



**MACEDONIAN STOCK EXCHANGE  
AD SKOPJE**

**CONSOLIDATED TEXT**

**TRADING RULES  
(Unofficial translation)**

**Skopje, July 2016**

## **TRADING RULES**

### **I. GENERAL PROVISIONS**

#### **Definitions**

##### **Article 1**

(1) Certain terms used in these Rules shall have the following meaning:

- “Macedonian Stock Exchange acts” means: Statute, Membership Rules, Trading Rules, Listing Rules, Arbitration Rules, the MSE Tariff book, Disciplinary Rules, as well as all other decisions and acts made on the basis of the these acts;
- “anonymous trading” means securities trading at the MSE while the MSE members do not see the identity of the other members who put orders into the BEST system, and, during trading, have all information about the concluded transactions, except the data for the members who participated in the transactions;
- “exchange transaction” means buying and selling of securities listed at the Official Market or registered at the MSE Regular Market, and all other transactions in accordance with Annex 1, Annex 2, Annex 3 and Annex 4 of these Rules that were realized by any MSE member or registered by the MSE;
- “BEST system” means the MSE electronic trading system, i.e. the information technology system which, with the help of an appropriate computer support, enables entrance, modifications, retaining, activating of the retained orders and withdrawal of the trade orders, automatic matching of the trade orders and conclusion of MSE transactions, surveillance over the trade orders and the concluded exchange transactions, as well as information on the trading of the listed securities and registered securities;
- “MSE” means Macedonian Stock Exchange AD Skopje;
- “closed trading” means the securities trading at the MSE while the members have an insight only into the data for their orders entered into the BEST system;
- “licensed broker” means “Broker licensed by the MSE for access to the BEST system”, i.e. authorized broker with MSE license for access to the MSE electronic trading system and its usage, employed in the MSE member according to the Labour Law;
- “order” is client’s one-sided instruction by which the MSE member is instructed to perform a certain securities transaction for client’s account;
- “open trading” means securities trading at the MSE while the members have an insight into the data for the quantity, price and special conditions about the entered securities’ buying and selling orders into the BEST system;
- “market imbalance” means situation in which the best bid price is equal or bigger than the best ask price for certain security;
- “member” means a brokerage house, bank or foreign brokerage house subsidiary accepted into the MSE membership in accordance with the Membership Rules, and which has received operation licence by the Securities and Exchange Commission;
- "Classical Trading" means entering in the BEST system's buy and sell orders for securities and the conclusion of transactions on the basis of those orders, not including the trading in the special trading regimes described in Annex 1, Annex 2, Annex 3 and Annex 4 of Trading rules;
- "Liquidity supporter" is a member of the Stock Exchange that has signed with the Stock Exchange a Liquidity Supporter Agreement and which creates a market for a particular security by introducing limit buy and sell orders for the securities in BEST system and concluding transactions on the basis of those orders within the classical trading in BEST system, in accordance with these Rules.

- (2) For the purposes of these Rules, except if it is not otherwise defined, all other terms have the same meaning as in the Securities Law.

## **II. TRANSACTIONS**

### **Stock Exchange transactions Article 2**

Stock exchange transaction is buying and selling of securities listed or registered in some of the MSE markets, realized through the BEST system in a manner and under the conditions defined by these Rules.

### **Subject of the MSE trading Article 3**

- (1) The MSE trading is trading with instruments which in accordance with the Securities Law are defined as securities, listed or registered on some of the MSE markets according to the legislation and MSE acts and for which trading the MSE provides appropriate systematic and organizational support.
- (2) The MSE Board of directors may, by agreement with the certain subjects, to organize trading with other exchange material, with prior consent by the Securities and Exchange Commission.
- (3) There is no securities trading at the MSE in cases when:
- there is no legal change of the securities ownership;
  - the transfer of the securities ownership is result of a new issue of securities which is in process, except in the case of the trading according the Annex 3 of these Rules.
- (4) In case of making transactions of paragraph 3 of this article, such transaction will be canceled by the MSE CEO.
- (5) As an exception, paragraph 3 and paragraph 4 of this article shall not apply if it is a transaction where on the buying and selling side there is the same securities account registered in an authorized depositor as an omnibus account. In case of concluding such a transaction, the Stock Exchange shall notify the Securities and Exchange Commission.

### **Manner of expressing of the prices Article 4**

- (1) The prices traded on the Exchange are expressed in values higher than zero (0).
- (2) The prices of securities traded on the MSE are announced for 1 (one) lot and may be expressed as follows:
- **for shares:** in denars without decimal places ;
  - **for bonds:** as percentage of the face value or as percentage of the principal that is not paid yet (annuity bonds), without accrued interest. The percentage is expressed with two decimal places.
  - **For other securities,** the expression of the prices for 1 (one) lot will be determined by the Decision of the MSE Board of Directors.

- (3) As exception, in case of administrator block transaction, the price may be expressed in denars and dens, with two decimal places.
- (4) When trading bonds, besides the price expressed as percentage of the face value or as percentage of the bond principal that is not paid yet, the buyer of the bonds is obliged to pay to the seller of the bonds also the interest that is accrued, but not charged yet calculated to the day when the bonds are traded, according to the terms for the calculation of the interest given in the Prospectus. The calculation of the accrued interest shall be performed by the licensed depositary.

### **Quantity of securities traded**

#### **Article 5**

- (1) The securities trading in the BEST system shall be carried out in lots. One (1) lot is a unit of measure in the trading of securities.
- (2) The quantity of traded securities must be expressed as a natural number.
- (3) With respect to the shares 1(one) lot = 1 (one) share.
- (4) With respect to the bonds, 1(one) lot = 1 (one) bond.
- (5) The MSE Board of Directors prescribes the size of 1 (one) lot for other securities traded on MSE.

### **Time for concluding the transaction**

#### **Article 6**

The time of realization of a stock exchange transaction is the moment when the BEST system has matched the buy and sell orders in accordance with these Rules. The system time in the BEST system shall be considered as time of concluding the transaction.

### **Trading days**

#### **Article 7**

- (1) The MSE trading is performed in days and time determined by the MSE Board of Directors.
- (2) The Stock Exchange shall be obliged to notify the members of the MSE, the Securities and Exchange Commission and the public for the days of the week in which the trading on the MSE will take place.
- (3) Trading on MSE is not performed in the days of national holidays, other non-working days and in special circumstances.
- (4) The stock exchange, latest by the beginning of the year, announces non-trading days in accordance with the legal regulations for non-trade days and any change in the published non-trade days.

### **Place of realization of stock exchange transaction**

#### **Article 8**

Exchange transaction shall be considered concluded in the registered premises of the MSE head office.

**Right to participate in trading with securities**  
**Article 9**

Only licensed brokers participate in trading with securities through the BEST system. A licensed broker may trade through the BEST system in one moment only on behalf of one MSE member.

**III. TRADING ORDERS**

**Form for a new client**  
**Article 10**

- (1) At the time of concluding of agreement for securities services with a client, the MSE member is obliged to try to obtain all necessary information about client's experience in securities investment and client's financial capacities and purposes important for his/her interests protection, through filling a "Form for a new client".
- (2) The Form for a new client contains at least the following information:
- the client's experience in securities investment;
  - the client's knowledge of the securities legislation and/or the MSE acts;
  - the client's financial capacities;
  - the client's expectations from the investment in securities;
  - the client's purposes of the securities investment;
  - the client's level of knowledge of the securities investment potential risks;
  - the client's signature.

**Manner of receiving clients' orders**  
**Article 11**

- (1) The agreement between the MSE member and the client regulates the manner in which the client gives the order to the MSE member.
- (2) The MSE members may receive trading order from their clients either directly in their premises, by phone, by mail or fax, or in electronic way by use of electronic communication medium.
- (3) The MSE members which receive telephone orders must regulate in a separate legal act the way and operation procedure with telephone orders in sense of precisely registration of all trade order elements necessary for its registration into the order book.
- (4) The members shall obligatorily record the conversations connected with the telephone orders or they shall reject the realization of the telephone orders.
- (5) In the act stated in paragraph 3 of this article, the members shall especially regulate the way of confirmation of the client's identity, words sequence at the order's acceptance, modification or withdrawal and evidence of the time when the order is received, modified or withdrawn.
- (6) The MSE members may receive trade orders from clients in their other premises – branch offices, from where the realization of the orders in the BEST system is not performed. In the agreement with the client must be stated in which period of time the order will be submitted to the registered business premises from where the realization of the orders in the BEST system is performed. At the moment of submitting the order the client must be explicitly warned about this provision of the agreement. After the client's order is received in the MSE member's registered business premises

from where the realization of the orders in the BEST system is performed, the MSE member accepts it or rejects it, and the action will be registered into the order book.

- (7) The members should inform the MSE in which other business premises trading orders shall be received and submit data for the persons in charge for receiving the orders as well as statement of these persons, certified by notary public, by which they state, under full moral, material and criminal responsibility, that they exclusively receive trading orders, i.e. they do not give investment advices to the clients.
- (8) In case of receiving orders through electronic way by use of electronic communication medium, the MSE members must regulate in a separate legal act the manner and the procedure for dealing with electronic orders.
- (9) In case of receiving orders by an under-aged person, a person with no legal capacity or person with limited legal capacity, the order shall be given by the legal representative (parent, tutor) of the under-aged person, person with no legal capacity or person with limited legal capacity.

### **Acceptance of the clients' orders**

#### **Article 12**

- (1) The MSE members are obliged to keep record of each buy or sell order received from their clients on a special form.
- (2) The form shall contain at least the following data:
  - client's name and surname (for physical person) or title (for legal entity);
  - client's registered number;
  - client's securities account at the authorized depositary;
  - order type (buy or sell);
  - title and description of the security;
  - security's trading code;
  - quantity of securities;
  - execution price of the order (except for the market order and "at best" order);
  - order's expiration date;
  - date, hour and minute of receipt of the order;
  - special conditions for realization of the quantity (if any);
  - other special conditions for realization (if any)
  - client's signature.
- (3) With the registration of order into the MSE member's order book a number is given to the order and by accepting it the member has obligation for its realization.
- (4) The MSE member is obliged to confirm the acceptance of the trade order on the manner and under conditions stipulated by the Securities Law.
- (5) The MSE members keep the order book on the manner and with the contents stipulated by the Securities and Exchange Commission, in which all buy and sell orders are registered, except the orders that are registered into the special order book.
- (6) The special order book, which is kept according these Rules, keeps securities trading orders related to realization of block transactions and other orders in accordance with the these Rules' Annexes.

- (7) The MSE members are obliged to keep the documentation for all received orders and concluded transactions at the MSE according to the valid legislation.

### **Trading on one's own behalf and for one's own account**

#### **Article 13**

If the MSE member is trading on its own behalf and for its own account (principal), the member should fill in the appropriate form referred to article 12 of these Rules signed by the member's authorized person and it should enter this order into the order book.

### **Change of an order by the client**

#### **Article 14**

If the client changes the order it is obligatory to fill in the form of article 12 of these Rules.

### **Rejecting of clients' orders**

#### **Article 15**

If the MSE member rejects to accept the client's order, the client must be informed in writing about that immediately after the order is submitted by the client. The notification must contain the reasons due to which the order was rejected.

### **Validity of the orders received from the clients**

#### **Article 16**

- (1) The MSE members may receive buy or sell orders from the clients with expiration date for their realization within a previously determined deadline, while the validity term of the orders can not be longer than 90 (ninety) calendar days.
- (2) The deadline for execution of the order received from the client shall commence on the day the order is entered in the order book.

