as the managing organ of a brokerage house. The liquidator shall represent the brokerage house.

(2) The liquidator shall sign by adding the suffix "in liquidation" to the company title.

(3) The liquidator shall collect the receivables of the brokerage house; cash the remainder of the property and to settle the liabilities towards the creditors.

Allocation of the Assets of the Liquidation Estate

Article 140

(1) After the property has been cashed the liquidator shall inform the council with a proposal for allocation of the liquidation estate. Upon the liquidator's proposal the Liquidation Council shall issue a decision for allocation of the liquidation estate to the creditors whose receivables have been established.

(2) According to this decision the remainder of the property after the receivables towards the creditors have been settled shall be allocated to the shareholders of the brokerage house. The property shall be divided according to the ratio of the nominal value of the shares, unless otherwise prescribed in the Statute.

(3) The liquidator shall submit quarterly reports on the course of the liquidation to the Commission.

Decision to Terminate the Liquidation Proceeding

Article 141

(1) After all actions have been taken, the liquidator shall submit a proposal to the Court for closing the liquidation proceeding.

(2) Along with the proposal for closing the liquidation the liquidator shall submit initial liquidation balance, approved annual accounts and financial statements, as well as a plan for allocation and settlement of receivables of the creditors.

(3) The Liquidation Council shall issue a decision for closing the liquidation proceeding. No appeal against this decision shall be allowed.

(4) The decision for closing the liquidation proceeding shall be published in the "Official Gazette of the Republic of Macedonia".

(5) The decision for closing the liquidation proceeding shall be submitted to the Commission, the liquidator, banks and the performer of payment operations where the brokerage house has an account and to the Central Register maintaining the trade register.

(6) The Central Register maintaining the trade register shall ex officio delete the brokerage house from the trade register immediately after the decision for closing the liquidation procedure.

Proposal to Discontinue the Liquidation due to Satisfying the Requirements for opening Receivership Procedure

Article 142

- (1) If during the liquidation, the liquidator determines that:
- (a) the assets of the brokerage house are not sufficient to settle the receivables of the creditors; or
 - (b) the assets of the brokerage house may not be cashed to settle the receivables of the creditors,
- he/she shall notify the Commission immediately and submit a proposal to the Competent Court for opening a receivership procedure.

4.2 Receivership Procedure over the Brokerage House

Reasons for Opening a Receivership Procedure

Article 143

- A receivership procedure over a brokerage house shall be opened if:
- (a) the Commission determines that the financial situation of the brokerage house has not improved;
 - (b) during supervision it has been determined that the assets of the brokerage house are not sufficient to settle all the receivables of the creditors;
 - (c) the brokerage house is not able to settle the obligations within forty-five (45) calendar days of the arrival, as well as in the event of its over-debit.

Proposal for Opening Receivership Procedure

Article 144

- (1) The proposal for opening receivership procedure may be submitted by the Commission, the creditors, the brokerage house as well as the liquidator.
- (2) If the Commission submits the proposal for opening a receivership procedure the Commission itself shall issue a decision for satisfying the requirements for opening a receivership procedure.
- (3) The Commission shall submit a proposal for opening receivership procedure to the competent court on the first working day after the decision for satisfying the requirements for opening receivership procedure has been reached.
- (4) If the proposal for opening receivership procedure has been submitted by the creditors or the brokerage house the Court shall deliver to the Commission a copy of the submitted proposal and all other decisions reached during the receivership procedure.

Opening a Receivership Procedure

Article 145

(1) If the Commission submits the proposal for opening a receivership procedure the Competent Court shall issue a decision for opening receivership procedure within eight days of the receipt of the decision for satisfying the requirements for opening receivership procedure without any prior procedure.

(2) If the proposal for opening receivership procedure is submitted by a creditor the Court shall issue a decision for prior procedure of examining the conditions for opening a receivership procedure and shall seek the Commission's opinion before issuing a decision for opening receivership procedure.

(3) The Court shall also deliver the decision for opening receivership procedure of the brokerage house to the Commission.

Application of Provisions

Article 146

(1) The provisions from the Bankruptcy Law, as amended shall apply to the receivership procedure over the brokerage house, except the provisions that refer to the reorganization plan, personal management, exemption from other obligations, special types of receivership procedures for individuals having a status of a merchant, receivership procedures with a foreign element and the Assembly of creditors and the Council of creditors.

(2) The Receivership Council shall issue all decisions concerning the selling of the property and cashing of the insolvency estate.

Separation of the brokerage house's property

Article 147

(1) The financial assets of clients given by the client to the brokerage house to purchase securities or the financial assets gained from sale of the securities kept on separate accounts at authorized institutions shall not be considered a part of the brokerage house's property.

(2) When the legal consequences arise from the opening of the receivership procedure the receivership manager shall close all accounts at the authorized institutions and return to the clients the financial assets that are on the accounts.

Subchapter 5. Establishment and Operation of Investment Advising Companies and Investment Advisors

Investment Advising Companies

Article 148

- (1) An investment advising company may provide investment advising services if it employs at least one person with a license for operation of an investment advisor.
- (2) The services that are performed by the company from paragraph 1 of this Article are: managing the portfolio of securities by order and for the benefit of an individual client and investment advising.
- (3) The investment advising company shall obtain license for operation from the Commission.
- (4) The investment advising company may not register with the trade register before obtaining a license for operation from the Commission.
- (5) The Commission shall prescribe the documentation to be submitted with the application for license for operation of the investment advising company.
- (6) The Commission shall grant a license for operation of an investment advising company within sixty (60) calendar days after the Commission notifies the submitter of the application that the required application documents have been completed. The Commission shall submit the notification for completion of application to the applicant within five (5) working days of the day of receipt of the application.
- (7) The Commission shall publish the decision for granting the license for operation of an investment advising company in the Official Gazette of the Republic of Macedonia within eight (8) days of the day the decision is issued.
- (8) The Commission shall maintain an investment advising companies register.
- (9) The Commission shall prescribe the form, contents and the manner of maintaining the investment advising companies register.

Basic Capital and Liquid Assets of the Investment Advising Company

Article 149

- (1) The investment advising company shall possess and at all times maintain basic capital in amount of Euro 10.000 in denar equivalent, calculated by the middle NBRM rate as of the date of receiving the license from the Commission.
- (2) The Commission shall prescribe the mandatory structure and the manner of calculation and the basic capital of the investment advising company.
- (3) The investment advising company shall at all times have liquid assets on disposal, in amount prescribed by the Commission depending on the extent and the type of the services related to securities and the possible risks during performing such services.
- (4) The Commission shall prescribe the amount, type, maintaining and the manner of calculation and inspection of liquid assets of the investment advising company

Investment Advisor

Article 150

- (1) Only licensed investment advisors (hereinafter: investment advisors) shall perform services related to investment advising
- (2) An investment advisor shall pass an exam organized by the Commission for investment advising.
- (3) An investment advisor shall not be sentenced by effective court decision for a crime in a period of five (5) years before applying for a license for an investment advisor.
- (4) An investment advisor shall not be sentenced by an effective court decision for a crime of causing bankruptcy of a legal entity.
- (5) The Commission shall prescribe the manner and the conditions for taking the exam referred to in Paragraph 2 of this Article.

Application for License for Operation of an Investment Advisor and Maintaining Register

Article 151

- (1) Any physical person that satisfies the conditions referred to in Article 150 of this law may apply for a license for operation of an investment advisor.
- (2) The Commission shall issue a decision on the application referred to in Paragraph 1 of this Article within sixty (60) calendar days after the Commission notifies the submitter of the application that the required application documents have been completed.
- (3) The Commission shall grant a license for operation of an investment advisor after establishing that the conditions referred to in Article 150 of this law have been satisfied.
- (4) The Commission shall maintain a register of all investment advisors and make it available to the public.
- (5) The commission shall prescribe the form, contents and the manner of maintaining the investment advisors register.

Renewal of License for Operation of Investment Advisor

Article 152

- (1) Each investment advisor shall be required to renew the license for operation with securities every five (5) years.
- (2) Each investment advisor is obliged within a period of three (3) months before the expiration of the term in the paragraph 1 of this Article to submit an application for renewal of its investment advisor license to the Commission.
- (4) The application set forth in paragraph (2) of this Article shall contain documentation required in Article 151.
- (4) The obligation referred in paragraph 1 of this Article shall apply to the persons employed as investment advisors in licensed securities market participants.
- (5) The Commission shall prescribe the procedure for renewing a license for operation of investment advisor.

CHAPTER VI: REPORTING OBLIGATIONS OF REPORTING COMPANIES AND THEIR OFFICERS, DIRECTORS AND SHAREHOLDERS

Subchapter 1. Reporting Companies

Registry of Reporting Companies

Article 153

(1) The Commission shall maintain the Registry of Reporting Companies (hereinafter: Registry). An issuer shall be included in the Registry if it is a Reporting Company.

(2) An issuer shall be removed from the Registry of Reporting Companies within seven (7) business days of receiving a request from the issuer for its removal from the Registry and confirmation from a Depository that the issuer no longer fulfils the criteria for inclusion in the Registry.

(3) The Commission shall provide written notification to a Reporting Company within seven (7) business days after such entity is entered into or deleted from the Registry of Reporting Companies.

(4) The Commission shall prescribe the form, contents and manner for maintaining register of the reporting companies.

[former Article 55-a and 55-b; Former Article 55-c (mandatory listing) has been deleted]

Annual Reports

Article 154

(1) A Reporting Company shall submit to the Commission an audited annual report on its financial results, legal status and operations no later than four (4) months after the end of each calendar year.

(2) The annual report shall include:

- (a) Financial Statements prepared in accordance with International Financial Reporting Standards, together with an opinion from a certified auditor

summarizing the results of an audit of the Financial Statements conducted according to International Auditing Standards;

- (b) discussion and analysis of business results and prospects of the Reporting Company;
- (c) information regarding the members of the Management and Supervisory Boards or the Board of Directors, as the case may be, of the Reporting Company, including their respective percentage ownership of the basic capital of the Reporting Company;
- (d) information regarding natural persons or legal entities holding greater than five (5%) percent of the voting Shares of the Reporting Company;
- (e) information as to compensation arrangements with respect to members of the Reporting Company's Supervisory Board or Board of Directors, as the case may be, and senior management members;
- (f) information as to any transactions entered into between the Reporting Company and an Affiliate thereof;
- (g) policy on dividends;
- (h) information pertaining to the Reporting Company's acquisition of Treasury Shares; and
- (i) a statement as to any significant changes of the data contained in the Prospectus, if the Reporting Company has previously issued one within the last 12 months.

(3) The Commission shall retain all annual reports submitted pursuant to this Article for a period of no less than three (3) years after the date of delivery.

[Former Article 53 with revisions and additions]

Publication of Annual Report Summary

Article 155

(1) Each Reporting Company shall publish a summary of the audited annual report, along with the opinion by the certified auditor, in at least one daily Macedonian newspaper within fifteen (15) calendar days from the day the audited annual report was received by the Commission.