### **Withdrawal of client's order**

#### **Article 17**

- (1) The clients have a right to withdraw the order. The transactions concluded before the withdrawal of the order into the BEST system are valid.
- (2) The withdrawal of the order shall be performed at one of the orders acceptance manners described in article 11 paragraph 2 of these Rules.
- (3) At the withdrawal of the order, the order's number and the date, the hour and the minute of withdrawal shall be precised.
- (4) The member is obliged immediately after the receiving the withdrawal to withdraw the order from the BEST system and to register the withdrawal in the order book.

### **Mandatory elements when entering orders in BEST system**

#### **Article 18**

- (1) The following elements are obligatory for entry of the orders in the BEST system:
  - order typ (buy/sell)

- security’s trading code;
- quantity of securities;
- number of the order in the order book;
- type of client’s account;
- account of the client at the authorized depositary.

(2) The BEST system will reject the orders that not include all mandatory elements.

### **Optional elements for entry of the orders in the BEST system**

#### **Article 19**

(1) The following elements are optional for entry of the orders in the BEST system:

- price;
- additional conditions for realization of the order;
- additional conditions for the time of realization of the order;
- special conditions for realization.

(2) If no optional elements are inserted when entering the order in the BEST system, BEST system will recognize such an order as a daily market order without a hidden quantity or special conditions for realization. This provision is also applicable to cases where a single optional element has not been entered when the order is entered in the BEST system, although it exists in the order book.

(3) BEST system will not accept orders that contain unpermitted optional elements.

### **Ranking of the orders in the BEST system**

#### **Article 20**

(1) When entered in the BEST system, the order shall receive a time stamp corresponding to the time of entry in the BEST system.

(2) The BEST system shall rank the orders according to the following criteria, applied subsequently:

- market orders have priority over limit orders
- limit orders are ordered in such a manner that among the active buy orders, priority is given to the active buy order with the higher price, while among the active sell orders, priority is given to the active sell order with the lower price
- if there are several active orders with the same price, or several market orders, priority is given to the active order that is entered earliest (which has the smallest temporal indication)
- while ranking the orders, the retained orders shall not be taken into consideration.

(3) Ranking of the trade orders contrary to the manner of ranking described in paragraph 2 of this Article is not allowed.

(4) If there is change of the order – change of price; if the overall securities quantity is increased (except for the hidden quantity orders); if the visible quantity of the hidden quantity order is fully executed or increased; if a market order is changed into limit order or vice versa; if the order number is changed, or if a retained order is activated, the BEST system shall designate to the order a new time stamp, corresponding to the time when the change of the order took place.



## **Condition of the orders in the BEST system**

### **Article 21**

- (1) Each trade order entered in the BEST system is at any moment in one of the following system conditions:
- **active condition:** the order is within the price limitations referred to in article 55 of these Rules;
  - **inactive condition** the order is out of the price limitations referred to in article 55 of these Rules. The BEST system does not allow execution of orders in inactive condition;
  - **retained condition:** the orders cannot be executed. The trade orders can be retained by the MSE member or by the MSE itself. The retained orders may be re-activated in the BEST system only by the MSE member. After the activation, the orders shall receive new time stamp and enter into active or inactive condition;
  - **removed condition:** the orders are removed from the BEST system because they are executed, expired from a point of view of the expiration date or withdrawn by the MSE member or by the MSE .
- (2) Adequately to the changes in the price limitations referred to in article 55 of these Rules, the BEST system shall transfer the trade orders in the appropriate active or inactive condition. The time stamp on the orders shall remain unchanged.
- (3) After the trading day is declared official, all orders that have expired in terms of the validity period are transferred by the BEST system to the removed condition.
- (4) In case of abolition of special types of orders or in case of a change in the manner of operation of the orders, the MSE CEO may, during the execution of the change, remove from the BEST system the orders that would be affected by the change of the trading system . For such activity, the Stock Exchange previously informs the members.
- (5) A trading order shall be considered entered into the BEST system if it is in an active state or in an inactive state.

## **Sequence of execution of the clients' orders**

### **Article 22**

- (1) The MSE member is obliged to adhere to the following sequence of execution of the received trade orders: 1) orders from clients; 2) orders from the employees in the member registered in the order book as clients; 3) orders of the member itself as principal.
- (2) The member is obliged to execute the clients' orders for same security and with the same conditions for realization, according to the time sequence at which they were received and updated (chronologically).
- (3) The MSE member shall not be allowed to buy or sell securities as principal or for the account of its employee, if, as a consequence, it is not able to realize the client's order or if the client's order as a result of it, would be executed on less favourable conditions.

## **Execution of the clients' orders**

### **Article 23**

- (1) The MSE member may execute the buy or sell orders only via the BEST system, except for the administrator block transactions.

- (2) The MSE member is obliged to take all necessary activities to realize the client's order under most favorable conditions, taking into consideration the important factors, such as the price, the costs, the manner and the speed of execution, the value and the characteristics of the client's order and other circumstances important for the execution of the order.
- (3) If the client's limit order contains specific instructions for all or some of the factors from the previous paragraph, the MSE member must execute the order in accordance with the instructions of the client, whereby the member's obligation to act under the conditions that are most favorable to the client is considered fulfilled.
- (4) The MSE member is obliged to explicitly warn the client that if the limit order contains specific instructions, the member is not obliged to execute the order under the terms of paragraph 2 of this Article, that is, under conditions that are most favorable for the client.
- (5) The MSE member must establish special procedures for execution of clients' orders under the most favorable conditions, which should contain at least the following:
- manner and place of receipt of trading orders by clients;
  - procedure and documentation required when receiving orders from customers;
  - possibility for giving special instructions to clients for the realization of limit orders and the manner of their receipt;
  - important elements for execution of the order under the most favorable conditions for the client
  - place of execution of the order;
  - manner of implementation of the order depending on the type of the order;
  - manner of accepting the procedures by the clients;
  - availability of the procedures;
  - frequency of control of the procedures;
  - other details that may be important for the realization of clients' orders that the member applies in its operations.
- (6) The MSE member is obliged to inform its clients for the procedures for realization of the orders under most favorable conditions. Before starting to give services to the clients, the MSE member must be given previous consent from the clients for its procedures for realization of the orders under most favorable conditions.
- (7) Except orders with special conditions for the realization of the quantity (all or nothing), all other types of orders can be partially entered into the BEST system from the aspect of their quantity. In such a case, at no time in the BEST system, at the same time, there may be multiple orders arising from one order registered in the order book.
- (8) In a case of an selling order, the MSE member must not start the execution of the order if the securities subject to the sale are not appropriately reserved in an authorized depositary by the member and/or if the member did not check carefully whether the client is authorized to disposal of those securities, i.e. whether there are any limitations for the client's disposal of them.
- (9) The MSE members are fully liable for the unfulfilled obligations towards other MSE members which may arise due to the failure to fulfil the obligations by the clients on the basis of the given orders, and it shall be consider that the member acted on its behalf and for its account in that transaction.

- (10) The MSE member is obliged to submit to the client a report for execution and settlement for each transaction with securities, on a manner and under conditions stipulated with the Securities Law.

**Execution of the orders for the account of several clients**  
**Article 24**

- (1) If the MSE member has more than 5 (five) orders for buying or selling of securities under same conditions, the MSE member may execute those orders in the BEST system simultaneously (hereinafter: "group account orders").
- (2) If it uses group account orders, group account for portfolio management or group account with power of attorney, the MSE member is obliged before declaring the trading day official at the latest, to submit a list to the MSE, in which it will indicate the following data from the order book on the clients for which a group account order was given: security's trading code, quantity, price (if any), client's account in the depositary and number of the order from the order book.
- (3) If during the usage of the group account order one or more transactions are concluded, the MSE member shall order the transactions of the clients in accordance with the following criteria:
- if the transaction or several transactions are concluded at the same price, and the quantity of securities is not sufficient to satisfy the individual orders of all the clients for which group account order was given, the first individual order that will be fully realized shall be the order which is received prior to the order of the next client in temporal terms etc;
  - if the transaction or several transactions are concluded at different prices, the first individual order that will be realized at the most favourable price (the highest selling or the lowest buying price) shall be the order received prior to the order of the next client in temporal terms etc.
- (3) The provisions from paragraphs 1, 2 and 3 from this article are also valid for the clients with whom the member has a contract for portfolio management, only if there is only one order from such client in the order book at the moment of creating a group account.
- (5) As an exception to paragraphs 1, 2, 3 and 4 of this article, if at a given moment the MSE member has orders for buying or selling of the same securities under the same conditions of at least 2 (two) clients with whom a contract has been signed for portfolio management, a member can execute these orders in the BEST system simultaneously by using "group account for portfolio management". When using an order for a group account for portfolio management, the MSE member must have previously adopted rules for allocation of transactions of the respective clients that provide equal treatment of the clients in the allocation of the securities and submit those rules to MSE. When dealing with an order for a group account for portfolio management, a member must not execute it with his own order as a principal, or with an order given by its employee.
- (6) If the member's client is proxy who represents more than one seller or buyer, and which with an authorization has given the same instructions for selling or buying of a certain security, the MSE member may use a group account with power of attorney. The member in its documentation shall possess orderly authorizations as basis for the proxy's acting. When dealing with an order for a group account with power of attorney, a member must not execute it with his own order as a principal, or with an order given by its employee. The MSE member must allocate the transactions of the clients according to the instructions given by the proxy.

## **Basic types of trade orders**

### **Article 25**

Regarding the specifying of the price of a certain security, three basic types of trade orders are distinguished:

- **market order** – the client does not set price limitations i.e. accepts the best market price;
- **limit order** - the client sets the acceptable price for buying (the highest price) or for selling (the lowest price);
- **order “at best”** – the client does not set the price at which he would buy/sell a certain security i.e. he gives the member the right to decide when and at what price it will realize the order in the BEST system.

## **Market order**

### **Article 26**

Market order is a daily order without a specified price. The BEST system marks the market order with „market”. The entry of the market order must be according the limitations for entry and execution of orders according to the trading regime and the market phase set out in Article 35 of these Rules.

## **Limit order**

### **Article 27**

(1) Limit order is an order with entered i.e. set price which allows making a transaction or transactions up to the price limit determined with the entry of the order. The buy limit order sets the highest price at which a security can be bought. The buy limit order may be realized at the set price or at a lower price. The sell limit order sets the lowest price for selling. The sell limit order can be realized at the set price or at a higher price.

(2) The BEST system accepts the following types of limit trade orders:

- orders without additional or special conditions;
- orders with additional conditions for realization;
- orders with additional conditions for the expiration date;
- orders with special conditions for realization of quantity.

(3) Upon entry of a limit order in the BEST system, specific combinations of two or more different types of limit orders is allowed, in accordance with the limitations for entry and execution of orders regarding the trading regime and the market phase set out in Article 35 of these Rules.

## **Orders with additional conditions for realization**

### **Article 28**

(1) The orders with additional conditions for realization are orders in which, besides the obligatory elements in the order, additional elements in the BEST system are entered as additional conditions according to which the transactions are concluded. The following orders with additional conditions for realization are allowed:

- order with an additional condition for realization „fill or kill”
- hidden quantity order.