(2) The summary referred to in Paragraph 1 of this Article shall contain a statement that the entire annual report is available at the head office of the Reporting Company as well as at the office of the Commission.

[Former Article 53, with substantial language changes and additions]

Semi-Annual Reports

Article 156

(1) A Reporting Company shall submit to the Commission a semi-annual report covering the first six months of the financial year no later than forty-five (45) calendar days after the 6-month period terminates. The semi-annual report shall contain:

- (a) an explanatory statement relating to the Reporting Company's business activities, updating the information provided in the previous annual report; and
- (b) non-audited Financial Statements prepared in accordance with the International Financial Reporting Standards. [Former 55-d(2)]

Quarterly Financial Reporting

Article 157

(1) A Reporting Company shall submit to the Commission quarterly financial information covering the first and the third quarter, respectively, of the calendar year, no later than thirty (30) calendar days thereafter.

(2) Quarterly financial information shall contain, at a minimum:

- a) consolidated figures, presented in table form, indicating, for the relevant three-month period, the net income, and the profit or loss before or after taxation;
- b) an explanatory statement relating to the Reporting Company's activities and profit and loss during the relevant three-month period.

(3) If the Reporting Company so chooses, an indication of the likely future development of the Reporting Company (and its affiliates, if any) at least for the remaining calendar year, including any significant uncertainties and risks which may affect the operation of the reporting company.

[New, based on EU Transparency Directive and also consistent with Company Law Article 352 which requires quarterly reporting to the Board of Directors or the Supervisory Board, as applicable]

Current Reports and Proxy Materials

Article 158

(1) A Reporting Company shall file with the Commission copies of any reports prepared by the executive members of the Board of Directors or Management Board, as the case may be, with respect to:

- (a) losses that exceed 30% of the value of the Reporting Company's assets;
- (b) reduction of basic capital below the amount stipulated by the Statute; or
- (c) other special reports on the operation of the Reporting Company or on particular aspects of its operations.

(2) The reports referred to in paragraph (1) of this Article shall be submitted to the Commission within five (5) calendar days of their completion.

[new; these reports are required by Articles 352 and 354 of the Company Law.

(3) When a Reporting Company is in possession of Price Sensitive Information and such Price Sensitive Information has not previously been made public, the Reporting Company shall be obliged to immediately notify the Commission and issue a public report (hereinafter: Current Report), published in at least one daily newspaper in the Republic of Macedonia as soon as possible, but not later than ten (10) calendar days after obtaining the Price Sensitive Information.

(4) Circumstances that must be immediately disclosed as referred to in paragraph (3) of this Article shall include (without limitation):

- (a) the Reporting Company's acquisition or disposition of a material amount of its assets;
- (b) a change in the Reporting Company's authorized auditor;
- (c) the resignation or dismissal of members of managing bodies ;
- (d) the Reporting Company's entry into or termination of a material agreement or other legal event not in the ordinary course of business;
- (e) any event that triggers a default or acceleration of a financial obligation of the Reporting Company;
- (f) the institution of bankruptcy or liquidation proceedings by the Reporting Company;
- (g) failure to maintain required conditions with respect to outstanding Bonds;
- (h) any material litigation developments involving the Reporting Company; and
- (i) all changes in the rights attaching to the various classes of shares.

(5) A Reporting Company shall promptly submit to the Commission a copy of all materials disseminated to shareholders in convening meetings (proxy materials).

[Former Article 55-d(1) with substantial elaboration from Market Abuse Directive Article 6(1)]

Prohibition on Partial Disclosure

Article 159

Whenever a Reporting Company, or any person acting on its behalf, discloses Price Sensitive Information regarding the Reporting Company or its Securities to a brokerage house or an employee thereof, investment advisor, investment fund, or advisor or employee thereof, pension fund, or advisor thereof or pension company, the Reporting Company shall make (a) simultaneous public disclosure of such information with respect to intentional disclosures and (b) prompt public disclosure of such information with respect to non-intentional disclosures.

[new – required by EU Market Abuse Directive, 2003/6/EC, Article 6(3)]

Dissemination of Reports

Article 160

- (1) The Reporting Company shall file the annual, semi-annual, quarterly and current reports with the Commission.
- (2) The Reporting Company shall provide a copy of the annual, semi-annual, quarterly and Current Reports to each owner of its Securities, upon their request, at the expense of the Reporting Company.
- (3) The Reporting Company shall provide copies of the annual, semi-annual, quarterly and Current Reports to any member of the general public upon their request and may charge a fee only to cover cost of printing.
- (4) A Reporting Company shall provide in electronic format the annual, semi-annual, quarterly and Current Reports to any licensed stock exchange on which it's Securities are listed. [new]

Non-Disclosure of Sensitive Information

Article 161

A Reporting Company may request the Commission for an exemption from the requirement to disclose certain information in its annual report, semi-annual report, current reports, or as otherwise required by this Chapter if public notification would significantly endanger important business interests of the Reporting Company or would be contrary to the public interest and the Reporting Company can guarantee the confidentiality of such information.
[new to be consistent with Market Abuse Directive, Article 6(3)]

Reporting Obligations during Bankruptcy or Liquidation Procedure

Article 162

A Reporting Company that is subject to any bankruptcy or liquidation proceeding shall be exempt from the obligations set forth in Articles 154 through 160 of this Law. [Former Article 55-e]

Cessation of the Obligation to Report

Article 163

The obligation of a Reporting Company to submit reports pursuant to Articles 154 through 160 shall cease for all reporting periods after the date that the Reporting Company is removed from the Registry.

[Former Article 53(3), slightly modified]

Responsibility for Reporting Information

Article 164

The reports submitted pursuant to Articles 154, 155, 156, 157 and 158 of this Law shall be signed by the Chairman of the Board of Directors; the President of the Management Board as the case may be; and the General Manager of the Reporting Company, whose names and functions shall be clearly indicated. These persons shall verify that the information contained in the report is in accordance with the facts and that the report makes no omission likely to affect its importance. [New, from Proposed EU Transparency Directive, Article 4 and consistent with Company Law, Article 471(6)]

Subchapter 2. Reporting Obligations of Officers and Directors

Ownership Reports

Article 165

(1) Within fifteen (15) calendar days of being elected or appointed as a member of the Supervisory Board, Management Board or Board of Directors, as the case may be, of a Reporting Company, the member shall file a report with the Commission and the Reporting Company stating the amount of Securities issued by the Reporting Company that are held by the member (hereinafter, the “Initial Ownership Report”).

(2) A member of the Supervisory Board, Management Board and Board of Directors, as the case may be, of a Reporting Company shall provide notice to the Commission within five (5) calendar days from the settlement of every Trade Transaction and/or the execution of non-Trade Transfer that it enters into with respect to Securities of the Reporting Company of which it is a board member (hereinafter, the “Transfer Report”).

(3) The Director and every officer of a Reporting Company shall submit the reports set forth in paragraphs (1) and (2) of this Article within the same deadlines.[new]

Subchapter 3. Reporting Obligations of Certain Shareholders

Initial Ownership Reports

Article 166

(1) When any legal entity or natural person (together with its or his/her Affiliates) purchases or otherwise acquires Securities issued by a Reporting Company in an amount such that the owner (together with its or his/her Affiliates), directly or indirectly, owns in the aggregate greater than 5% of any class of Security issued by the Reporting Company, the owner shall file a report with the Commission and the issuer disclosing the ownership (hereinafter, "Initial Ownership Report of a Shareholder") within five (5) business days after the settlement of a Trade Transaction or execution of Non-Trade Transfer of Securities.

(2) Any legal entity or natural person (together with its or his/her Affiliates) who, directly or indirectly, owns greater than 5% of any class of Security issued by a Reporting Company shall report all subsequent acquisition and disposition of all securities issued by the Reporting Company to the Commission and the issuer (hereinafter, "Transfer Report of a Shareholder") within five (5) business days.

(3) If any shareholder of a Security issued by a Reporting Company sells or otherwise disposes of Securities such that the owner (together with its or his/her Affiliates) no longer holds greater than 5% of any class of Security issued by the Reporting Company, the owner shall file a Transfer Report for the sale or disposition (hereinafter, "Closing Transfer Report of a Shareholder") and, upon filing, the requirements of paragraph (2) above shall no longer apply.

[based on former Article 21]

(4) For purposes of paragraph (1) of this Article, a person or legal entity shall be deemed to own Securities a Reporting Company if the Securities are:

- (a) held by such person or entity directly; or
- (b) held by an Affiliate of such person or entity.
- (c) available for purchase by any of the foregoing persons or entities described in clauses (a) and (b) pursuant to an Option Contract;

[Former Article 21, with substantial changes based on Article 10 of EU proposed Transparency Directive and Article 4 of Takeover Law]

(5) The notice required by paragraph (1) of this Article shall contain:

- (a) the full name, unique identification number and address of the person or legal entity who has acquired or alienated the Securities;
- (b) the legal basis for transfer of the Securities;
- (c) the number of acquired or alienated Securities;

(d) the date on which the acquisition or disposal of Securities was effected; and

(6) If the entity or person referred to in paragraph (1), (2) and (3) of this Article fails to comply with its reporting obligations under this Article, it shall forfeit any voting rights of the Securities until the required reports have been officially received by the Commission. [new, based on former Article 21 and EU Transparency Directive]

Secondary Regulations

Article 167

The Commission shall prescribe:

- (a) the method and timing of entering and deleting an issuer into or from the Reporting Company Registry, the content and manner of maintaining the Registry, the manner of changing data in the Registry and the accessibility of the Registry to the public;
- (b) the form and content of the annual report, summary of annual report, semi-annual report, quarterly report and Current Report;
- (c) timing and manner of public disclosures required pursuant to Article 158 and 159 of this Law;
- (d) the contents, method and deadline for applying for the exemption to disclose confidential information pursuant to Article 160 of this Law; and
- (e) the form and required contents of the reports under Articles 165 and 166 of this Law.

CHAPTER VII. PROHIBITED CONDUCT WITH RESPECT TO SECURITIES AND PRIVATE RIGHTS OF ACTION

Subchapter 1. Prohibited Conduct

Unauthorized Offerings of Securities

Article 168

An offering of Securities other than in accordance with the provisions of this Law shall be void.[new]

Prohibited Activities Regarding Offerings of Securities

Article 169

It shall be prohibited:

- (a) to include in a Prospectus any untrue statement of a material fact or
- (b) to omit from a Prospectus a material fact necessary in order to make the statements in light of the circumstances under which they were made, not misleading.

Price Manipulation

Article 170

(1) It shall be prohibited for a licensed securities market participant or another physical or legal person to create a false impression of the market for a particular Security by:

- (a) conducting a Trade Transaction with Securities in such a manner that its execution does not result in a change of owner;
- (b) issuing an order for the purchase or sale of a Security with prior knowledge that an order has been given or will be given for the sale or purchase of that Security at approximately the same price by the same or another person or entity in order to create a fictitious price or appearance of active trading in that Security.