- (2) The order with an additional condition for realization – „fill or kill” is executed in accordance with the limitations for entry and execution of orders based on the trading regime and the market phase set out in Article 35 of these Rules. The unrealized quantity of the order is automatically removed from the BEST system. Usage of other additional or special conditions upon entry of the “fill or kill” order is not allowed.
- (3) The hidden quantity order is an order which does not show the entire quantity of the order entered in the BEST system. Only the visible quantity/part of the order is shown on the market, while the rest of the order is entered in the system as hidden quantity. Usage of other additional or special conditions upon entry of the hidden quantity order is not allowed. The MSE Board of Directors will determine the minimum value of the hidden quantity order, the ratio between the visible and the hidden quantity and other conditions for execution of the hidden quantity order.
- (4) The hidden quantity order is presented in the BEST system as a limit order, where only the visible part of the order is displayed.
- (5) The hidden quantity order is executed in the following way:
- the hidden quantity order is executed gradually: as the visible portion of the order is executed, the visible quantity will be continually and automatically refilled from the hidden quantity of the order, until the entire hidden quantity of the order and the entire order is executed;
    - once the visible portion of the order is executed, new visible quantity is automatically displayed on the market and the order gets a new timestamp;
  - once the entire hidden quantity of the order is realized, the rest of the order will be transformed into a limit order without hidden quantity and the order will have a new timestamp;
  - at the market opening and during interrupting auctions, the hidden quantity order is considered with its full quantity (visible and hidden).

### **Orders with additional conditions for the expiration date**

#### **Article 29**

- (1) The orders with additional conditions for the expiration date are orders in which, besides the obligatory elements of the order, additional conditions about the expiration date of the order are entered. If the order is not entered into the BEST system with a specified date, it will be treated as daily order. Special conditions for realization of the quantity are allowed in this kind of orders. The following orders with additional conditions for the expiration date are allowed:
- daily order
  - order with validity to a certain date.
- (2) The daily order is valid only on the day the order is entered in the BEST system. While entering the order in the BEST system, the field “conditions” in the mask for entry of orders will be left empty or it will be marked with “D”. The unrealized daily orders are automatically removed from the BEST system once the trading day is official;
- (3) The order with validity to a certain date is valid from the moment of its entry in the BEST system until its realization or to a certain date. This order is valid for maximum ninety (90) days from the day of its entry. The BEST system gives a preview of the orders which will be removed within a specified future period.

## **Order with special condition for realization of the quantity “all or none”**

### **Article 30**

- (1) The order with a special condition for realization of the quantity “all or none” enables buying or selling a security with one entry up to a certain price and within the limits determined in Article 56 of these Rules, where the order must be completely executed through one or several simultaneous transactions. If the order is not containing all the elements for this type of order upon its entry, it will be deleted from the BEST system. Usage of additional conditions for realization of the order is not allowed.
- (2) The order with a special condition for realization of the quantity “all or none” is a daily order and it does not allow usage of group accounts defined in Article 24 of these Rules.
- (3) The BEST system does not allow entry of an order with special conditions for realization of the quantity “all or none” if there is no other order on the opposite side or if the orders on the opposite side do not fulfill “all or none” condition.

## **Order “at best”**

### **Article 30a**

- (1) Order “at best” is a special type of order in which the client does not determine the price at which he would buy/sell a certain security i.e. an order with which the client gives the member a discretionary right to decide when and at which price the order will be entered into the BEST system.
- (2) The order must be entered into the BEST system immediately. When the broker enters the order for the first time, he must enter it into the BEST system within the static limits of a certain security, if such limits exist on that trading day.
- (3) The MSE member will execute this type of order through the BEST system when, acting with due diligence and care and regarding the principle of best execution, will estimate that the current situation on the market is most favourable for realization of the order.
- (4) The broker has the obligation for acting with due diligence and care until the realization of the order.
- (5) The Stock Exchange member shall enter the “at best” order into the BEST system as a limit order with expiration date as set by the client, but not exceeding 30 (thirty) days.
- (6) If the Stock Exchange member has received several “at best” orders for a single security, they must be realized according to the order in which they were received.
- (7) The realization of the order “at best” may be done through a cross transaction with all types of orders from another client, except with another “at best” order.
- (8) The realization of the “at best” order must not be done through a crossed transaction with an order from the member as principal, with an order given by an employee of the member, through usage or any type of group account, or upon realization of the transactions described in the Annexes to these Rules.

## **Manner of execution and handling of orders**

### **Article 31**

- (1) The member of the Stock Exchange will execute the received buy/sell orders from clients by entering them into the BEST system and further handling.
- (2) Handling of orders entails: entry, modification, retention, activation or withdrawal of the order.
- (3) The order can not be entered into the BEST system without its previous entry in the order book of the member.

## **Time of entry of the order in the BEST system**

### **Article 32**

The time of entering the order in the BEST system is the time assigned to that order by the BEST system when it is entered in the system. When handling orders, the time of the BEST system will be recorded.

## **Minimum price correction**

### **Article 33**

- (1) The minimum price correction is the smallest allowed change in the price of the security after the entry of the order in the system.
- (2) The corrections of the entered buying or selling prices for the shares in the BEST system may be performed in the amount of at least 1 denar.
- (3) The adjustments to the entered buying or selling prices for the bonds in the BEST system may be performed in the amount of at least 0.1%.
- (4) For other securities, the MSE Board of Directors may, with a decision, determine a minimum amount of the allowed price correction, other than the minimum amounts specified in paragraphs 2 and 3 of this Article.

## **Types of accounts**

### **Article 34**

- (1) In order to provide conditions for better control over the operations of the MSE members, during the entry of the trade orders in the BEST system, the MSE members are obliged to identify the type of the client's account. The BEST system allows usage of the following types of clients' accounts:
  - principal account;
  - client's account;
  - account of the employee in the authorised legal entity;
  - group client's account;
  - group account for portfolio management;
  - group account with power of attorney;
  - account for portfolio management;
  - issuer account

- (2) *Principal account (P)*

Principal account is an account used by the MSE member during the entry of orders in the BEST system when the MSE member trades on its behalf and for its account. The MSE member may hold only one principal account. The MSE member may operate on its behalf and for its account only through the principal account.

(3) *Client's account (K)*

The client's account is an account used by the MSE member during the entry of orders in the BEST system when the MSE member trades on its behalf and for third party's account (clients of the member). When the MSE member trades on its behalf and for third party's account, it is obliged, during the entry of each order in the BEST system, to enter the client's account at depository and the number of the order from the order book.

(4) *Account of the employee in the authorised legal entity (V)*

The account of the employee in the authorised legal entity is an account which is used by the MSE member while entering orders into the BEST system when MSE member trades on its behalf and for the account of its employee. As an employee of the member shall be considered a person employed in the brokerage house, a person employed in the branch office of a foreign brokerage houses and a person employed in the bank division for dealing with securities. When the MSE member trades on its behalf and for employee's account, it is obliged, during the entry of each order in the BEST system, to enter the employee's account at depository.

(5) *Group client's account (G)*

The group client's account is an account used by the MSE member during the entry of orders in the BEST system when the MSE member trades on its behalf and for third party's account in accordance with the article 24, paragraph 1 from these Rules. In case of usage of a group client's account, during the entry of the order in the BEST system, the member does not enter the client's account at the depository and the number of the order from the order book, i.e. it acts in accordance with the instructions stipulated by the MSE CEO for entry of orders with this type of account.

(6) *Group account for portfolio management (M)*

Group account for portfolio management is an account used by a member of the Stock Exchange when entering orders into BEST when a member of the MSE trades on its own behalf and for a third party's account in accordance with Article 24, item 5 of this Rules. In the case of using a group account for portfolio management, the member does not enter the client account in the depository and the order number from the book of orders when entering the order in the BEST system, i.e., acting in accordance with the instructions that the MSE CEO prescribes for entering the orders with this type of account.

(7) *Group account with proxy (Z)*

The group account with proxy is an account used by the MSE member during the entry of orders in the BEST system when the MSE member trades on its behalf and for third party's account according to the article 24, item 6 from these Rules. When using this account, in BEST system the member does not enter the clients' account in the depository nor the order number from the order book i.e. acting in accordance with the instructions that the MSE CEO prescribes for entering the orders with this type of account.

(8) *Account for portfolio management (F)*

The account for portfolio management is an account that the MSE members use when entering orders into BEST when a member of the MSE trades on its own behalf and for a third party's account, in cases when the member and the client have signed an agreement for portfolio management.

(9) *Issuer account (I)*

If the MSE members have buy or sell orders for certain securities given by the issuer of those securities, the MSE members are obliged to use a special type of account-issuer account. The MSE



members must use this account regardless of the fact whether the issuer has concluded with them a contract for brokerage services or a contract for portfolio management.

### **Allowed orders in the BEST system according to market phases**

#### **Article 35**

- (1) Limit orders without additional or special conditions and limit orders with an additional condition for the validity period may be entered in the pre-trading phase and in the main trading phase in the continuous trading regime and in the pre-trading phase in the fixing trading regime.
- (2) Market orders and hidden quantity orders may be entered in the continuous trading regime in the pre-trading phase and in the main trading phase.
- (3) The orders with additional conditions for realization-fill or kill can be entered in the phase of additional trading in the fixing trading regime, where the price of the order must be equal to the auction price.
- (4) Orders with special conditions for the realization of the quantity "all or nothing" may be entered during the main trading stage in the continuous trading regime. These orders can be entered only at prices within the dynamic limits. Beyond the dynamic limits, these orders will be automatically rejected by BEST system.
- (5) The possibility of entering orders in the BEST system with an overview of the stages of the market is given in Appendix 1, which is an integral part of these Rules.

## **IV. TRADING**

### **IV.1. GENERAL RULES FOR TRADING**

#### **Manner of trading on the MSE**

##### **Article 36**

- (1) The MSE members may realize the orders for buying and selling securities that are listed or accepted for trading on the MSE markets only via the BEST system.
- (2) The BEST system is based on the order system, in accordance with the model of continuous bidding and application of the method of computer matching of the securities prices.
- (3) Trading in all securities on MSE is open and anonymous.
- (4) As exception of paragraph 1 of this article, the administrator block transaction defined in Annex 1 of these Rules shall only be registered in the BEST system.

#### **Obligations for realization of the exchange transaction**

##### **Article 37**

- (1) Conclusion of the exchange transaction means matching of the buy and sell orders in the BEST system on a manner and under conditions set forth in these Rules. The MSE members are obliged to fulfill their obligations upon the conditions under which the transaction was concluded (subject,

quantity, price and settlement period).

- (2) Subject of an exchange transaction are the securities indicated in the trade orders entered in the BEST system, in smaller or equal quantity of the both trade orders on the basis of which the transaction was concluded.
- (3) The price of the exchange transaction is the price that was mutually accepted by both MSE members during the trading process via the BEST system in accordance with these Rules and MSE acts.
- (4) The computer record of the orders and transactions kept by the MSE shall be considered as a valid evidence for the transactions of the members.

### **Manner of usage of the BEST system by the licensed brokers**

#### **Article 38**

- (1) Licensed brokers, through their workstations or by using the possibility of integral access to the BEST system (FIX GATEWAY), join the BEST system. Each licensed broker has its own unique identification elements (user name and password) that allow access to the BEST system, execution of activities in the BEST system and access to the data for which it has authorization.
- (2) The licensed brokers are responsible for the accuracy and correctness of the data they enter in the BEST system.
- (3) The special identification elements may be used only by the licensed brokers to whom they were awarded.
- (4) The licensed broker shall be liable for any abuse of his special identification elements toward MSE.

### **Liability of the MSE and MSE members**

#### **Article 39**

- (1) The MSE shall not be liable for any direct or indirect damage and/or lost profit derived as a result of usage of the BEST system or as a result of malfunction of the BEST system or any equipment problems or other reasons on which the MSE could not have any influence (natural catastrophes, measures by state bodies, longer electricity cut off etc.)
- (2) The MSE members shall have an obligation to check the accurateness and completeness of the trading data published by the MSE via the BEST system.