(2) It shall be prohibited for any person or entity to conduct any Trade Transaction with respect to Securities solely:

- (a) in order to increase the price of that Security and encourage (mislead) other investors to buy that Security;
- (b) in order to depress the price of that Security and encourage (mislead) investors to sell that Security;
- (c) in order to give the appearance of active trading in that Security and thus encourage (mislead) other investors to purchase and/or sell that Security.

[new, Croatia, 108, consistent with Market Abuse Directive, Article 1]

Spreading False Information

Article 171

(1) It shall be prohibited to spread false or misleading information, through the media, including the internet or other means, which influences, the volume of trade or price of any Security where the person or entity who made the dissemination knew, or ought to have known, that the information was false or misleading.

(2) Journalists acting in their professional capacity, who disseminate false or misleading, shall be liable if they derive, directly or indirectly, an advantage or profits from the dissemination of the information in question.

[new, Croatia, 109; Market Abuse Directive, Article 1(c)]

Prohibition on Fraudulent Conduct

Article 172

It shall be prohibited for, for a licensed securities market participant or another physical or legal entity directly or indirectly, in connection with the purchase or sale of any Security:

- (a) to employ any device or scheme to defraud,
- (b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, or
- (c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person?

[new, based on Rule 10b-5 of U.S. Securities Act of 1934]

Inside Information

Article 173

(1) No legal entity, shareholder, member of the Management Board, member of the Supervisory Board, Member of the Board of Directors, employees or retained consultants, (attorneys, auditors) or others working pursuant to a contract of a legal entity or other individuals who, as a result of professional duty have access to Inside Information, shall be permitted to purchase or sell any Security on the basis of Inside Information or otherwise acquire any material benefit as a result of such Inside Information. [Former Article 153(1)]

(2) Unless otherwise required by law, no person identified in paragraph (1) of this Article shall be permitted to disclose Inside Information to third parties, or recommend, on the basis of such Inside Information, to third persons to purchase or sell any Security to which that Inside Information relates.

(3) No person or entity who knowingly receives Inside Information from a person identified in paragraph (1) of this Article shall be permitted to purchase or sell any Security on the basis of such Inside Information or otherwise acquire any material benefit as a result of such Inside Information.

(4) This Article shall not apply to Trade Transactions conducted in the discharge of an obligation that has become due to purchase or sell Securities where that obligation results from an agreement concluded before the person or entity concerned possessed Inside Information. [Market Abuse Directive, Article 2(3)]

[Former article 97, 152-55; consistent with Market Abuse Directive, Article 2]]

(5) The Commission shall prescribe methods to prevent the misuse of Inside Information. [Former Article 155]

Reporting Transactions Based on Inside Information

Article 174

(1) Any person identified in Article 173, paragraph 1 of this Law or legal entity with access to Inside Information shall be obliged to inform the issuer, the Commission and any exchange on which such issuer's Securities are listed in the event that the person or legal entity has knowledge about any purchase or sale of Securities on the basis of Inside Information.

(2) The Commission shall prescribe the contents and manner of the notifications required pursuant to paragraph (1) of this Article.

Supervision over Dissemination of Inside Information

Article 175

(1) In order to prevent violations on the prohibition on the use of Inside Information, and/or to uncover any such violations, the Commission may request relevant explanations and data from the following persons or legal entities:

(a) members of the Management Board, Supervisory Board or Board of Directors of any Reporting Company or other issuer whose securities are admitted for trading on the securities exchange;

(b) any officer of any Reporting Company or other issuer whose securities are admitted for trading on the securities exchange;;

(c) any shareholder who owns greater than 5% of the outstanding voting Securities of any Reporting Company or other issuer whose securities are admitted for trading on the securities exchange;;

(d) any issuer whose Securities are listed on a licensed exchange in the Republic of Macedonia;

(e) any brokerage house accepting orders and/or performing individual tasks relating to any purchase or sale of Securities;

(f) any other individual and legal entity and employees thereof, who might be familiar with individual cases of unauthorized use of Inside Information.

- (2) The persons referred to in paragraph 1 of this Article shall:
- (a) be obliged to respond to the Commission's request for information and provide it with relevant information and oral explanations;
 - (b) be obliged, at the Commission's request, to disclose the identity of a person or entity for whose account a particular transaction in Securities was made; or
 - (c) be obliged, at the Commission's request, to present any and all documentation regarding a particular transaction in Securities.
- [new – based on Slovenia, 278]

False or Misleading Financial Statements

Article 176

- (1) It shall be prohibited for any auditor or accountant to certify any false or misleading or materially incomplete Financial Statement which is in violation of International Financial Reporting Standards and International Audit Standards.
- (2) In the event of a violation of paragraph (1) of this Article, the auditor or accountant shall be liable for damages to any person suffering financial loss as a result of such false, misleading or materially incomplete Financial Statements negligently

Confidentiality Obligations

Article 177

- (1) The members of the management bodies, the Director, the employees and the certified auditors of a Depository, shall maintain the confidentiality of all data learned in the course of their daily operations, unless such data is otherwise known to the public or is required to be disclosed pursuant to this Law or any other law. [Former Article 148]
- (2) The members of the management bodies, the Director, the employees and the certified auditors of a licensed securities exchange, shall maintain the confidentiality of all data learned in the course of their daily operations, unless such data is otherwise known to the public or is required to be disclosed pursuant to this Law or any other law.
- (3) The members of the management bodies, the Director, the employees and the certified auditors of a brokerage house shall maintain the confidentiality of all information they learn in relation to the operation of the brokerage house, unless such data is otherwise known to the public or is required to be disclosed pursuant to this Law or any other law. [Former Article 118]

Purchasers of Unauthorized Securities

Article 178

A person who has purchased Securities offered by an issuer in violations of Chapter II of this Law shall be entitled at any time to bring a judicial action in an authorized Court to recover the consideration paid for such Securities together with interest, calculated at the deposit interest rate, less the amount of any income received.

Actions Relating to Fraudulent Offering Prospectus

Article 179

(1) A person who has purchased a Security that has been offered pursuant to a Prospectus that, unbeknownst to such person, contains an untrue statement of material fact or omits to state a material fact necessary in order to make the statements, in light of the circumstances under which they were made, not misleading, shall be entitled to sue the following persons in an authorized Court to recover the consideration paid for such Security together with interest calculated at deposit interest rate, less the amount of any income received thereon, upon the tender of such Security to the issuer, or for damages if he no longer owns the Security:

- (a) the issuer of the Security;
- (b) any person who signed the Prospectus;
- (c) any person who was a member of the Board of Directors, Supervisory Board or Management Board, as the case may be, of the issuer at the time of issuing the Prospectus; and
- (d) any accountant or authorized auditor who has, with his/her consent, been named as having prepared or certified any part of the Prospectus or as having prepared or certified any report or valuation or Financial Statements used in preparation of the Prospectus.

(2) If a person acquired the Security after the issuer has made generally available to its shareholders Financial Statements covering a period of at least twelve (12) months after the date the Prospectus is issued, then the right of recovery under this paragraph shall be conditioned upon proof that such person acquired the Security relying upon such untrue statement in the Prospectus or relying upon the Prospectus and not knowing of any omission.

(3) Notwithstanding the provisions of paragraph (1) of this Article, no person shall be liable if such person proves that:

- (a) he/she resigned from every office, capacity or relationship in which he/she was described in the Prospectus prior to issuance of the Prospectus and advised the Commission and the issuer in writing of any such actions;
- (b) the Prospectus became effective without his/her knowledge and, upon becoming aware of its issuance, he/she advised the Commission and gave reasonable public notice that the Prospectus had become effective without his/her knowledge; or

(c) he/she had, after reasonable investigations, reasonable grounds to believe that statements in the Prospectus were true and that there was no omission of any Price Sensitive Information.

(4) The damages that may be recovered pursuant to paragraph (1) of this Article shall be no greater than the price at which the Security was offered to the public and shall represent the difference between the amount paid for the Security and (a) the determined value according to expert opinion of such Security as of the time such lawsuit was brought; or (b) the price at which such Security was sold in the Secondary Market prior to the lawsuit; or (c) the price at which such Security is sold at on the Secondary Market after lawsuit.

(5) All or any one of the persons specified in paragraph (1) of this Article shall be jointly and severally liable.

[new, this Article is based on simplified Sections 11 and 12 of the U.S. Securities Act of 1933; note Former Article 48 contained the concept of director liability for false prospectuses, but no private rights of action]

Liability for Manipulation of Securities Prices

Article 180

(1) Any person who willfully participates in any act or transaction in violation of Article 176, 177 or 178 of this Law shall be liable to any person who shall purchase or sell any Security at a price which was affected by such act, and the person so injured may sue in an authorized Court to recover the damages sustained as a result of any such act or transaction.

(2) No lawsuit shall be maintained to enforce any liability created under paragraph (1) of this Article unless brought within one (1) year after the discovery of the facts constituting the violation.

(3) No lawsuit shall be maintained to enforce any liability created under paragraph (1) of this Article unless brought within three (3) years after such violation.

[new, this Article is based on Section 9 of U.S. Securities Act of 1934]

CHAPTER VIII: THE SECURITIES AND EXCHANGE COMMISSION

Subchapter A: Status and Organization of the Commission

Independent Regulatory Body

Article 181

- (1) In the area of capital market the Securities Exchange Commission is being established as an independent regulatory body.
- (2) The Commission regulates and supervises the operation of the securities market on the territory of the Republic of Macedonia. [Article 157(2)]
- (3) Within its legal powers and authorizations, the Commission provides the legal and efficient functioning of the securities market, as well as for the protection of investors' rights, with the aim of continual building up public trust in the institutions of the securities market in the Republic of Macedonia. [Article 157(3)]
- (4) The Commission has the status of a legal entity. [Article 157(4)]
- (5) The seat of the Commission is in Skopje. [Article 157(6)]

Structure of the Commission

Article 182

- (1) The Commission shall consist of five Commissioners, one of whom shall serve as the President. [revised Article 158(1)]
- (2) Each Commissioner shall serve a term of 5 years, with the possibility of being re-elected. [Article 159(2)]
- (3) The President and at least two of the other Commissioners shall be professionally engaged on a full-time basis in the Commission's operation [Article 158 (2)] and may not hold any other post, or be employed in any business or receive compensation other than the salary of a Commissioner and compensation for intermittent educational and creative endeavors.

Election and Dismissal of the Commission President and Commissioners

Article 183

(1) The President and the other Commissioners shall be elected by the Parliament of the Republic of Macedonia, upon the suggestion of the Government of the Republic of Macedonia. [Article 159(1)]

(2) Once a Commissioner is designated as President of the Commission, the designation shall not be removed except through his/her resignation or dismissal by the Parliament of the Republic of Macedonia upon proposal of the Government of the Republic of Macedonia as a Commissioner.

If the President of the Commission voluntarily resigns from his/her position as President of the Commission, he/she shall remain a Commissioner and the Parliament of the Republic of Macedonia shall designate a new President of the Commission for the rest of the term.

(3) A person fulfilling the following conditions may be elected as a Commissioner:

- (a) is a citizen of the Republic of Macedonia;
- (b) has a university degree;
- (c) has a reputation of a renowned expert in the field of finance and business law;
- (d) is not a member of any body of a political party;
- (e) is not a member of Management Board, Supervisory Board or Board of Directors of a legal entity regulated by the Commission or supervised by the National Bank of the Republic of Macedonia;
- (f) is not a shareholder owning greater than 5% of the outstanding voting Shares of any Reporting Company.;
- (g) is not an official managing a state body;
- (h) has not been irrevocably convicted of a felony within five (5) years preceding the election as a Commissioner; and
- (i) has not been irrevocably adjudicated by a court to have contributed to or caused the bankruptcy or insolvency of a legal entity. [Article 160, revised]

(4) The President or Commissioner (member) may resign voluntarily through a written statement submitted to the Government of the Republic of Macedonia. The government of the Republic of Macedonia shall immediately submit written statement to the Parliament of the Republic of Macedonia. The Parliament of the Republic of Macedonia on its first incoming session shall acknowledge the termination of the term of the President or a Commissioner, which shall be effective on the date the session is held. [new]

- (5) The Parliament of the Republic of Macedonia upon proposal of the Government of the Republic of Macedonia dismisses the President or Commissioner (member) if he/she:
- (a) three times is subsequent unjustifiably absent from the meetings of the Commission;
 - (b) is imprisoned for felony for more than six (6) months;
 - (c) loses his/her ability to perform regular tasks;
 - (d) performs its functions in violation of the Commission's Rules of Conduct;
 - (e) discloses a business secret learnt in the course of their work in the Commission;
 - (f) discloses internal information obtained in the course of their work in the Commission;
- [Article 161(1)]
- (g) becomes a member of any body of political party;
 - (h) becomes a member of the Management Board, Supervisory Board or Board of Directors of a legal entity regulated by the Commission or supervised by the National Bank of the Republic of Macedonia;
 - (i) becomes a shareholder owning greater than 5% of the outstanding voting Shares of any Reporting Company;
 - (j) becomes an official managing a state body; or [Article 161(2)]
 - (k) is irrevocably adjudicated by a court to have contributed to or caused the bankruptcy of a legal entity.
- (6) If a duty of a Commissioner (member) ceases before completion of his/her mandate, upon previous proposal of the Government of the Republic of Macedonia, the Parliament of the Republic of Macedonia shall elect a new Commissioner (member) for the rest of the mandate. [new]

Functions of the Commission

Article 184

The Commission performs the following functions:

- (a) undertakes measures to secure the implementation of this Law and other laws within its competence;
- (b) passes acts or rules arising from this Law and other laws within its competence;
- (c) undertakes measures to ensure the implementation of such acts or rules passed in accordance with this Law and other laws within its competence;
- (d) conducts control over the complete documentation of the issuers of Securities, undertakes measures and makes decisions for the protection of interests of persons that are owners of or are investing in Securities and prevents dishonest and illegal activities related to trading and operating in Securities;
- (e) issues licenses and approvals arising from this Law and other laws within its competence;
- (f) regulates the manner of trading in Securities on a licensed securities exchange;
- (g) monitors the operations of licensed market intermediaries.
- (h) controls the operations of licensed market intermediaries.
- (i) performs inspection over the operations of Licensed Securities Market Participants;

- (j) prescribes standards of competition among the licensed market intermediaries in their dealings with Securities, as well as authorized investment management companies (i.e. investment funds, by inspections or in another manner);
- (k) gives consent as for appointing directors of the legal entities which are market participants, including the directors of the organizational unit in the bank in charge of performing securities – related services, as well as the directors of investment funds management companies from the Law on Investment Funds, as amended;
- (l) approves the Requests for Approval for issuing Securities.
- (m) ensures legality, honor and transparency of the securities market;
- (n) approves the Rules, and changes to the Rules of a Depository and a licensed securities exchange.
- (o) cooperates with other institutions in and outside the Republic of Macedonia;
- (p) passes the operating program, financial plan and the final statement of the Commission and adopts the annual report on the operations of the Commission;
- (q) selects an authorized audit company and adopts the report on audit of the Commission;
- (r) passes acts or rules for the internal organization of the Commission; and
- (s) performs other activities related to operations with Securities and in accordance with this Law and other laws within its competence. [Article 163(1)]

Statute of the Commission

Article 185

- (1) The Commission shall enact by-laws, which must be approved by the Parliament of the Republic of Macedonia. [Article 162(1)]
- (2) The Commission's by-laws shall regulate the organization, management and operation, procedures for passing acts and changes and additions thereto, as well as other issues within the powers of the Commission. [Article 162(2)].

Organization of the Work of the Commission

Article 186

- (1) The Commission shall be managed by the President. In a case of his/her absence the President appoints a Commissioner who shall replaced him/her. [new]
- (2) The President of the Commission shall:
 - (a) ensure that meetings of the Commission are called regularly, propose the agenda to be considered at every meeting, submit reports on the activities of the Commission and, in the period between meetings, give instructions to Commissioners and employees and control their implementation;

(b) organize and manage the administration of the Commission, including professional improvement of the staff of the Commission, appoint and dismiss the employees of the Commission administration with the approval of a majority of Commission members.

(c) sign the decisions and the acts of the Commission;

(d) serve as a representative of the Commission with third parties;

(e) control the implementation of the decisions of the Commission. [new]

(3) The Commission brings a decisions with majority votes of the total number of Commissioners. The Commission shall conduct open meetings.

(4) As an exception to paragraph (3) of this Article, the Commission's meetings shall be closed when the meeting addresses: violations of this Law, or other laws within the Commission's competence, surveillance (investigations) and inspections, Requests for Approval, discussions regarding a Private Offering and decisions regarding confidential treatment of information at the request of a Reporting Company

(5) The Commission shall publish its executive decisions in the Official Gazette of the Republic of Macedonia. Explanations of Commission decisions shall be posted on the Commission's website after such decisions are final.

(6) The operation of the department of qualified personnel of the Commission shall be managed and coordinated by the Head of Staff. The Head of Staff shall be appointed and dismissed by the Commission upon proposal by the President of the Commission.

(7) A person who is a citizen of the Republic of Macedonia, has obtained university education and has professional experience in the area of finance and business law in the period of three years prior to the appointment to such function may be appointed as Head of Staff of the department of qualified personnel. [Article 157(5)]

Avoidance of Conflict of Interest

Article 187

(1) The President or any Commissioner who is interested in any issue that is to be discussed and decided by the Commission shall disclose the nature of such interest at the meeting of the Commission where such decision is being discussed and taken, which disclosure shall be recorded in the minutes of the meeting. The obligation for disclosure the nature of such interest also refers in a case when the Commission discusses and decides in any issues which is in the interest of a spouse or relative in first line to the President or Commissioner.

(2) The President or a Commissioner shall not be present during the deliberation or decision of the Commission with regard to that matter. [modified Article 160a(1)]

(3) The obligation for disclosure of such interest fom the paragraph 1 of this Article refers to the employees at the Commission.

Rules of Conduct

Article 188

(1) In order to avoid conflicts of interest, the Commission shall prepare Rules on the Conduct of Commissioners and Employees of the Commission, which shall regulate the activities of present and former Commissioners and employees of the Commission.. [new]

(2) All present and former Commissioners as well as employees and staff of the Commission and consultants retained by the Commission must not use for their own benefit or disclose business secrets or internal information they acquire during the operations in the Commission. [Article 160a(2)]. The obligation for confidentiality shall continue to be valid during five years following the day of termination of term of office. [Article 160a(3)]

(3) Information acquired during the operations of the Commission, according to regulations, may be disclosed only to:

- (a) employees of the Commission and Commissioners for the purpose of carrying out their official duties;
- (b) SRO officials in connection with enforcement of this Law;
- (c) other organs for supervision of financial institutions within Macedonia, provided that a Memorandum of Understanding allows for the disclosure of such information;
- (d) Law enforcement bodies;
- (e) courts, upon receipt of a subpoena of an authorized court.
- (f) Securities regulatory bodies in foreign countries in accordance with Memoranda of Understanding or international agreements..

(4) A person who, in cases provided by this Law, has the right to receive any confidential information from Commissioners or employees of the Commission shall comply with paragraphs (2) and (3) above.

(5) Commissioners and employees of the Commission shall inform the Commission regarding their portfolio of Securities to avoid any perceived conflict of interest. [new]

Liability of the Commission

Article 189

(1) The Commission shall not be liable for the truthfulness, completeness and accuracy of any data or information contained in Prospectus, announcement concerning a Private Offering or any other statement distributed to the Commission, shareholders or to the public filed by the issuers. [Based on Slovenia, Article 24]

(2) No Commissioner or employee of the Commission shall incur liability for damages resulting from the performance of their work, provided that the person acted honestly and conscientiously.

(3) The damage caused to any person through the illegal action of an employee of the Commission or Commissioner shall be compensated from the Commission's resources, according to the general provisions for damage compensation.

(4) In the event that an employee of the Commission or Commissioner is named in a lawsuit in connection with the execution of their official duties, legal representation shall be provided by the Commission and the costs of defending the lawsuit shall be paid from Commission's resources.

(5) In the event that an employee of the Commission or Commissioner is found by court decision to have engaged in intentional or reckless misconduct in connection with their official duties, the provision from paragraph 3 shall not apply, i.e. the Commissioner or the employee are responsible for damage compensation and shall reimburse to the Commission the costs from paragraph 4 from this Article :
new]

Subchapter 2: Rulemaking

Adoption, Amendment and Rescission of Commission Regulations

Article 190

(1) The Commission may adopt permanent regulations after providing public notice of its draft regulation and providing all interested persons an opportunity within thirty (30) calendar days to submit written comments. Regarding the adopted regulation, the Commission shall publish a summary of the comments received on its web-site.

(2) The procedure for amending regulations shall be the same as that set forth in paragraph (1) of this Article..

(3) The Commission may rescind a regulation without providing a comment period.

(4) The Commission may adopt temporary regulations without public comment if, in the Commission's sole discretion, the circumstances giving rise to the need for the regulation are emergency in nature especially to:

- (a) protect the interests of investors, market participants and/or the integrity of the securities market system;
- (b) maintain or restore a fair, orderly and transparent public securities market; or

(c) ensure prompt, accurate and safe clearance and settlement of Trade Transactions.

(5) A temporary regulation shall be in effect for no more than ninety (90) calendar days.

Adoption, Amendment or Rescission of Rules of Licensed Securities Exchanges or Securities Depositories

Article 191

The Commission may take action to adopt, amend and rescind any rule of a securities exchange or securities depository, if the Commission determines it is necessary in furtherance of this Law in order to:

- (a) protect the interests of investors, market participants and/or the integrity of the securities market system
- (b) maintain or restore a fair, orderly and transparent public securities market; or
- (c) ensure prompt, accurate and safe Clearance and Settlement of Trade Transactions.

Subchapter 3. Inspection

Inspection of Licensed Securities Market Participants

Article 192

(1) The Commission shall perform inspection of the operation of the Licensed Securities Market Participants with respect to enforcement of this Law, regulations deriving from this Law and the rules of self-regulatory organizations.