### **Trading status of members**

#### **Article 40**

- (1) A member of the Stock Exchange may have the following trading status in the BEST system:
  - active - the member can conclude transactions and handle orders in the BEST system; or
  - inactive - the member can not conclude transactions and can not handle orders in the BEST system.
- (2) The status of a member of the Stock Exchange may be changed by an appropriate decision of the MSE Board of Directors, the Chief Executive Officer of the Stock Exchange, the Securities and

Exchange Commission or other competent institution when the conditions prescribed by the MSE acts are fulfilled. If the status of a member changes to "non-active", the status of all member orders entered in the BEST system will be changed to an "inactive condition".

### **State of the securities in the BEST system**

#### **Article 41**

- (1) Each security entered in the BEST system is at any moment in one of the following system states:
- **trading:** the security can be traded in the BEST system according to these Rules and the handling of the security is allowed;
  - **halted:** the BEST system does not allow matching of the orders for that security (concluding transactions), while the handling of the security is allowed;
  - **suspended:** the BEST system does not allow matching of the orders for that security (concluding transactions) and the handling of the security is not allowed. A security may be suspended temporary or permanently;
  - **dynamically halted:** when during trading with a certain security in the BEST system the conditions for starting an interrupting auction in accordance with these Rules are met, the state of that security changes from "trading" to "dynamically halted". Where the security is in that state, the provisions of Article 56 of these Rules shall apply;
  - **removed:** when the security is in this state, it shall not be traded in the BEST system and the handling and matching of orders is not allowed.
- (2) The state of a particular security in the BEST system may be changed on the basis of a decision of the MSE Board of Directors or if the conditions of these Rules, the acts of the Stock Exchange and the legal regulations have been fulfilled.

## **IV. 2. RULES FOR EXECUTION OF STOCK EXCHANGE TRANSACTIONS**

### **Types of trading regimes**

#### **Article 42**

- (1) BEST system allows securities to be traded in a continuous trading regime or in a fixing regime.
- (2) The Continuous Trading Regime consists of a pre-trading phase and a main trading phase. The main trading phase enables immediate execution of transactions based on orders entered into the BEST system by matching their conditions in accordance with these Rules, whereby the price of the concluded transaction is the result of the current best buy and sell price and is determined by the order that was entered in the BEST system earlier.
- (3) In the fixing trading regime, the securities are traded in an auction, whereby all transactions are concluded at the same time and at the same price. The price is formed on the basis of the orders entered in the BEST system, with matching of their conditions, in accordance with these Rules, by selecting the price at which the largest quantity of securities with the smallest residual can be traded.

- (4) The criteria for allocation of securities in one of the two trading regimes referred to in paragraph 1 of this Article shall depend on the characteristics of the trading in the securities. In doing so, the following criteria will be taken into account:
- average daily number of transactions;
  - average number of days of trading;
  - trading volume;
  - market depth.
- (5) The determination of the criteria for the allocation of securities in one of the two trading regimes referred to in paragraph 1 of this Article and the appropriate classification method will be regulated in more detail by a decision adopted by the MSE Board of Directors.
- (6) As an exception from paragraph 1 of this Article, the securities traded pursuant to Annex 1, Annex 2, Annex 3 and Annex 4 shall be traded through special trading regimes.

### **Market phases and duration of the trading**

#### **Article 43**

- (1) The market may go through the following phases:
- closed market - handling of orders in the BEST system and execution of transactions is not allowed;
  - pre-trading phase - handling of orders in the BEST system is allowed in the manner and under the conditions described in Article 44 of these Rules. Execution of transactions is not allowed,
  - open market, main trading phase - handling of orders in BEST system and execution of transactions is allowed;
  - additional trading phase - limited activities for handling orders in the BEST system and execution of transactions are allowed, the withdrawal of orders and entering of limit orders with additional conditions for realization – fill or kill at an auction price.
- (2) In the regime of continuous trading, the market goes through the following phases:
- closed market;
  - pre-trading phase;
  - open market, main trading phase
  - closed market
- (3) In the fixing trading regime, the market goes through the following phases:
- closed market
  - pre-trading phase;
  - additional trading phase;
  - closed market.
- (4) By the decision of the Board of Directors of the Stock Exchange, the duration of the trading in the continuous trading regime and the fixing trading regime shall be determined, as well as the time schedule for the opening of the market for individual securities in the fixing trading regime.
- (5) As an exception from paragraph 4 of this Article, in order to provide a minimum level of functionality of the electronic trading system, the Board of Directors of the Stock Exchange may decide to extend or shorten the time and the manner of trading.

- (6) The handling of orders and the execution of transactions by members depends on the market phase, the trading regime and the security's state, as well as the state of the orders and trading status of the member.

### **Pre-trading phase Article 44**

- (1) The pre-trading phase in the continuous and fixing trading regime consists of the following sub-phases:
- sub-phase with fixed duration;
  - sub-phase with randomly determined duration (sub-phase random);
- (2) In sub-phase with fixed duration in a sense of this article, the licensed brokers from the MSE members may handle orders for trading. In the sub-phase with fixed duration there is no conclusion of stock exchange transactions despite the possible matching of the entered orders in the BEST system from the aspect of the price and other conditions for realization.
- (3) In sub-phase random in a sense of this article, the licensed brokers from the MSE members may perform retaining, changing or eliminating of the orders. During this period new orders are not allowed to be entered in the BEST system and it is not allowed to activate retained orders.
- (4) Minimum duration of the sub-phase random in the sense of this article least 1 (one) second, and maximum duration in seconds shall be determined by the Board of directors. The BEST system randomly, by usage of special computer function (random function) shall chose a moment between minimum and maximum duration of this sub-phase.

### **Opening of the market Article 45**

- (1) The market opening is a transitional process, a short time interval, between the pre-trading phase and the main trading phase in the continuous trading regime, and between the pre-trading phase and the phase of additional trading in the fixing trading regime. This process does not allow handling of orders, and BEST system implements it as follows:
- the opening of the market begins at a randomly chosen moment within a predetermined period, in accordance with Article 44, paragraph 4 of this Code;
  - market opens
- (2) At opening the market, the following situations are possible:
- if the best ask price is higher than the best bid price, orders are not matched and no transactions are made,
  - if the best bid price is equal or higher than the best ask price, or if the only active orders in the BEST system are market orders, the orders are matching and the transactions are concluded at an auction price in accordance with Article 46 of these Rules.
- (3) Immediately after the market opening in the continuous trading regime, the market will be in the main trading phase, while in the fixing trading regime the market will be in the phase of additional trading.

- (4) The market opening time may differ for securities traded in different trading regimes and securities traded in different schedules in the fixing trading regime.

### **Auction price**

#### **Article 46**

- (1) Auction price is the price at which the orders are matching when opening the market, in accordance with Article 45 of these Rules. The auction price shall be established in such a way that for each security the price at which the biggest quantity can be traded and which will provide the smallest residual of the quantities of the orders participated in the auction.
- (2) If there are more prices for which the largest quantity can be traded and which will provide the smallest residual quantity of the orders that participated in the auction, the following applies:
- If there is a residual only on the bid side, the auction price will be the highest price of the possible prices;
  - If there is a residual only on the ask side, the auction price will be the lowest price of the possible prices;
  - If there is the same residual quantity from both the bid and ask side, or if there is no residual from the both sides, the auction price will be a simple arithmetic mean between the highest and the lowest price rounded to the minimum price correction.
- (3) If only market orders are active in the BEST system, execution of orders when opening the market will be performed at a reference price.
- (4) The manner of creating of the auction price is given in Appendix 2, which is an integral part of these Rules.

### **Manner of execution of transactions**

#### **Article 47**

The execution of transactions in the BEST system shall be carried out in such a way that for each buy and sell order on the market applying of the ranking of the orders in the BEST system established by Article 20, paragraph 2 of these Rules will be provided.

### **Terms of execution of orders**

#### **Article 48**

- (1) In the main trading phase in the continuous trading regime, BEST system will automatically execute active orders by mutually matching their terms.
- (2) In the fixing trading regime, the execution of transactions is possible in the pre-trading phase or in the additional trading phase, depending on the matching of the terms of the active orders.

### **Determination of the prices of executed transactions**

#### **Article 49**

- (1) In the continuous trading regime, transactions are concluded at the opening of the market and during the main trading phase. When opening the market, transactions are made at auction price in accordance with Article 46 of these Rules, and during the main trading phase the transactions will

be executed at the price of the order with an older timestamp. The following rules apply for execution of a transaction with a market order:

- if a market order and a limit order are matched, the transaction will be executed at the price of the limit order;
  - if two market orders are matched, the transaction will be executed at the reference price unless:
  - there is a best limit order on the bid side, but there is no best limit order on the ask side in the BEST system, and there is at least one market order on the bid side, and then on the ask side a market or limit order is entered at a price lower than or equal to the best bid price of the limit orders; or if the opposite happens on the ask side - in such a case, the transaction will be executed at a price bettered for the minimum allowed price correction referred to in Article 33 of these Rules from the best bid or best ask price of the limit orders. If the price of such a transaction exceeds the limits from Article 55 of these Rules, the transaction will be executed at a price equal to the best bid or best ask price of the limit orders.
- (2) In the fixing trading regime, any transaction concluded in the pre-trading phase or in the additional trading phase will be made at an auction price.

### **Cross transactions**

#### **Article 50**

- (1) Cross transaction is a transaction in which the same member acts on the buy and on the sell side in the transaction.
- (2) During the main trading phase in the continuous trading regime, a MSE member may perform a cross transaction in the BEST system only if it has previously entered (exposed) in the BEST system either the bid or the ask order of the potential cross transaction in a period of at least 2 (two) minutes counting from the time of entry or change of the price of the specified order in the BEST system, except for hidden quantity orders, where the time from the first entry or change in the price of the order in the BEST system is counted and not the time of automatic replenishment of new visible quantity of the order or the time of automatic transformation in limit order when the total hidden quantity is realized.

### **Special types of transactions**

#### **Article 51**

- (1) Special types of transaction described in the Annex 1, Annex 2, Annex 3 and Annex 4 of these Rules may be concluded through BEST system.
- (2) Annex 1, Annex 2, Annex 3 and Annex 4 are an integral part of these Rules.
- (3) Unless otherwise stipulates in the Annex 1, Annex 2, Annex 3 and Annex 4 of these Rules, the provisions from these Rules and MSE acts shall apply to transactions described in the annexes.

### **IV.3. LIQUIDITY PROVIDERS**

#### **Definition and acquiring the status of a liquidity provider**

##### **Article 51 a**

- (1) Liquidity provider create a market for a particular security by entering limit buy and sell orders for that security in the BEST system and concluding transactions based on those orders, within the classical trading in the BEST system, pursuant to these Rules.
- (2) Only a MSE member that is authorized for trading on its own behalf and for its own account (principal) has the right to apply for acquiring the status of a liquidity provider. The application for acquiring a status of liquidity provider is done by submitting an application to the MSE, indicating for which security the application relates. The content of the application for acquiring the status of liquidity provider is prescribed by the MSE.
- (3) The MSE member cannot apply for acquiring the status of liquidity provider for securities issued by the member itself.
- (4) MSE grants the status of a liquidity provider to a member who meets the requirements prescribed with the MSE Board of Directors' decision. The decision to grant the liquidity provider status is made by the MSE CEO.
- (5) After the adoption of a decision for granting liquidity provider status, MSE and the MSE member conclude an agreement, regulating the mutual rights and obligations related to the performance of the activities of liquidity provider for a certain security (hereinafter: Liquidity provider Agreement). The text of the agreement is determined by MSE.
- (6) A member shall actively start to use the status of liquidity provider for particular security from the date that the agreement referred in item 5 of this Article becomes effective.
- (7) Liquidity providers are performing the market maker activities for a particular security on its own behalf and for its own account by using their principal account, whereby the use of group accounts defined in Article 24 of these Rules is prohibited.
- (8) If the security for which an application for market making is made is traded in the fixing trading regime at the moment of granting status for market maker activities according to paragraph 4 of this article, the member will begin to actively use the status of a liquidity provider as of the day when the securities are transferred for trading in the continuous trading regime.
- (9) The liquidity provider status can be granted for the period of at least one (1) year and for not more than two (2) years, with the possibility of extending the Contract.
- (10) For granting the liquidity provider status to a MSE member, MSE informs the Securities and Exchange Commission, members and the public.
- (11) The MSE publishes on its web site a list of liquidity providers for each security.