(2) In cooperation with the National Bank of the Republic of Macedonia the Commission may perform inspection of the operation of the banks providing services related to operation with securities pursuant to this Law.

(3) Pursuant to this Law self-regulatory organizations shall immediately inform the other licensed securities market participants if such violations are identified during the inspection process.

Manner of Performing Inspection

Article 193

(1) The Commission may perform regular and extraordinary inspection.

(2) Inspection may be on-site and off-site. Off-site inspection shall be performed by obtaining data from licensed securities market participants, and on-site inspection shall be performed by direct inspection of the operational data, at the premises of the securities market participant being supervised.

(3) The Commission shall issue regulation on manner and procedure for conducting inspections pursuant paragraph 1 of this Article.

Measures Deriving from the Inspection

Article 194

(1) After direct or indirect inspection of the operation of the licensed securities market participants the Commission shall make: a decision on elimination of the identified irregularities or a decision on temporary prohibition of operation, or decision on revocation of the license, consent or approval that the Commission issues pursuant to this Law.

(2) After termination of inspection of the operation of licensed securities market participants, the Commission shall make a decision on revocation of the approval for appointment of a director of the licensed securities market participant and shall pronounce other measures pursuant to this Law.

(3) The Commission shall make a decision on temporary prohibition of the operation or decision on revocation of the license, consent or approval that the Commission has issued, pursuant to this Law, to the licensed participant and the responsible person (director) in case the licensed securities market participants perform prohibited activities related to operation with securities, pursuant to this Law or other law in competence of the Commission and the rules of self-regulatory organizations.

(4) An appeal might be placed against the decisions of the Commission according to Article 231, paragraph 1 of this Law.

(5) The appeal pursuant paragraph 4 of this Article shall not postpone execution of the decisions.

Inspection Authority for Performing on-site inspection

Article 195

(1) The Commission may carry out on-site inspections of the activities of any Licensed Securities Market Participant to determine whether their operations are in legal conformance. Inspections may be conducted with or without prior notice, upon the

Commission's discretion, as part of the Commission's routine program for market oversight.

(2) In carrying out an inspection, an authorized employee of the Commission shall present the inspection order on the premises of a legal entity which is a Licensed Securities Market Participant.

(3) The authorized employee from paragraph (2) of this Article is authorized to:

- (a) review all books and written records relating to the business of the Licensed Securities Market Participants;
- (b) make copies of all documents relevant to the inspection;
- (c) obtain copies of all documents regarding the financial operation;
- (d) require officials and other employees of such Licensed Securities Market Participant to provide information regarding its operations; and
- (e) obtain oral and written explanations on questions arising in respect to such information.

(4) Failure, or refusal of a Licensed Securities Market Participant to comply with paragraphs (1) to (3) from this article, or obstruction of an inspection, shall be grounds for temporary or permanent revocation of its license for operation by the Commission.

Off- site Inspection

Article 196

(1) The Commission shall perform off-site inspection of the operation of Licensed Securities Market Participants by the following activities: inspection and analysis of financial statements, reports and other documents that the licensed securities market participants and other entities are obligated to submit, pursuant to this Law or at request of the Commission; inspection of books, documents and the complete business documentation maintained pursuant to this Law or other law, and pursuant to sub laws deriving from these laws.

(2) Off-site inspection shall include continuous monitoring and inspection of data in reports, notifications, files and other documentation that the Licensed Securities Market Participants are obligated to submit pursuant to the existing regulations as well as documents, notifications and announcements from other entities, related to the licensed securities market participants.

(3) A subject of an indirect inspection shall be other type of documentation related to the operation with securities that the licensed securities market participants are obliged to submit at request of the Commission.

Results of Inspection

Article 197

(1) If, during the inspection, the Commission finds that a Licensed Securities Market Participant has violated, or is violating, any provisions of this Law, the regulations issued pursuant hereto or the Rules of a Licensed Securities Market Participant, it may:

- (a) publicly disclose information about such irregularities in its operations;
- (b) issue a decision requiring the Licensed Securities Market Participant to eliminate such illegalities and irregularities within a certain deadline and, in furtherance thereof, and to be informed of the manner in which the violation has been eliminated.;
- (c) impose a temporary prohibition not to exceed thirty (30) calendar days on all or some of the services related to Securities for which the Licensed Securities Market Participant has been granted a license;
- (d) issue an order to any bank or financial institution to temporarily freeze the account(s) of the Licensed Securities Market Participant for a period not to exceed fifteen (15) calendar days;
- (e) conduct an investigations under the Commission's established Rules;
- (f) issue a decision on revocation of consent to the director of the licensed market participant;
- (g) issue a decision on imposition of public reprimand ;
- (h) issue a decision on permanent prohibition on performing a part or all services related to securities for which the licensed market participant has received a license;
- (i) impose a fine to the licensed market participant;
- (j) require the Licensed Securities Market Participant to make amendments to its rules or Statute; and/or
- (k) Require other measures to improve the financial discipline of the Licensed Securities Market Participant's operations. [adapted from Article 151]

(2) If, the Commission finds, that a director, employee, member of the Management Board and member of the Supervisory Board or member of the Board of Directors of a Licensed Securities Market Participant or the holder of an individual license for operating with securities to engage in securities market activities:

- (a) has violated, or is violating, any provisions of this Law, or any other Laws within its competence;
- (b) has caused their Licensed Securities Market Participant to violate its Rules, this Law, or the regulations issued pursuant hereto;

the Commission may:

- impose a fine on that director, employee, and member of the Management Board and member of the Supervisory Board or member of the Board of Directors or the holder of the individual license for operating with securities ;
- temporary or permanent suspend or revoke the license for operating with securities of that person or consent to that person issued in accordance to this law.

Inspection Costs

Article 198

- (1) After inspection is performed pursuant to this Law at a licensed securities market participant and irregularities and illegalities are identified the inspection costs shall be charged up to the account of the licensed participant - subject to inspection.
- (2) The Commission shall make a decision to obligate the licensed securities market participant to pay the costs.
- (3) The inspection costs shall be determined based on the Commission tariff.

Subchapter 4: Surveillance (investigations)

Surveillance (investigations) Authority

Article 199

- (1) The Commission shall have the authority to conduct surveillance (investigations) to determine whether Licensed Market Participant or other physical or legal person have violated this Law and other laws within its competence, the regulations adopted hereunder and/or the Rules of any Licensed Securities Market Participant.
- (2) The surveillance is performed by the authorized persons employed in the Commission.

Call in persons

Article 200

- (1) During an surveillance (investigations), the Commission may call in persons requiring submission of oral testimony, either in the form of a statement or in response to questioning.
- (2) The obligation from the paragraph (1) of this Article refer to the following persons:

- (a) the directors, employees, members of the Management Board and members of the Supervisory Board or members of the Board of Directors of a Licensed Securities Market Participant; or
- (b) the directors, employees, members of the Management Board and members of the Supervisory Board or members of the Board of Directors of a Reporting Company or other issuer whose securities are admitted for trading on the securities exchange; ;
- (c) shareholders in Reporting companies or other issuer whose securities are admitted for trading on the securities exchange;
- (d) other persons at request of the Commission.

(3) Information obtained under this Article by the Commission shall be kept confidential until their use in a proceeding conducted by the Commission or a court proceeding.

Orders Requiring Submission of Documents

Article 201

(1) During the surveillance (investigations), the Commission may issue orders to persons from whom it requires the submission copies of the specified documents to the Commission and to provide an opportunity to control of the original documents.

(2) The obligation from paragraph (1) of this Article refers to:

- (a) the directors, employees, members of the Management Board and members of the Supervisory Board or members of the Board of Directors of the Licensed Securities Market Participant;
- (b) the directors, employees, members of the Management Board and members of the Supervisory Board or members of the Board of Directors of the Reporting Company or other issuer whose securities are admitted for trading on the securities exchange;;
- (c) shareholders in Reporting companies or other issuer whose securities are admitted for trading on the securities exchange;;
- (d) other persons at request of the Commission.

(3) Information obtained by the Commission under this Article shall be kept confidential until their use in a proceeding conducted by the Commission or in a court proceeding.

Compliance with Commission Orders

Article 202

(1) The compliance with Commission orders to provide testimony and/or documents shall constitute an obligation of the recipients of the order.

(2) The failure to comply with the Commission orders referred to in paragraph 1 of this Article shall be a legal basis for pronouncing measures/sanctions in accordance with this Law.

Conducting of Surveillance (investigations)

Article 203

The Commission shall issue regulations further specifying the procedures for conducting its surveillance (investigations).

Subchapter 5: Taking Measures

5.1 Authorization for Taking Measures During Procedure of Issuance, Offer and Sale of Securities

Measures of Inspection

Article 204

(1) If the Commission finds that an issuer has violated, or is violating, any provisions of this Law, or the regulations issued pursuant hereto, in connection with the issuance, offer and sale of Securities, the Commission may:

- (a) publicly disclose information about such irregularities or violations;
- (b) issue a decision obligating the issuer to cure such irregularities within a determined deadline; and/or
- (c) temporarily interrupt or permanently terminate the issuance or offering.

(2) An issuer subject to a decision issued under paragraph (1) of this Article shall remove any such irregularities within the set deadline and shall submit a report to the Commission, describing the measures undertaken.

(3) Should the issuer fail to cure the irregularities, the Commission may issue a decision temporarily interrupt or permanently terminate the offering and requiring the issuer to refund monies to purchasers with deposit interest. The Commission shall publish the decision in at least one daily newspaper in Macedonia. [Former Article 55]

(4) The Commission shall not be required to hold a hearing prior to issuing a decision under paragraphs (1) or (3) of this Article.

(5) An appeal against the Commission's decisions referred to in this Article shall not postpone their execution.

5.2 Authorization for Taking Measures against Brokerage Houses

Decision on Elimination of Identified Irregularities

Article 205

(1) The Commission shall make a decision on elimination of irregularities if in the course of the inspection process identified irregularities in operation with securities by the brokerage house.

(2) The Commission shall also issue the decision from paragraph 1 of this Article if:

(a) the brokerage house does not satisfy the conditions for performing services related to securities pursuant to this Law;

(b) the brokerage house performs services related to operation of securities for which no license has been issued by the Commission, i.e. the brokerage firm performs services and activities that pursuant to this Law it must not perform;

(c) the brokerage house proceeds contrary to the risk management rules pursuant to this Law;

(d) the brokerage house proceeds contrary to the rules for keeping business books and records and revision of annual reports;

(e) the brokerage house fails to fulfill the obligations for submission of reports and notifications pursuant to this Law;

(f) other cases when the brokerage firm fails to proceed pursuant to this Law and the rules of self-regulatory organizations or other rules of the securities market, at operation with securities.

(3) By the decision referred to in Paragraph 1 and 2 of this Article the Commission shall determine the deadline for elimination of the identified irregularities.

(4) The brokerage house shall eliminate the identified irregularities and illegalities shall submit a report to the Commission with description of the elimination measures taken. Other documents and evidence shall be enclosed to the Report to confirm that the irregularities have been eliminated.