**Determinating liquidity providers  
for a particular security  
Article 51 b**

- (1) MSE may grant the status of liquidity provider for a certain security to several members simultaneously.
- (2) MSE may grant liquidity provider status to one member for several securities simultaneously. In such a case, MSE and the MSE member sign agreement for performing market maker activities for each security separately.
- (3) With a special decision of the Board of Directors of the Exchange, the Exchange may determine the maximum number of securities for which one member may be a liquidity provider.

**Subject of liquidity providers' activities  
Article 51 c**

Liquidity providers perform market maker activities only for shares of the issuers that are traded on one of the market segments of the MSE (Official and Regular Market) and are classified in one of the liquidity groups based on the criteria stipulated in article 51 d of these Rules.

**Classification of securities into groups  
Article 51 d**

- (1) The following criteria are taken into consideration for determining the liquidity levels for classification of securities into groups:
  - 1) Daily average turnover for the last six months
  - 2) Daily average number of transaction for the last six months
- (2) Only the turnover from the classical trading in BEST system is taken into account for determining the liquidity levels for classification of securities into groups.
- (3) Only transactions that are concluded in the classical trading in BEST system are taken into account for determining the liquidity levels for classification of securities into groups.
- (4) The liquidity level for a particular security is determined as a sum of the ranks of each criteria stipulated in the paragraph 1 of this Article.
- (5) Determination of liquidity levels for classification of securities in groups is performed twice a year based on trading data from the previous six months.
- (6) The MSE Board of Directors adopts a decision for determination of criteria and liquidity levels for classification of securities into groups according to paragraph 1 of this Article.

**Obligations of the liquidity providers  
Article 51 e**

- (1) Depending on the liquidity level of the security that is subject of the Liquidity provider Agreement, the activity of the liquidity provider is performed by fulfilling the following conditions:

1. The difference between the ask and bid prices (spread) in the orders placed by the liquidity provider to be equal or smaller than the prescribed maximum;
  2. The value of the bid and ask orders of the liquidity provider to be equal or greater than the minimum prescribed value;
  3. Activities of the liquidity provider are performed both on bid and ask side at the same time.
- (2) The liquidity provider is obliged to respect the minimum time presence period (minimum period for exposing the orders in the BEST system) every day when performing the market making activities.
- (3) Liquidity provider fulfills its obligations by fulfilling of all conditions defined in paragraph 1 of this Article in the minimum time presence period defined in paragraph 2 of this Article.
- (4) The maximum difference between the bid and ask prices, minimum value of the buy and sell orders and minimum time presence period are prescribed with a MSE Board of Directors' decision.
- (5) A liquidity provider at the same moment must not have more than one buy order and more than one sell order for the same security for which he performs market making activities.
- (6) A liquidity provider may enter only limit buy and sell orders without additional conditions for realization and without special conditions for realization of quantity.

#### **Termination of the liquidity provider's daily obligations** **Article 51 f**

- (1) The liquidity provider's obligations for a particular security in one trading day is fulfilled by fulfilling the obligations from Article 51e, paragraph 3.
- (2) As an exception from paragraph 1 of this Article, the fulfillment of the liquidity provider's obligations for a certain security shall be considered to be realized even before the expiry of the minimum time presence period, in case when the liquidity provider had reached a daily turnover with the security, subject to the Liquidity provider Agreement, greater than a certain percentage of the average daily turnover for the particular security in the last six months.
- (3) The MSE Board of Directors decides on the percentage of the average daily turnover for the particular security in the last six months for which the work of the individual liquidity provider is considered to be fulfilled even before the expiry of the minimum quote presence period.

#### **Monitoring of liquidity providers' activities** **Article 51 g**

- (1) MSE monitors the fulfillment of the criteria for providing liquidity of each liquidity provider and for each particular security on a daily and monthly basis.
- (2) During one month, the liquidity provider must not have:
  1. more than a certain number of trading days in which he has not fulfilled the conditions for executing the liquidity;
  2. less simultaneous fulfillment of the liquidity requirements referred to in Article 51e, paragraph 3, than a certain percentage for fulfillment considering the total duration of trading in that month.

- (3) The MSE Management Board decides about the determination of the number of inconsistent trading days in one month and the percentage of fulfillment in relation to the total duration of trading in that month referred to paragraph 2 of this Article.
- (4) If during the month the member has granted the status of a liquidity provider for the first time, the fulfillment of obligations for this member shall be considered proportionally depending on the number of days in the month since the Liquidity provider Agreement became effective.

### **Termination and cancellation of liquidity provider status**

#### **Article 51 h**

- (1) The liquidity provider status can be terminated in the following instances:
- upon the expiration of the Liquidity provider Agreement concluded between MSE and the MSE member;
  - in case of suspension from trading or exclusion from MSE membership of a liquidity provider for a period longer than 60 calendar days;
  - in case of receiving an act from the Securities and Exchange Commission or adoption an act from MSE with which the member – liquidity provider, is prohibited from all activities related to trading in securities or entering into trading in securities for its own name and for its own account (principal) for a period longer than 60 calendar days.
  - If there are changes in the license for operations with securities issued by the Securities and Exchange Commission for the member which previously was granted status for liquidity provider, by which the member will not perform trading in their own name and for their own account (principal).
- (2) The MSE CEO may unilaterally terminate the Liquidity provider Agreement at any time and without a notice period if the liquidity provider does not meet the obligations prescribed in Article 51e, paragraphs 1 and 2, and in Article 51g, paragraph 2, in which case the liquidity provider is obliged to pay to MSE a contractual penalty in the amount of the difference between the market maker activities commission and the total regular commission for trading in shares for the turnover that the member realized as a liquidity provider in the previous 20 trading days, but not less than 20,000 denars.
- (3) Liquidity provider can unilaterally terminate the Liquidity provider Agreement without obligation to pay the contractual penalty referred to in paragraph 2 of this Article, after expiration of three months after its conclusion and with a written notice to MSE delivered at least 20 days before the date of termination of the Agreement.
- (4) Liquidity provider can unilaterally terminate the Liquidity provider Agreement without obligation to pay the contractual penalty referred to in paragraph 2 of this Article, if during the validity period of the Agreement, the securities subject to the Agreement are classified to a higher liquidity group as a result of a change in its liquidity level, whereby the liquidity provider should inform the MSE with written notice about the cancellation of the Liquidity provider Agreement at latest within 10 trading days from the date of occurrence of the circumstance.
- (5) MSE member whose liquidity provider status was terminated or cancelled in accordance with:

- paragraph 1, lines 2, 3 and 4 from this Article, may re-apply for the status of liquidity provider for any security, immediately after it is re-accepted in the MSE membership and will acquire the right to take part in trading in securities on the Exchange in its own name and on its own account (principal);
  - paragraph 2 from this Article, may re-apply for acquiring the status of a liquidity provider for the same security after one (1) year, or apply for any other security after the expiration of six (6) months following the termination of the respective status;
  - paragraph 3 from this Article, may re-apply for acquiring the status of a liquidity provider for the same security after six (6) months following the termination of the respective status;
  - paragraph 4 from this Article, may re-apply for acquiring the status of a liquidity provider for the same security after six (6) months following the termination of the respective status.
- (6) In case of extraordinary circumstances, MSE CEO may temporarily suspend the application of the Liquidity provider Agreement. The suspension of the Agreement will be applied per security and for all liquidity providers for that security.

### **Adjournment of liquidity supporter status** **Article 51 i**

- (1) The status of a liquidity provider shall be adjourned in case of occurrence of any of the circumstances defined in paragraph 1, lines 2, 3 and 4 of Article 51 h for a period equal to or smaller than 60 calendar days.
- (2) Adjournment status of a liquidity provader shall continue until the circumstances referred to in paragraph 1 of this Article have expired.
- (3) After the termination of the adjournment, the rights and obligations of the member arising from the status of a liquidity provider automatically continue to apply in full.
- (4) In case of adjournment status of a liquidity provader, the fulfillment of obligations for that member will be considered proportionally depending on the number of days in the month when the member had an active status of a liquidity provider.

## **V. FINAL PROCESSING OF THE EXCHANGE TRANSACTIONS**

### **Official daily average price and daily average price** **Article 52**

- (1) The official daily average price of certain security is the weighted arithmetic mean of all prices of all transactions with that security on one trading day. The quantity of securities at each transaction is taken as weight. The official daily average price is formed at the end of the trading day.
- (2) The official daily average price for certain security is published in the official daily list of the MSE.
- (3) If there are no transactions on certain trading day, the official daily average price is the official daily average price of the previous trading day.
- (4) The official daily average price of certain security is calculated on each trading day. During the calculation of the official daily average price, the first price that will be achieved on the trading day

is taken as an opening price, except of the prices from the transactions defined in the article 51 of these rules.

- (5) The prices from the transactions defined in the article 51 of these rules are not included in the calculation of the official daily average price and daily average price.

### **Indicative prices of securities**

#### **Article 53**

- (1) An indicative auction price of the security is equal to the auction price that would be formed at some point if the opening of the market occurred at that moment.
- (2) The opening price of the security on one trading day is the price of the first transaction with that security on that trading day.
- (3) The best bid price is the price of the best buy limit order, with the ranking of the orders in the BEST system in accordance with Article 20 of these Rules.
- (4) The best ask price is the price of the best sell limit order, with the ranking of the orders in the BEST system in accordance with Article 20 of these Rules.
- (5) Closing price of a certain security on one trading day is the average price of all transactions concluded with that security in the last thirty (30) minutes before closing the market on that trading day. If during the last thirty (30) minutes before the closing of the market no transaction is made with that security, then the closing price is equal to the price of the last transaction executed on that trading day with that security. For securities without executed transactions on a particular day, no closing price will be calculated.
- (6) The reference price is the last official daily average price for a security or, if at least one interrupting auction from Article 56 occurred that day, which served as a basis for the creation of the auction price, the reference price would be equal to the last auction price.
- (7) The daily average price of a certain security shall be formed in accordance with Article 52, paragraph 1 of these Rules, and it shall be formed permanently during the whole trading day.
- (8) When calculating the prices of this article, the prices of the transactions defined in Article 51 of these Rules shall not be taken into account.

### **Final processing of the exchange transactions**

#### **Article 54**

- (1) Final processing of the exchange transaction means: identification of the members that participate in the transaction realized on the MSE, identification of the securities traded, quantity of the securities and price of the concluded transactions.
- (2) The data regarding transactions concluded in the BEST system shall be delivered electronically to the authorized depository for further processing, after the expiry of the deadline for cancellation of the transactions.
- (3) After the closing of the trading day, the MSE members may download the report on concluded

transaction directly from the BEST system.

## **VI. PRICE LIMITATIONS AND TRADING SUSPENSIONS**

### **Price limitations (static limits)**

#### **Article 55**

- (1) Transactions with certain security may be executed at prices that do not deviate by more than a fixed percentage (static limits) in relation to the official average price for that security from the previous trading day. The permitted percentage of deviation shall be determined by a decision of the MSE Board of Directors.
- (2) If the Board acts in accordance with the paragraph 1 of this article, the MSE must inform all MSE members, Securities and Exchange Commission and the public as soon as possible.
- (3) The price of a certain security on its first trading day, or until the formation of an official average price for that security, is formed freely, without price limitations.
- (4) As an exception of the paragraph 1 of this article, the MSE Board of Directors may, in case of major market imbalances, long-term unliquidity or in extraordinary circumstances related to a certain security, temporarily remove or change the price limitation, and inform the Securities and Exchange Commission, MSE members and the public.
- (5) Trading orders with prices higher or smaller than the allowed price limitations during the day shall be automatically put in an inactive condition.