Temporary Prohibition for Performing Services

Article 206

(1) The Commission shall make a decision on temporary prohibition for performing all or some of the services related to operation with securities of the brokerage house in the following cases:

(a) the brokerage house has inadequately organized its operation, i.e. does not keep the books and records, and other administrative and business files in an appropriate manner, and may not be made available for inspection of the manner, in which the provisions of this Law are enforced, especially those related to risk management;

(b) the brokerage house fails to proceed pursuant to the decision of the Commission for elimination of identified irregularities and illegalities or the same can not be eliminate i.e.;

(c) the brokerage house fails to submit reports and notifications to the Commission timely and appropriately or obstructs the inspection in any other way.

(d) the brokerage house has performed prohibited activities related to operation with securities pursuant to this Law or other laws, or the rules of self-regulatory organizations;

(e) the brokerage firm fails to refuse a request related to operation with securities if it was, or should have been aware that the request is in conflict with this Law, other laws within the competence of the Commission and the rules of self-regulatory organizations;

(f) the brokerage firm has violated the responsibility for keeping confidential data, prohibition for manipulation or prohibition for use of price sensitive information pursuant to this Law;

(g) the brokerage firm proceeds contrary to the responsibilities and the deadlines determined by a decision of the Commission;

(h) the brokerage firm proceeds contrary to the provisions of this Law and the regulations deriving from this Law in a way that obstructs or disables the operation of the self-regulatory organizations.

(2) The prohibition referred to in Paragraph 1 of this Article shall be in force no longer than thirty (30) business days.

(3) Within a period of three (3) business days from the day of issuing decision, the Commission shall submit the decision referred to in Paragraph 1 of this Article to the stock exchange and the depository which are to exclude the pertinent brokerage house from the membership for the duration of the prohibition.

Revocation of a License

Article 207

(1) The Commission shall revoke the license for performing services related to operation with securities, of a brokerage house, in the following cases:

(a) the brokerage house can not proceed according to the decision of the Commission for elimination of the irregularities, i.e. the submitted report explaining the measures taken

for elimination of the irregularities does not provide proof that elimination has been performed, in severe cases of violation of this Law or other law within the competence of the Commission, and the rules of self-regulatory organizations;

(b) the brokerage firm has performed serious violations of the securities operation rules pursuant to this Law or other laws within the competence of the Commission, or the rules of self-regulatory organizations;

(c) the brokerage house fails to initiate operation 6 months after the license has been issued or terminates operation 6 months after the license has been issued;

(d) the brokerage house has acquired the license based on untrue information;

(e) the brokerage house performs other activities which are not related to securities pursuant to this Law or other laws;

(f) responsible body of the brokerage house has made a decision on changes in the business activities according to which the brokerage house no longer performs services related to operation with securities;

(g) the brokerage house no longer satisfies the personnel, technical and organizational conditions regulated by this Law or sub-laws and the rules of the self-regulatory organizations;

(h) the brokerage house does not satisfy the conditions with respect to capital appropriateness and other conditions pursuant to the risk management rules and other conditions and responsibilities pursuant to the laws within the competence of the Commission;

(i) the brokerage house fails to proceed pursuant to the decision for temporary prohibition for performing services; and

(j) the Commission, after the license has been issued, obtains information which, if obtained timely, would have been a reason for non-issuance, or if the circumstances have changed to the extent that the Commission would not issue the license, or if both situations occur.

(2) The Commission, except in cases referred to in Paragraph 1 of this Article, shall make a decision on revocation of a license of a foreign brokerage house subsidiary in case its license has been revoked in the home country, or for the same period for which the foreign brokerage house has received in its home country a penalty of temporary prohibition for performing services related to the operation with securities.

(3) By the decision referred to in Paragraph 1 of this Article the Commission shall determine the period when the brokerage house may not request renewal of a license previously revoked, which can not be shorter than six (6) months from the day of revocation of the license.

(4) The Commission shall submit the Decision referred to in Paragraph 1 of this Article to the stock exchange and the depositary that are to exclude the brokerage house from their membership.

(5) Before making the Decision referred to in Paragraph 1 of this Article the Commission shall allow the brokerage firm to explain the reasons which may provoke revocation of the license.

Public Reprimand

Article 208

- (1) The Commission may issue a decision on pronouncing a public reprimand to a brokerage house and its director.
- (2) When deciding on the public reprimand the Commission shall take into consideration the severity of the violation and the fact that the brokerage house and its director have/have not received such penalty before.
- (3) The Commission shall publicly announce the ruling of the decision after it goes into effect in at least one daily newspaper published on the territory of the Republic of Macedonia.

Taking Over the Function of Performing Services from a Brokerage House

Article 209

- (1) In case of a decision on revocation of a license of a brokerage house the Commission may appoint another brokerage house or a bank to take over the function of performing services related to the operation with securities.
- (2) At the same time the brokerage house appointed by the Commission to take over the function of performing services related to the operation with securities shall take over the financial assets paid by the client that are kept on a separate account at an authorized institution.
- (3) The Commission shall further prescribe the procedure of taking over the function of performing services referred to in Paragraph 1 of this Article.

5.3 Authorization for Taking Measures against Brokers

Measures of Inspection

Article 210

- (1) If during the inspection the Commission identifies irregularities in brokers operations and non-compliance with the responsibilities regulated by this Law, sub-laws deriving

from this Law and the rules of self-regulatory organizations, it may decide to take the following measures:

- (a) temporary prohibition of performing activities for which the broker has received the license;
- (b) disclosure of the fact that the broker has violated the rules for operation with securities;
- (c) public reprimand; and
- (d) revocation of the license.

Revocation of License

Article 211

(1) The Commission shall make a decision on revocation of a broker's license in the following cases:

- (a) the information referred to in Article 112 of this Law is untrue;
- (b) the broker performs prohibited activities related to the operation with securities;
- (c) the broker pursues other matters which are not related to the operation with securities pursuant to this Law;
- (d) the broker fails to refuse a request related to the operation with securities if it was, or should have been aware that the request is in conflict with this Law, other laws within the competence of the Commission and the rules of self-regulatory organizations;
- (e) the broker no longer satisfies the conditions for receiving a broker's license;
- (f) irrespective of a warning from the Commission a broker proceeds contrary to the rules and responsibilities pursuant to this Law, regulations deriving from this Law and the rules of self-regulatory organizations;
- (g) the Commission, after the license has been issued, obtains information which, if obtained timely, would have been a reason for non-issuance, or if the circumstances have changed to the extent that the Commission would not issue the license, or if both situations occur.

5.4 Authorization for Taking Measures against Investment Advising Companies and Investment Advisors

Measures of Inspection

Article 212

(1) If during the inspection the Commission identifies irregularities in operations of the investment advising company and investment advisors and non-compliance with the responsibilities regulated by this Law, regulations deriving from this Law and the rules of self-regulatory organizations, it may decide to take the following measures:

- (a) temporary prohibition of performing activities for which the investment advising company and investment advisors have received the license;
- (b) disclosure of the fact that the investment advising company and investment advisors have violated the rules for operation with securities;
- (c) public reprimand; and
- (d) revocation of the license.

Revocation of License of Investment Advising Companies and Investment Advisors

Article 213

- (1) The Commission shall make a decision on revocation of license of an investment advising companies and investment advisors in the following cases:
- (a) the information referred to in Article 148 and 150 of this Law is untrue;
 - (b) perform prohibited activities related to the operation with securities;
 - (c) pursue other matters which are not related to the operation with securities pursuant to this Law;
 - (d) fail to refuse a request related to the operation with securities if it was, or should have been aware that the request is in conflict with this Law, other laws within the competence of the Commission and the rules of self-regulatory organizations;
 - (e) no longer satisfies the conditions for receiving a license for investment advising company or investment advisor;
 - (f) irrespective of a warning from the Commission an investment advising company or investment advisor proceeds contrary to the rules and responsibilities pursuant to this Law, regulations deriving from this Law and the rules of self-regulatory organizations;
 - (g) the Commission, after the license has been issued, obtains information which, if obtained timely, would have been a reason for non-issuance, or if the circumstances have changed to the extent that the Commission would not issue the license, or if both situations occur.

5.5 Authorization for Taking Measures against Inspection of the Stock Exchange

Subject of Inspection at the Stock Exchange

Article 214

- (1) At inspection of the stock exchange pursuant to this Law the Commission shall inspect the following:
- (a) legality of operation of the Stock Exchange pursuant to this Law;
 - (b) legality of trade with securities;

- (c) application of laws and other regulations pertaining to the operation with securities as well as its own rules, the Statute and other regulations pursuant to which the license for stock exchange operation has been issued;
- (d) whether or not securities transactions at the stock exchange satisfy the prescribed trading conditions, i.e. whether or not those activities are performed by licensed brokers;
- (e) inspection of the financial status of the stock exchange and its members.

Measures of Inspection of a Stock Exchange

Article 215

- (1) If during the inspection of the stock exchange operation the Commission identifies irregularities the Commission may take the following measures:
 - (a) issue a decision on elimination of the identified irregularities at operation with securities;
 - (b) issue a decision on temporary interruption of the operation of the Stock Exchange;
 - (c) disclose information on the irregularities at operation of the brokerage houses –stock exchange members and the stock exchange itself;
 - (d) revoke the stock exchange license, temporarily or permanently;
 - (e) take other measures to improve the stock exchange operation;
 - (f) make a decision on revocation of the consent for appointment of a director of the stock exchange.
- (2) In case irregularities and illegalities are identified the inspection costs shall be charged up to the account of the stock exchange.

Public Reprimand

Article 216

- (1) The Commission may issue a decision on pronouncing a public reprimand to the stock exchange and its director.
- (2) When deciding on the public reprimand the Commission shall take into consideration the severity of the violation and the fact that the brokerage house and its director have/ have not received such penalty before.
- (3) The Commission shall publicly announce the ruling of the decision after it goes into effect in at least one daily newspaper published on the territory of the Republic of Macedonia.

5.6. Authorization for Taking Measures against Inspection of Depositarys

Subject of Inspection at Depositary

Article 217

(1) At inspection of the depositary pursuant to this Law the Commission shall inspect the following:

- (a) legality of operation of the depositary pursuant to this Law;
- (b) legality in performing activities with securities;
- (c) application of laws and other regulations pertaining to the operation with securities as well as its own rules, the Statute and other regulations pursuant to which the license for depositary operation has been issued;
- (d) whether or not securities transactions at the depositary satisfy the conditions pursuant to this Law and the regulations deriving from this Law;
- (e) inspection of the financial status of the depositary and its members.

Measures of Inspection of a Depositary

Article 218

(1) If during the inspection of the depositary operation the Commission identifies irregularities the Commission may take the following measures:

- (a) issue a decision on elimination of the identified irregularities at operation with securities;
- (b) issue a decision on temporary interruption of the operation of the depositary;
- (c) Disclose information on the irregularities at operation of the depositary;
- (d) revoke the depositary license;
- (e) take other measures to improve the depositary operation;
- (f) make a decision on revocation of the consent for appointment of a director of the depositary.