### **Suspension of securities trading due to price fluctuations**

#### **(interrupting auctions and dynamic limits)**

#### **Article 56**

- (1) In order to protect against greater price fluctuations, BEST system may initiate interrupting auctions.
- (2) Interrupting auction is applied for the securities traded in the continuous and fixing trading regime under the following conditions:
  - If a transaction would be concluded at a price different from the reference price for more than the percentage determined by the MSE Board of Directors and rounded to the amount of the minimum price correction (dynamic limits); or
  - If conditions are created that would cause a cross transaction whose value would be greater than or equal to a specified minimum amount determined by MSE Board of Directors except in the phase of additional trading in the the fixing trading regime.
- (3) During the interrupting auction:
  - The conditions for an interrupting auction are removed, the security transfers from the condition “trading” to the condition “dynamically halted”;
  - After the termination of the interrupting auction a new reference price is established in accordance with Article 53 of these Rules, and the security changes its condition again in accordance with the trading schedule.

- (4) By initiating an interrupting auction, the prior execution of the potential transactions within the dynamic limits is disabled.
- (5) The interrupting auction is composed of one fixing pre-opening phase in a sense of article 44 of these Rules, followed by opening the market in accordance with Article 45 of these Rules.
- (6) By exemption from Article 44, paragraph 3 of these Rules, during the sub-phase random of the interrupting auction, already entered orders may be changed only with regard to the price as following: increasing the price of the buying orders, decreasing the price of the selling orders. During this sub-phase, changing the quantity of the orders is not permitted. In this sub-phase, no new orders can be entered, and the orders can't be halted, withdrawn or halted orders to be activated.
- (7) The MSE Board of directors shall determine the length of the sub-phase with fixed duration, as well as maximal length in seconds of the sub-phase random from this article.
- (8) If for certain security an interrupting auction is ongoing and the closing market phase is about to occur, the closing market phase for that security shall be extended until termination of the interrupting auction.

### **Temporary suspension of the securities trading**

#### **Article 57**

- (1) MSE may temporarily suspend the trading of certain security in the following cases:
  - large price fluctuations or other unusual circumstances during the trading (large quantity of traded securities, great market imbalance etc);
  - significant disturbances in the operations of the securities issuer;
  - incorrect data in the Prospectus;
  - disclosure of price-sensitive information;
  - manipulation with the information or the prices;
  - disabling the transfer of the securities ownership;
  - disruption the confidence in securities trading;
  - occurrence of circumstances that may result in disruption of the fair trading with securities;
  - possible occurrence of damages for the members, investors and the MSE;
  - in other circumstances, if it is imposed by the general principle for investors' protection.
- (2) When MSE temporary suspends the trading in a certain security, the security shall change its condition from "trading" to "suspended".
- (3) The Board of directors, or upon its authorization the MSE CEO, shall decide on temporary suspension of the trading in a certain security and shall inform the MSE members, Securities and Exchange Commission and the public.
- (4) The MSE members are obliged to notify the MSE as soon as possible if they receive information that circumstances mentioned in the paragraph 1 of this article occurred.
- (5) After the trading suspension of a certain security, MSE shall retain all previous entered buy and sell orders in the BEST system. The MSE CEO may cancel all previously realized transactions with that security on that trading day.

- (6) If the termination of the decision for temporary trading suspension of a certain security occurs during the trading time of that security, it shall be possible for the members for a certain period of time not less than 15 minutes to handle the orders for that security, with no possibility of concluding transactions (the security changes its condition from "suspended" to "halted" for a certain period of time).
- (7) If the Board of directors or upon its authorization the MSE CEO decides on termination of the decision for temporary suspension of the trading in a certain security, the MSE must inform all the members, Securities and Exchange Commission and the public.
- (9) In certain cases (for example: when removing securities from the BEST system, corporate activities that result in changed characteristics of securities, such as the split or merger of shares, upon the exclusion of a member from membership of the Stock Exchange; changing of the securities code and in other cases), the MSE may remove all orders for that security from the BEST system entered before the trading suspension when trading in that security continues, or if the security is removed from the BEST system.

### **Temporary ban on using certain types of orders**

#### **Article 58**

- (1) In order to ensure the normal functioning of the securities market in the event of major market imbalances, the MSE Board of Directors may decide to temporarily restrict i.e. temporarily prohibit the use of certain types of trading orders.
- (2) In the case of paragraph 1 of this Article, the Stock Exchange informs all members, the Securities and Exchange Commission and the public for the decision and its duration.

## **VII. CLEARING AND SETTLEMENT**

### **Clearing and settlement**

#### **Article 59**

- (1) The clearing and informing about the transactions concluded at the Stock Exchange is done by MSE.
- (2) The settlement of the concluded transactions, according to the Law, is carried out by an authorized depositary. The manner and procedure of the settlement are prescribed in the acts of the authorized depositary.
- (3) The obligations of the MSE members arising from the concluded exchange transactions may be carried out only through the authorized depositary.
- (4) The obligations referring to the transfer of the securities from the concluded exchange transactions with securities shall be carried out by simultaneous payment of the realized price for those securities on the MSE (principle "delivery versus payment").
- (5) The settlement of the transactions with securities on all MSE markets shall be carried out on a third business day (T + 3) from the day the transaction is concluded, except in the case of the special auctions from item 11.3 from the Annex 2 of these Rules.



- (6) If the members of the Stock Exchange mutually agree, the settlement of securities transactions on all exchange markets may be executed in a period shorter than third business day from the day the transaction is concluded, in a special settlement day (T+1; T+2) on a manner prescribed by the MSE, except for the transactions where an omnibus account is used.
- (7) The transactions are considered final after the settlement in an authorized Depository.
- (8) The MSE shall submit the data on the concluded exchange transactions to the authorized depository in electronic form on the day the transactions are concluded.
- (9) If, on a trading day, MSE receives a notification from the authorized depository that some of its members is temporarily excluded from the depository membership due to failed settlement and the Guarantee Fund has been activated, that member will be temporarily excluded from MSE membership.
- (10) If MSE receives notification from an authorized depository that some of its members is permanently excluded from membership in the depository because it has not returned the funds to the Guarantee Fund, it will be permanently excluded from membership in the MSE.

## **VIII. CANCELLATION AND CHANGE OF TRANSACTIONS**

### **Cancellation of transactions Article 60**

- (1) All concluded transactions are considered final after their settlement in an authorized Depository.
- (2) Transaction concluded due to an error of some MSE member may be cancelled, if there is a mutual agreement between the two members-participants in the transaction. The transaction will be cancelled by the MSE if the member that initiates the cancellation of the transaction sends to the MSE a request for cancellation of the transaction at a manner and time determined by the MSE Board of director's decision.
- (3) The MSE member that asked cancellation of the transaction should submit to the MSE copy of the order, copy of the order book and other documentation with respect to that transaction by which the error is proved at a manner and time determined by the MSE Board of director's decision.
- (4) In accordance with paragraphs 2 and 3 of this Article, a member of the Exchange may request transaction to be canceled in the following cases of errors in entering orders in BEST system:
  - 1. Entry of a wrong security;
  - 2. Entry of a larger quantity;
  - 3. Input of the wrong price (limit order);
  - 4. Entry of a sale instead of a purchase order and vice versa;
  - 5. Double entry of the same order;
  - 6. Other cases of operational errors in the execution of orders and in case of concluding transactions against the provisions of these Rules.

- (5) The transaction is canceled by submission of proper confirmation to the Stock Exchange for the agreement of the two members - participants in the transaction and acceptance of the arguments by the Exchange for the mistake.
- (6) If the error in the transaction cannot be ascertained from the submitted documentation, the request for cancellation of the transaction will be rejected and there will be no cancellation of the respective transaction.
- (7) The cancellation of the concluded transaction does not exempt the members of the MSE, participants in that transaction from the fee for the cancelled transaction. The amount of compensation that the member should pay for the cancelled transaction is specified in the Tariff Book of the MSE.
- (8) The provisions of paragraph 7 of this Article shall not apply to trading in securities as defined in Article 3, paragraph 3 of these Rules.

### **Change of a transaction**

#### **Article 61**

- (1) The change of the concluded transaction, with an objective of re-registration of the transaction from an account of one client to the account of another one, or re-registration of the transaction from the account of one client to the account of the member as a principal may be performed only in case of an error made during the entry of the trade order in the BEST system or as of fulfilment of the article 23, paragraph 9 of these Rules.
- (2) The MSE member that asked for a change of transaction, with an objective of re-registration from one account to another, must submit to the MSE an appropriate copy of the book of orders connected with the transaction that should be changed and other documentation with respect to that transaction with which the error is proved.
- (3) The manner of submitting the documentation for the change, as well as the time frame for a change, are detailedly prescribed by a decision of the MSE Board of Directors, which also determines the time frame for acceptance of the change requests.
- (4) The provisions from paragraphs 1 and 2 of this article shall also be applied for a change of the transactions in order to re-register the transaction on the basis of change of the entered order number in the BEST system or type of account in the BEST system.
- (5) When changing a transaction due to change of the entered type of account, account of the client in the depositary or the entered order number, the Stock Exchange may fix the wrong transaction data i.e. to re-enter the transaction with the correct data in the BEST system on the basis of the received documentation.
- (6) If from the submitted documentation cannot be ascertained that the member has proven the error, the request for revision of the transaction will be rejected and no revision of the respective transaction will be performed.
- (7) The MSE members are obliged to pay certain fee for each request for revision of the transaction submitted, according to the MSE Tariff Book.

## **IX. CONCLUSION OF THE TRADING DAY AND TRADING DATA**

### **Conclusion of the trading day, ownership and disposal of the trading data**

#### **Article 62**

- (1) Conclusion of the trading day means declaring all concluded transaction as well as eventually announcing on other transactions on that trading day defined in the article 51 of these Rules.
- (2) The conclusion of the trading day is done after the clearing of the trade transactions of the trading day. The conclusion of the trading day shall be performed at the earliest after the expiration of 30 (thirty) minutes from the last phase according the Article 43 of these Rules.
- (3) If during the trading day other trading session defined in these Rules and other MSE acts are performed as well, and if they are closing after phases in a sense of the article 43, the conclusion of the trading day shall be performed at the earliest 30 minutes after the last transaction.
- (4) The time of conclusion of the trading day is determined by a decision of the MSE Board of Directors and it is announced to all members of the MSE.
- (5) MSE is the sole owner of all trading and statistical data derived from the trading.
- (6) The MSE member and its client cannot object to the use of data by the Stock Exchange in connection with the transactions executed.
- (7) Other than data from article 84, paragraph 1 from the Securities Law about which MSE report to the public on a regular basis, MSE may, on a commercial basis, distribute other collected data for trading at the price determined by the MSE Board of Directors.

#### **Official daily list**

#### **Article 63**

The official daily list of the MSE is prepared each trading day. The list shall be verified and signed by a person authorized by the MSE CEO. The appropriate adjustments to the list must be performed in case of error in the registration and calculation of the prices, indexes i.e. in case of printing error. If an error was made in the announced official daily average price for certain security, the Securities and Exchange Commission and the public shall be informed thereof.

#### **MSE indexes**

#### **Article 64**

- (1) The MSE Board of Directors determines the content, structure and methodology for calculating indices with special decisions.
- (2) In the MSE daily official list, besides the prices of securities, appropriate stock exchange indices are published.