(2) In case irregularities are identified the inspection costs shall be charged up to the account of the depositary.

Public Reprimand

Article 219

(1) The Commission may issue a decision on pronouncing a public reprimand to the depositary and its director.

(2) When deciding on the public reprimand the Commission shall take into consideration the severity of the violation and the fact that the depositary and its director have/have not received such penalty before.

(3) The Commission shall publicly announce the ruling of the decision after it goes into effect in at least one daily newspaper published in the territory of the Republic of Macedonia.

5.7 Authority on Taking Measures against Reporting Companies

Inspection Measures

Article 220

(1) In case the Commission finds out that the reporting company has violated the provisions of this Law and the regulations deriving from this Law the Commission may perform the following:

- (a) publicly disclose information about such irregularities or violations;
- (b) issue an decision requiring the Reporting Company and/or any of its directors, employees to eliminate such irregularities and to inform the Commission as to such elimination;
- (c) impose a temporary suspension not to exceed 30 days in the trading in the Reporting Company's Securities;
- (d) impose a temporary ban not to exceed 30 days on Non-Trade Transfers of the Reporting Company's Securities; and/or
- (e) impose a fine on the Reporting Company.

(2) If, the Commission finds, that the Director, any employee, member of the Management Board, member of the Supervisory Board and/or member of the Board of Directors of a Reporting Company: (a) has violated, or is violating, any provisions of this Law, any other law within its competence or the regulations issued pursuant hereto; and/or (b) has caused their Reporting Company to violate this Law, or the regulations issued pursuant hereto, the Commission may:

- (a) impose a fine on the Director, employee, member of the Management Board, member of the Supervisory Board and/or member of the Board of Directors of the Reporting Company; and/or
- (b) issue a decision permanently or temporarily barring the individual from purchasing, selling or engaging in Non-Trade Transfers of Securities that are issued by the Reporting Company.

5.8 Authority on Taking Measures against Shareholders Possessing more than 5% of the Securities of Reporting Companies

Inspection Measures

Article 221

(1) If the Commission finds that a legal or physical person has violated, or is violating the provisions from Article 166 Article 167 of this Law, the Commission may:

- (a) publicly disclose information about such irregularities or violations;
- (b) issue a decision requiring the person or legal entity to eliminate such violation and to inform the Commission as to such eliminations within set period of time;
- (c) issue a decision suspending the person's or entity's voting rights with respect to the applicable Securities until the violation has been cured; and/or
- (d) impose a fine on the person or legal entity.

Subchapter 6: Additional Authorities

Initiation of Procedure before a Competent Court

Article 222

(1) In case the Commission decides that there is a grounded suspicion that a physical person has broken or will break the provisions of this Law or the regulations deriving from it the Commission may initiate a court procedure before a competent organ in the Republic of Macedonia

Authority to Exchange Information with Other Authorized Organs

Article 223

The Commission may exchange information with other authorized law enforcement organs.

Authority to Join in Lawsuits

Article 224

The Commission shall have the authority to join in lawsuits involving alleged violations of this Law or the regulations issued pursuant hereto and other laws within its competence. The Commission may join in such lawsuits only as a third party and in order to advise the court of its positions, opinions and interpretations.

Authority for Memoranda of Understanding

Article 225

(1) The Commission shall have the authority to enter into Memoranda of Understanding or other types of agreements between and among securities market regulators and other financial regulators for the purposes of coordinating and cooperating with regard to enforcement of this Law, other laws and regulations deriving from them.

(2) The Commission may share information under the agreements entered into under paragraph (1) of this Article. The sharing of confidential information shall be performed on the principle of reciprocity with the countries with which such **memoranda** have been concluded.

Agreements with other Macedonian Financial Regulators and Supervisory Bodies

Article 226

(1) The Commission shall have the authority to enter into Memoranda of Understanding and other acts with other domestic financial regulatory and supervisory bodies or other state institutions for the purpose of effective enforcement of this Law and the other laws within its competence.

(2) The Commission may share information under the memoranda and other acts entered into under paragraph (1) of this Article.

Subchapter 7: Finances, Record-keeping and Reporting

Operational Funds

Article 227

- (1) Funds necessary for the work of the Commission shall be provided from:
- (a) fees paid in conjunction with Requests for Approval for issuing Securities;
 - (b) fees for approvals of operating licenses for all Licensed Securities Market Participants (i.e brokerage houses, securities exchanges, banks, brokers, depositories and portfolio managers),
 - (c) fees determined by the Law on Investment Funds, as amended;
 - (d) fees determined by the Company Takeover Law, as amended;
 - (e) fees paid by associations of Licensed Securities Market Participants when seeking approval of their acts;
 - (f) fees paid for consenting to the appointment of a director of a Licensed Securities Market Participants.
 - (g) fees paid by any Licensed Securities Market Participant in conjunction with an on-site inspection;
 - (h) compensation for executed exchange transactions with respect to which the Exchanges earn revenue;
 - (i) compensation from the revenues of brokerage houses;
 - (j) compensation from the revenues of any licensed Depositories;
 - (k) fees for reviewing reports submitted to the Commission by Reporting Companies pursuant to subchapter A of Chapter 6 of this Law; and
 - (l) other revenue that the Commission generates during its operations. [Article 164(1)]
- (2) The Commission shall pass a Tariff Book which sets forth the amount of the fees from paragraph (1) of this Article. [Article 164(2)]
- (3) The Tariff Book of paragraph (2) of this Article, and all modifications thereto, shall be approved by the Government of the Republic of Macedonia. [Article 164(5)]

Reserve Fund of the Commission

Article 228

- (1) The net income surplus of the operation of the Commission shall be allocated to the reserve fund.
- (2) The reserve fund is used for compensating the deficits of the Commission, overcoming of the temporary discrepancy of the Commission's revenues over the expenditures and for development and improvement of the Commission's operations.
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Maintenance of Records

Article 229

(1) The Commission shall maintain the following records for a period of three (3) years from receipt:

(a) documents and data filed by an issuer in connection with a Request for Approval, for issuing Securities;

(b) documents and data filed by Reporting Companies with respect to disclosure obligations, according to the provisions of this Law.

(c) documents and data filed by Licensed Securities Market Participants according to the provisions of this Law.

(2) The records and data referred to in items (a) and (b) of paragraph (1) of this Article shall be made available to the public in a manner and according to procedures prescribed by the Commission.

(3) The Commission shall publish a list of all final sanctions issued under this Law pursuant to procedures set forth in Commission regulations on a quarterly basis.

Annual Report

Article 230

(1) The Commission shall submit to the Government of the Republic of Macedonia and to the Parliament of the Republic of Macedonia each year, no later than May 31st an annual report on its work with its Financial Statements prepared in accordance with International Financial Reporting Standards audited by an independent certified auditor in accordance with International Standards of Auditing and a financial plan for the upcoming year. The Commission shall submit the annual report to the Parliament of the Republic of Macedonia for adoption. [Article 163(2)] and [Article 163-a(1) combined]

(2) The Commission shall publish a summary of the annual report with an opinion by the certified auditor in at least one daily newspaper in the Republic of Macedonia, and shall publish the entire annual report on the website of the Commission within fifteen (15) calendar days from the day it was adopted by the Commission. [Article 163-a(2)]

Article 231: Right to Appeal

1) An appeal may be filed to the Commission for Dealing with Appeals in the Area of Securities (hereinafter: Appeal Commission) against the decision made by the Commission within fifteen (15) business days of the receipt of the decision document.

2) The Appeal Commission shall be composed of president and four members. The Parliament of the Republic of Macedonia shall appoint and dismiss the members and the

president based on proposal of the Commission for Elections and Appointments. A deputy president shall be appointed on the first founding meeting of the Appeal Commission.

(3) The members of the Appeal Commission shall have a university education in the area of finance and business law and experience of 5 years, and special knowledge in the capital market area.

(4) Terms of office of the members of the Commission for Appeals in the Area of Securities shall be five (5) years.

(5) The president and the members shall not make decisions on licensed securities market participants and other legal and physical persons subjected to inspection by the Securities Exchange Commission to which they, their marital partners or members of their close families are related by agreement, are shareholders or members of managing organs of legal persons subjected to inspection by the Securities Exchange Commission.

(5) The Appeal Commission shall make decisions by majority of votes of the total number of members within sixty (60) calendar days of the receipt of the appeal.

(6) Administrative proceedings may be initiated before a competent court against the final decisions of the Appeal Commission.

Implementation of the Law on Administrative Procedure

Article 232

Unless otherwise prescribed by this Law, in a procedure of decision making the Law on Administrative, as amended procedure shall be implemented. [Article 164-a(1)]

CHAPTER IX. PENALTY PROVISIONS

Article 233

(1) The legal entity (joint stock company or limited company by shares) issuer of securities shall be fined 100,000.00 to 300,000.00 denars for misdemeanor should:

- 1) it fail to meet the liabilities arising from Article 5 of this Law;
- 2) it issue Securities without nominal value in accordance to Article 6, paragraph 4 of this Law;

- 3) it fail to submit an act of issuance of Securities in a form and contents prescribed by the Commission in accordance with Article 7 of this Law;
- 4) it act contrary to Article 11 of this law;
- 5) it issue, offer and sell Securities by means of a public offer without prior approval by the Commission in accordance with Article 12 of this Law;
- 6) it fail to commence a procedure for subscription and payment of the offered Securities in accordance with Article 17 of this Law;
- 7) it fail to publish the invitation for subscription and payment of securities in accordance with Article 18, paragraph 1 of this Law;
- 8) it fail to publish the prospectus and invitation for subscription and payment of securities in accordance with Article 18, paragraph 3 of this Law;
- 9) it change during the public offer the statute and other acts which refer to the rights of the owners of securities described in the prospectus in accordance to Article 19, paragraph 1 of this Law;
- 10) it act contrary to Article 19, paragraph 1 of this Law;
- 11) it advertise the public offer of securities contrary to Article 20, paragraph 2 and 3 of this Law;
- 12) it act contrary to Article 21 of this Law;
- 13) it realize the public offer within a deadline longer than 12 months in accordance with Article 22 of this Law;
- 14) it fail to notify the Commission about the quantity of the subscribed and paid Securities and fail to announce them in accordance with Article 24, paragraphs 1 and 3 of this Law;
- 15) it fail to notify the Commission for selling treasury shares and fail to submit the decision forof treasury shares in accordance to Article 25, paragraph 1 of this Law;
- 16) it fail comply in accordance with Article 26, paragraph 2 of this Law;
- 17) it fail to notify the Commission and the public within five (5) business days about the completion of the Private Offering about the quantity of the subscribed and paid Securities in accordance with Article 27, paragraph 5 of this Law;
- 18) it fail to deliver the securities to the Depositary to be registered within three (3) business days of the date of subscription of the basic capital in the Trade Register in accordance with Article 49, paragraph 3 of this Law.

(2) The responsible person within the legal entity – company pursuant to paragraph 1 of this Article shall be fined 10,000.00 to 50,000.00 denars for the misdemeanor referred to in paragraph 1.

Article 234

(1) The legal entity- depository shall be fined 100,000.00 to 300,000.00 denars for misdemeanor should:

- 1) it act contrary to Article 35, paragraph 3 of this Law;

- 2) it fail to allow a legal entity that satisfies the conditions determined by the Membership Rules to become a member of the Depository in accordance with Article 38, paragraph 4 of this Law;
- 3) it act contrary to Article 45, paragraph 1 of this Law;
- 4) it fail to ask for a consent from the Commission in accordance with Article 46 of this Law;
- 5) it fail to meet the liabilities referred to in Article 48 of this Law.

(2) The responsible person within the legal entity - depository shall be fined 10,000.00 to 50,000.00 denars for the misdemeanor referred to in paragraph (1).

Article 235

An owner of securities shall be fined 10.000,00 to 50.000,00 denars for misdemeanor should:

- 1) it have more than 1 securities account at the same depository, contrary to Article 52, paragraph 5 of this Law;
- 2) it pass and make available to other persons the data referred to in Article 68, paragraph 1 of this Law;

Article 236

(1) The legal entity – securities exchange shall be fined 100,000.00 to 300,000.00 denars for misdemeanor should:

- 1) it fail to submit data to the Commission that refer to the entry of the changes in the trade registry within 5 business days in accordance with Article 74, paragraph 3 of this Law
- 2) it act contrary to Article 76 Paragraph 3 of this Law;
- 3) it fail to allow a legal entity to become a member of the Stock Exchange if it satisfies the conditions determined by its Membership Rules in accordance with Article 79, paragraph 3 of this Law;
- 4) it fail to undertake measures for protection of the computer system and it act contrary to Article 84 of this Law;
- 5) it buy, acquire or own any Securities for its own account via trade transaction performed through the Stock Exchange in accordance with Article 87, paragraph 1 of this Law;
- 6) it fail to ask for a consent from the Commission for the issues referred to in Article 88 of this Law.

(2) The responsible person within the legal entity – securities exchange shall be fined 10,000.00 to 50,000.00 denars for the misdemeanor referred to in paragraph (1).

Article 237

An employee of the depository and exchange shall be fined 10.000,00 to 50.000,00 denars for misdemeanor if he/she is a member of Supervisory board, Managing board and the Board of Directors of a shareholder or a depository and exchange member and if he/she performs services or other activities on their behalf.

Article 238

(1) The brokerage house shall be fined with 100,000.00 to 300,000.00 for misdemeanor should:

- 1) it act contrary to Article 96 of this Law;
- 2) it fail to maintain the value of the basic principal in any time of its operation in the amount of EUR 75, 000 in denar equivalent in accordance with Article 99 of this Law;
- 3) it act contrary to Article 100, paragraph 1,2 and 3 of this Law;
- 4) it allocate the profit as a dividend contrary to Article 103 of this Law;
- 5) it fail to notify the Commission about the changes referred to in Article 104, paragraph 2 of this Law;
- 6) it fail to notify the Commission in accordance with Article 108, paragraph 3 of this Law;
- 7) it fail to notify the Commission in accordance with Article 109, paragraph 2 of this Law;
- 8) the operations referred to in Article 112, paragraph 1 be performed by unlicensed brokers;
- 9) it fail to comply with the liabilities referred to in Article 116 of this Law;
- 10) it act contrary to Article 117 of this Law;
- 11) it act contrary to Article 118 of this Law;
- 12) it act contrary to Article 121 of this Law;
- 13) it buy or sell Securities for its own account or for the accounts of a person employed in a brokerage house contrary to Article 122 of this Law;
- 14) it act contrary to Article 123 of this Law;
- 15) it fail to submit to the client a confirmation for conclusion and settlement of every transaction in accordance with Article 124, paragraph 1 of this Law;
- 16) it fail to keep records and keep all documents in accordance with Article 125 of this Law;
- 17) it fail to conclude a written contract with the client in accordance Article 126 of this Law ;
- 18) it fail to submit to the Commission a text of any draft – advertisement before it is published in accordance with Article 128, paragraph 3 of this Law;
- 19) it fail to conclude an agreement for portfolio and it fail to satisfy the conditions referred to in Article 129 of this Law;
- 20) it act contrary to Article 131 of this Law.

(2) The responsible person in the brokerage house shall be fined with 10,000.00 to 50,000.00 denars for the misdemeanor referred to in paragraph of this Article.

(3) A broker in the brokerage house shall be fined with 10,000.00 to 50,000.00 denars for the misdemeanor referred to in paragraph 1 of this Article.

Article 239

(1) A physical person acting contrary to the prohibition for performing services related to securities referred to in Article 96 of this Law shall be fined 10.000,00 to 50.000, 00 denars for misdemeanor.

(2) A legal entity acting contrary to the prohibition for performing services related to securities referred to in Article 96 of this Law shall be fined 10.000,00 to 50.000, 00 denars for misdemeanor.

Article 240

(1) A physical person acting contrary to Article 105 Paragraph 1 of this Law shall be fined 10.000,00 to 50.000,00 denars.

Article 241

(1) An investment advising company shall be fined 100.000,00 to 300.000,00 denars for misdemeanor should:

- 1) it fail to maintain the value of the basic principal in any time of its operation as referred to in Article 149, paragraph 1 of this Law)
- 2) it have liquid assets on disposal as referred to in Article 149, paragraph 3 of this Law

(2) The responsible person in the investment advising company shall be fined 10,000.00 to 50,000.00 denars for the misdemeanor referred to in paragraph 1 of this Article.

Article 242

(1) The Reporting Company shall be fined 100,000.00 to 300,000.00 denars for misdemeanor should:

- 1) it fail to submit to the Commission an audited annual report in accordance with Article 154, paragraph of this Law;

- 2) it fail to publish a summary of the annual report in accordance with Article 155 of this Law;
- 3) it fail to submit to the Commission a semi – annual report in accordance with Article 156 of this Law;
- 4) it fail to submit to the Commission quarterly financial statements in accordance with Article 157, paragraph 1 of this Law;
- 5) it fail to submit to the Commission the reports prepared by the executive members of the Board of Directors and the Managing Board in accordance with Article 158 of this Law;
- 6) it fail to act in accordance with Article 160 of this Law;
- 7) the person appointed for a member of the Supervisory, Managing Board or Board of Directors of the joint stock company fail to notify the Commission and the joint stock company in accordance with Article 165 of this Law.

Article 243

(1) The legal entity or a licensed securities market participant or another physical person shall be fined 100,000.00 to 300,000.00 denars for misdemeanor in the operation with Securities should:

- 1) it create a false image about certain securities on the market contrary Article 170 of this Law;
- 2) it spread false information via the media including the Internet envisaged in Article 171, paragraph 1 of this Law;
- 3) while buying or selling securities it perform manipulative and deceptive acts in accordance with Article 172 of this Law;
- 4) on the basis of insider information, it buy or sell securities contrary to Article 173, paragraph 3 of this Law.

(2) The responsible person within the legal entity shall be fined 10,000.00 to 50,000.00 denars for the misdemeanor referred to in paragraph 1 of this Article .

Article 244

Legal entities shareholders, members of Managing Board, Supervisory Board and members of Board of Directors, employees or external collaborators which, during performance of the professional tasks, have access to insider information, shall be fined for violation with 10,000.00 to 50,000.00 denars should they act contrary to Article 173 of this Law;

Article 245

The members of the managing bodies, director, the employees and licensed auditors fail to act in accordance with Article 177 of this Law shall be fined for violation with 10,000.00 to 50,000.00 denars.

CHAPTER X: INTERIM AND FINAL PROVISIONS

Further Commission Regulations

Article 246

- (1) The Commission shall issue all secondary regulations and other acts in accordance with this Law no later than one (1) year after the date this Law comes into effect.
- (2) The existing regulations shall be in force until the regulations referred to in Paragraph 1 of this Article are adopted.

Compliance of the Operation of the Central Securities Depository JSC Skopje

Article 247

The Central Securities Depository JSC Skopje shall harmonize its operation in accordance with this Law no later than one (1) year after this Law comes into effect with regard to: the Minimum Basic Capital requirement set forth in Article 34 of this Law; the structure of its Management Supervisory Board and its Board of Directors; all necessary Rules required by this Law as well as shall divest itself of any Securities, the ownership of which would violate the Article 45, paragraph 1 of this Law.

Compliance of the Operation of the Macedonian Stock Exchange JSC Skopje

Article 248

The Macedonian Stock Exchange JSC Skopje shall harmonize its operation in accordance with this Law no later than one (1) year after this Law comes into effect with regard to: the Minimum Basic Capital requirement set forth in the Article 75 of this Law; the

structure of its Management Board, Supervisory Board and its Board of Directors; all necessary Rules required by this Law as well as shall divest itself of any Securities, the ownership of which would violate the Article 87 Paragraph 1 of this Law.

Compliance of the Operation of Brokerage Houses

Article 249

(1) Each brokerage house is obligated within one (1) year after this Law comes into effect to submit to the Commission a statement of its current ownership structure and to harmonize its operation with the provisions of this Law with regard to the Minimum Basic Capital requirement and the operation of its branch offices.

Licenses for operating with securities

Article 250

An individuals that have obtained the certificate for operation with Securities before the date this Law goes into effect shall, within 180 calendar days after the date this Law comes into effect, apply to the Commission for a license for operation with securities in accordance with this Law.

Initial Ownership Reports

Article 251

The persons obligated to submit Initial Ownership Reports pursuant to this Law shall submit them to the Commission within sixty (60) calendar days after this Law comes into effect.

Securities Exchange Commission

Article 252

(1) The terms of office of the existing Commission members shall terminate after the expiry of the period for which they are elected.

(2) The Government of the Republic of Macedonia within a one (1) year after this Law comes into effect shall propose to the Parliament of the Republic of Macedonia to elect

two members (Commissioners) from the current membership of the Commission that are full – time professionally engaged in the Commission and cannot hold other position and be employed anywhere else or receive other remuneration, except for the salary as Commissioners and occasional fees for educational activity and royalties.

Article 253

The procedures initiated but not completed by the time this Law goes into effect shall be continued in accordance with the regulations that have been in force before this Law goes into effect

Article 254

Transactions with securities where an international financial institution is involved as purchaser or seller as an exception from Article 63 of this Law , by 31 December 2006 may be settled in a manner and procedure prescribed by the Securities Exchange Commission

Termination Date

Article 255

On the date this Law goes into effect the Law on Securities (Official Gazette of the RM no. 63/00, 103/00, 34/01, 4/02, 37/02, 31/03, 85/03 and 96/04), ceases to be in effect except the provisions of Chapter V Subchapter 1 – Trade with Money and Securities.

Enforcement date

Article 256

The provisions from the Article 197, paragraph 1, item i) and paragraph 1 line 1, the Article 220, paragraph 1, item e), the Article 220, paragraph 2 item a) and Article 221 shall come into effect on January 1, 2007.

Article 257

This Law shall go into effect on the eighth day following its publication in the “Official Gazette of the Republic of Macedonia.”