## **X. PROCEDURE IN CASE OF DEFECT IN THE FUNCTIONING OF THE BEST SYSTEM**

### **Dysfunctions in the communication lines between members and the Stock Exchange Article 65**

- (1) The basic communication between the MSE members and the MSE in the BEST system is provided through appropriate telecommunication medium for undisturbed connection.
- (2) The MSE, within its possibilities, provides an appropriate number of reserve lines at any time for connection with the MSE.
- (3) The telecommunication medium for undisturbed connection and/or reserve lines for connection with the MSE represent the system of communication line between the MSE members and the MSE through which the BEST system functions. Each MSE member within its business policy decides whether it will provide its own reserve line for connection with the MSE.
- (4) If the communication line between some MSE member and the MSE do not function or if the member cannot connect to the BEST system due to other reasons, the MSE provides in its premises working stations for at least 1/3 of the number of its members, and each MSE member is entitled to use one working station. In such case, the member must inform the MSE as soon as possible and may ask for all its orders entered in the BEST system to be halted.
- (5) If the MSE member has registered more different location through which the realization of the orders in the BEST system is performed and such location are connected through different communication lines which are not dysfunctional at once, the provisions from the paragraph 4 of this article apply only in a case when MSE has available working station and if the MSE members that have not registered more than one different trading location do not need a working station in the premises of the MSE.
- (6) During the usage of the working station of the MSE, the licensed brokers of the MSE member are obliged to use their special identification elements (user name and password) for access to the BEST system, to apply all usual measures for protection during the trading and to use their own telephone lines for communication with the clients (mobile phones).
- (7) After the member finishes the trading on the MSE working station from paragraph 4 from this article, it must be correctly logged out from the BEST system.
- (8) If all working stations of the MSE from the paragraph 4 of this article are already occupied by some MSE members, and a need arises for them to be used by another MSE member, the MSE CEO may, if it estimates that the normal market conditions are deteriorated, stop the trading in the BEST system. In this case, MSE retains the orders of all MSE members entered in the BEST system. During the suspension of the operations of the BEST system, the licensed MSE brokers are obliged to wait for instructions from the MSE, i.e. to accept and implement them. The MSE shall inform timely all members about the continuation of the trading by telephone or fax.

### **Interruption of the operations of one member Article 66**

- (1) If a MSE member cannot connect to the BEST system due to reasons other than the ones

determined in these Rules, it must inform the MSE thereof as soon as possible.

- (2) In the case from the previous paragraph, the member may use the working stations referred to in article 65, paragraph 4 of these Rules.
- (3) In the case from paragraph 1 of this article, the member may ask all its orders entered in the BEST system to be halted.

#### **Activation of the halted orders** **Article 67**

All trade orders halted by the MSE as referred to in the article 65, paragraph 4 and 8 and article 66, paragraph 3 from these Rules, may be activated selectively by the MSE members when they continue the trading in the BEST system.

#### **Defect in the MSE computer equipment on which the BEST system is operating and other unpredictable circumstances** **Article 68**

If the MSE CEO estimates that a defect in the computer equipment on which the BEST system operates and other unpredictable circumstances occur, the trading in the BEST system is either postponed or stopped for all MSE members. The MSE timely informs all members and the Securities and Exchange Commission by phone or fax.

#### **Measures undertaken when there is a longer termination of the trading** **Article 69**

If the circumstances from the article 68 cannot be eliminated in two (2) hours, the MSE shall inform all members about the possible continuation of the trading hours by telephone or fax.

#### **Reporting errors in the BEST system** **Article 70**

For the aim of fast and efficient undertaking of measures by the MSE, all technical problems connected with the functioning of the BEST system shall be reported to the MSE by telephone or fax. The MSE members are obliged to submit as soon as possible a more detailed description of the noticed problem in a written form and to cooperate with the MSE in the elimination of the problem.

#### **Incorrect functioning of the BEST system** **Article 71**

- (1) If an exchange transaction is concluded due to an incorrect functioning of the BEST system, it shall be cancelled by the MSE CEO. The MSE shall inform about this the members whose orders were subject to the wrongly concluded transaction. The MSE shall also inform about this all members of the Stock Exchange, the relevant institution that performs the operations of settlement of securities transactions and the Securities and Exchange Commission.
- (2) The MSE members whose trade orders were subject of the wrongly concluded transaction are obliged, after receiving the notification for its cancellation, to enter the orders in the BEST system by themselves and to update their records of the orders.

- (3) If due to incorrect functioning of the BEST system a transaction with a certain security cannot be concluded in the manner determined by these Rules, the Stock Exchange will undertake activities to overcome the situation, with regards to its nature. For this, MSE shall inform all members of the Stock Exchange, the relevant institution that performs the operations of settlement of securities transactions and the Securities and Exchange Commission.

## **XI. TRANSITIONAL AND FINAL PROVISIONS**

### **Interpretation of the Rules**

#### **Article 72**

- (1) Interpretation of these Rules shall be provided by the Board of directors in a form of a conclusion.
- (2) The MSE CEO may provide MSE members with clarification or instruction for implementing of these Rules by issuing general announcement or instruction.
- (3) In a case of interpretation of these Rules, the conclusion of the Board of directors shall be distributed to all MSE members, to the Securities and Exchange Commission and shall be published on the MSE web site.

### **Decisions reached by the Board of directors**

#### **Article 73**

- (1) The decisions which according to these Rules shall be reached by the Board of directors shall be adopted with majority votes of all members of the Board.
- (2) The decisions which according to these Rules shall be reached by the Board of directors and CEO shall be delivered to the Securities and Exchange Commission.

### **Entering into power**

#### **Article 74**

- (1) These Rules shall enter into power after receiving consent from the Securities and Exchange Commission and after fulfillment of all technical and system conditions for undisturbed functioning of the trading system in accordance to the new Trading rules.
- (2) The MSE is obliged no later than five (5) days prior to implementation of these Rules to inform Securities and Exchange Commission, MSE members and the public therefore.
- (3) After receiving consent from the Securities and Exchange Commission, the Board of Directors shall bring all decisions regarding the trading regimes.

#### **Article 75**

The provisions from the Annex 1, item 2, subitem 2.1, paragraph 7 of these Rules shall apply to administrative block transactions with shares issued by issuers which, at the moment of entering into power of the Decision 02-491/1 from 05.04.2013 on changes and amendments to the Trading rules, are classified with Government decision as companies of exceptional importance for the economy in

Republic of Macedonia according to article 95-a, paragraph 2 from the Law on transformation of the companies with state capital.

### **Article 76**

MSE members are obliged to prepare Procedure for executing order “at best” no later than 60 days from the day of approval of the Decion for changes and amendments of the Trading Rules by the SEC.

The proviosions from the article 12, paragraph 2, line 8, article 23, paragraph 2, 3, 4, 5 and 6, article 25, article 30a and article 61, paragraph 1 shall aplly after expiration of the period of 60 days set in paragraph 1 of this article.

**Board of directors**

**President**

**Lidija Trajkovik**

**ANNEX 1**  
**Rules on realization of block transactions**

**1. General Provisions**

- (1) A block transaction is a transaction with securities concluded by one or more members of the MSE, in one of the following ways:
  - As an administrator block transaction, when the transaction is entered by the MSE, outside of the classical trading in the BEST system, with prior reporting of the transaction by the MSE member/s; and
  - As a system block transaction, by entering block orders within the regular trading with securities in the BEST system by the MSE member/s.
- (2) The way of realization of the block transaction, as an administrator block transaction or a system block transaction, is decided by the clients-participants in the transaction.
- (3) A block transaction may only be concluded with shares.
- (4) The way of realization of the block transactions is the same for all shares, no matter if they are traded in the continuous trading mode or in the fixing trading mode.
- (5) A block transaction may be concluded by all members of the MSE.
- (6) The MSE members have a special order book based on which block transactions are concluded. The numeration of orders in this order book is independent from the numeration of orders in the regular order book.
- (7) The price limits from the Article 55 of these Rules are not valid to administrator block transactions.
- (8) The price of the block transactions shall not be taken into consideration when calculating the official average price and the average price of the specific security calculated by the MSE in accordance with these Rules. The MSE does not calculate the official average and the average price of block transactions.
- (9) In case of change and cancellation of block transactions, the provisions of these Rules shall apply.

**2. Administrator block transactions**

**2.1. Terms and conditions for concluding administrator block transactions**

- (1) An administrator block transaction is a transaction with securities which is concluded through one or more MSE members by entering the transaction by the MSE outside the regular trading of the BEST system.
- (2) The MSE members may conclude an administrator block transaction only if the value of the block transaction equals at least 5,000,000.00 denars.
- (3) The same legal and /or physical person (personally or as a legal representative of a legal person) may not be a buyer and a seller of securities in the same administrator block transactions at the same



time, nor represent the buyer and the seller in the same administrator block transaction at the same time.

- (4) The price of the reported administrator block transaction for shares that are traded on the Official and Regular market of the MSE shall not differ more than - 20% from the weighted average price of all transactions with those shares on the MSE in the last 15 calendar days, including the trading day the block transaction is reported. If the shares that are traded on the Official and Regular market, subject of the administrator block transaction, were not traded in the last 15 calendar days, including the trading day the block transaction is reported, the price of the shares in the administrator block transaction is freely created.
- (5) On the trading day when certain share is accepted for listing or begins to trade on the MSE, regardless whether it is for the first time or there has been a change of the share's state in the BEST system, the concluded administrator block transaction may not be announced.
- (6) The provisions from paragraphs 2 and 4 of this subitem will not be applied for conclusion of administrator block transactions through which shares owned by the Republic of Macedonia and the state bodies, including the shares owned by the Pension and Disability Insurance Fund of Macedonia when they are sold in a package with the shares owned by the Republic of Macedonia and the state bodies, as well as in companies which, by a decision of the Government of the Republic of Macedonia, are determined as companies with special significance for the economy of the Republic of Macedonia, pursuant to Article 95-a paragraph 2 of the Law on Transformation of Enterprises with Social Capital.

## **2.2. Manner and procedure for reporting an administrator block transaction**

- (1) Once the final buyers and sellers of securities, or their representatives, will sign a share purchase agreement, a number of orders based on which an administrator block transaction can be concluded must be entered in the order book for block transactions.
- (2) The final sellers and buyers of securities, or their representatives, must sign trading orders which are entered in the special order book. In cases when two or more persons appear as buyers or sellers, the rules for using a group account will be applied.
- (3) The MSE member that concluded an administrator block transaction is obliged to inform the MSE thereof, by submitting a special form prescribed by the CEO of the MSE. The special form shall be filed after all details about transaction are known to the member of the MSE. The MSE member obligatorily stamps the form with its official seal and signature of the authorized person of the member. The form is filled in at least 2 (two) copies. Such forms are filled in both by the member-seller and the member- buyer that concluded an administrator block transaction and are submitted to the MSE. The MSE gives the member a proof of reception of the form for reporting the administrator block transaction. When concluding an administrator block transaction according to item 2, subitem 2.1, paragraph 7 of this Annex, the MSE member is obligated to submit to the MSE the decision of the Government of the Republic of Macedonia where the company whose shares are subject of sale is determined as a company with special significance for the economy of the Republic of Macedonia.
- (4) The MSE member must deliver to the MSE a written statement for authorization of a person/s for signing the forms for reporting administrator block transactions.

- (5) The concluded administrator transaction, with the required documentation, will be reported to the MSE during trading days, after the trading day is declared official, at a time determined by the Board of directors of the MSE for reporting administrator block transactions.
- (6) The MSE member, along with the form for reporting the block transaction from paragraph 3 of this item, shall obligatorily submit to the MSE a copy of the agreement for purchase of securities from paragraph 1 of this item. If the agreement on behalf of any of the contractual party is signed by a representative of several persons, a copy of the notarized proxy shall obligatorily be submitted to the MSE as well as the list of final buyers and sellers in the block transaction. The list shall contain at minimum: 1) name (for the physical person) or title (for the legal person); 2) ID number or passport number (for domestic or foreign person, i.e. ID or other registration number, with a note what kind of number it is (for domestic or foreign legal entity); 3) number of the account at the Central Securities Depositary; and 4) quantity of shares.
- (7) MSE shall review the submitted documentation for the reported administrator block transaction, especially checking if the conditions for concluding and reporting of the administrator block transaction are fulfilled.
- (8) If MSE considers that additional checking or completion of the documentation is necessary, it has the right to ask from the MSE member that reported the block transaction such completion or to perform additional checks.

### **2.3. Announcement of an administrator block transaction**

- (1) MSE announces the concluded administrator block transaction on the trading days with an appropriate entry of the block transaction in the BEST system on the next trading day after the trading day the transaction was reported, at the time determined by the Board of Directors.
- (2) MSE announces the block transaction in the BEST system, by entering the appropriate data from the form for reporting an administrator block transaction from paragraph 3 item 2.2. MSE announces the administrator block transaction in a manner that the data from the block transaction are available to all MSE members.
- (3) As an exemption from paragraph 2 of this item, MSE may not announce the reported block transaction if it considers that legal acts and MSE acts might be violated. In such case, MSE shall return the received documentation to the member/s along with a written explanation of the reason for such action. The written explanation shall be delivered to the member/s no later than by the end of the next business day after the day the administrator block transaction was reported. In a case stated above, MSE shall inform the Securities and Exchange Commission by stating the reasons for not announcing the administrator block transaction.
- (4) In case when due to additional checks of the submitted documentation for the administrator block transaction MSE cannot announce this transaction on the next trading day after the day the transaction was reported, MSE has the right to announce the block transaction on the next trading day after completion of the additional checks.
- (5) The settlement of the administrator block transactions concluded on all markets of the MSE is performed in accordance with the agreement between the buyer/s and the seller/s of the securities, according to the delivery versus payment rule, but no longer than three working days from the day the transaction was announced by the MSE. The settlement can not be performed with postponed

payment.

- (6) Each trading day, MSE announces the following data on the administrator block transactions with certain shares:
- the number of block transactions with certain shares;
  - the total quantity of shares that were subject to the block transaction/s
  - the highest and the lowest price of the block transactions; and
  - turnover in denars of the announced block transactions.
- (7) At the end of each trading day, MSE informs the Securities and Exchange Commission about the announced administrator block transactions.
- (8) After announcing the administrator block transaction, MSE shall stamp the forms received for the block transaction, keeps one copy and return the other copies to the MSE members that reported the administrator block transaction.

### **3. System block transactions**

#### **3.1. Terms and conditions for concluding a system block transaction**

- (1) A system block transaction is a transaction with securities which is concluded through one or more MSE members by entering block orders in the BEST system by MSE members within the regular trading with securities.
- (2) MSE members may conclude a system block transaction only if the value of the block transaction is at least 1,000,000.00 denars and if the price of the transaction is within the dynamic limits for the security.

#### **3.2. Orders for system block transactions**

- (1) The orders for system block transactions which are entered into the BEST system will be appropriately marked and separated to be distinguished from the other orders in the BEST system.
- (2) Block orders are distinguished from the other orders in the BEST system by their special mark which marks the block order and determines the settlement period.
- (3) The order for a system block transaction is a limit order with additional conditions for the expiration date. Other combinations of different types of orders defined with these Rules are not allowed.
- (4) If the MSE member has orders for system block transaction for buying or selling under same conditions from at least two persons, the rules for group account will be used.
- (5) The required elements for entry of the order for system block transaction are:
- type of order (buy or sell);
  - trading code;
  - price;
  - quantity of shares;
  - settlement period;

- type of account;
- account number;
- order number.

- (6) The block order entered into the BEST system without time conditions for realization will be considered a daily order (the field “conditions” in the mask for entry of orders is left empty or is marked with “D”).
- (7) The BEST system will reject all block orders which do not contain the obligatory elements and every block order the value of which is lower than the minimum value set for system block transactions. The orders for system block transactions may also be entered at prices outside the dynamic limits for the subject security, but the BEST system will reject conclusion of a system block transaction outside the dynamic limits.
- (8) Once the order for system block transaction is entered into the BEST system, the BEST system will assign it a timestamp equal to the time of entry. Every time the order is modified, the BEST system will assign a new timestamp which will correspond to the time of modification of the order.
- (9) Handling of the block order is possible up to the moment the order is accepted for conclusion of a transaction.

### **3.3. The manner and procedure for concluding a system block transaction**

- (1) A system block transaction is initiated with separate entry of orders for block transactions in the BEST system and through appropriate selection and acceptance of this kind of orders.
- (2) System block transactions are not concluded automatically, but through selection of an order for block transactions, and in such a way that when the price of the selected order for block transactions is within the dynamic limits, the transaction will be concluded immediately after the member selects and confirms the appropriate order.
- (3) The rules for sorting orders in the Best system from Article 20 of these Rules are not applied to the system block transactions.
- (4) The potential system block transaction cannot cause an interrupting auction.
- (5) During the interrupting auction with a certain security, no entry and acceptance of block orders for that security is allowed.

## **ANNEX 2**

### **RULES**

#### **for organizing a public auction with shares owned by the state**

#### **I. General provisions**

##### **1. Public auction**

- 1.1 Public auction (hereinafter: the auction) for the purpose of these Procedures means the procedure in which the seller under previously determined conditions offer for sale shares which are subject of the auction and the participants following the auction rules bid for buying shares.
- 1.2 The auctions are held through a special exchange segment within the exchange electronic trading system (hereinafter: BEST system)
- 1.3 Trading with securities through public auctions is performed via two models as:
- Model “all or none” when the shares are sold only in package through one transaction; and
  - Model “one share minimum” when the shares are sold in amounts smaller than total offered amount of shares through a number of transactions.

##### **2. Subject of the auction**

- 2.1 The subject of the auction is state capital in a form of shares in joint stock companies in the Republic of Macedonia owned by the Republic of Macedonia and state bodies, sold by the authorized state bodies, as well as shares owned by the Pension and Disability Fund of the Republic of Macedonia.
- 2.2. Subject of the auction can also be shares offered by the National bank of the Republic of Macedonia and Securities and exchange commission of the Republic of Macedonia in the manner and conditions defined by law.

##### **3. Participants in the auction**

- 3.1 Participants in the auction from the seller’s side are authorized state bodies, the Pension and Disability Fund of the Republic of Macedonia, Securities and exchange commission of the Republic of Macedonia and the National bank of the Republic of Macedonia (hereinafter: the sellers).
- 3.2 Participants in the auction from the buyer’s side are all interested domestic and foreign, legal and natural persons, according to the legislation the Republic of Macedonia (hereinafter: buyers)
- 3.3 Participants in the auction from the seller’s side are represented by the Macedonian Stock Exchange (hereinafter: MSE).
- 3.4 Participants in the auction from the buyer’s site are represented by the members of the MSE, participants in the trading.
- 3.5 The public auction will be considered successful if there are at least two interested domestic or foreign legal and natural persons from the buyer`s side, in accordance with the regulations of the Republic of Macedonia.

In cases when the National Bank of the Republic of Macedonia or another authorized state or regulatory body appear as seller, the public auction will be considered successful if there is at least one buyer that has received prior approval from the National Bank of the Republic of Macedonia or another authorised state or regulatory body, in accordance with the law.

In cases when the Securities and Exchange Commission of the Republic of Macedonia appears as seller, the public auction will be considered successful if there is at least one buyer.

3.6 In an auction performed in a trading day, members of the MSE from the buyer's side are not allowed to use more than one securities account maintained at the Central Securities Depository (hereinafter: CSD) for the same client while buying the same shares.

#### **4. Expressing of the price, amount of shares and the trading model**

4.1 During the auction, the price refers to one share in the joint stock company.

4.2 The price of the shares is expressed in denars with no decimal places.

4.3 The allowed minimal corrections of the price are in amount of 1 denar per share.

4.4 The amount of shares offered on a public auction is set by the sellers and it's expressed as a natural number.

4.5 The trading model of the shares on public auctions is set by the sellers.

4.6. The general price limitations set in Article 55 of these Rules do not apply to these transactions.

#### **5. Execution and duration of the auction**

5.1 The public auction is held during trading days on the MSE, according to the seller's request.

5.2 Duration of the auction is determined by the CEO of the MSE.

#### **6. Preparation for the auction**

6.1 The sellers announce in the media the list of the shares which will be subject of the auctions, by stating the date when the shares will be offered for sale, the amount of offered shares, trading model, starting offered price, the manner of payment and the number of days when the shares will be offered.

6.2 No later than three (3) days prior to the auction before 3:00 p.m., the sellers of the shares check at the CSD whether those shares are available for sale and submit in written a list of free shares subject of the sale to the MSE.

6.3 The list from item 6.2 must contain all necessary elements for entering orders for sale into the BEST system:

- name of the issuer;
- auction model;
- offered amount of shares;
- starting offered price;

- account of the seller at the CSD;
- manner of payment;
- ISIN number;
- the day or the time period when the shares will be offered for sale.

6.4 The MSE determines the trading codes of the shares subject of the auction.

6.5 No later than two (2) days prior to the auction, through the BEST system, MSE informs its members about the shares which will be offered for sale, the auction time schedule and the auction model.

6.6 The codes of the shares which are offered on the auction differ according to the manner of payment, such as:

- Cash payment- number “1” shall be added at the end of the code;
- Payment with securities issued by the Republic of Macedonia – number “2” shall be added at the end of the code.

## **II. PUBLIC AUCTION FOR SALE OF PACKAGES OF SHARES (USING THE TRADING MODEL “ALL OR NONE”)**

7.1 On the auction day, MSE, as a representative of the sellers, enters the offered prices and the amounts of shares subject to sale into the BEST system.

7.2 The auction is executed in two phases:

- 1) indication of interest phase in duration of 5 minutes;
- 2) bidding phase in duration of at least 5 minutes, where a transaction is executed if in the last minute out of these five minutes no one has entered a price that is better than the current best bid price (the highest buying price). If in the last minute of the 5 minutes of the bidding phase a better bid price is entered, the bidding continues in the following 5 minutes after the end of the previous 5 minutes. If a better bid price is entered in the last minute of the new 5 minutes, the bidding continues in the following 5 minutes. The prolongation of the bidding may occur only in 10 intervals (10 times per 5 minutes). If in any of the 5 minutes intervals the best bid price is not improved, the BEST system executes a transaction at the best bid price. In the case of bidding in ten (10) intervals, the BEST system executes a transaction at the best bid price in the 10<sup>th</sup> interval.

7.3 Both in the indication of interest phase and in the bidding phase the BEST system ranks the buying orders entered by the MSE members with the following priority:

- a) higher price and
- b) earlier entering time.

7.4 During the auction, the MSE members can see the ask price for a particular share entered by MSE as well as the bid prices entered by the other MSE members.

7.5 The following rules are valid in the indication of interest phase:

- all MSE members can participate;
- the BEST system accepts only bid orders with prices equal or higher than the offered sale price for a particular share;

- while entering the buying orders, MSE members may not use additional and/or special terms set forth in these Rules;
- withdrawal and changing of the buying orders in the BEST system in a sense of the decrease of the price is allowed only in a period of 1 (one) minute after the entering of the order;
- during same auction performed in one day for particular share, MSE members from the buyer's side are not allowed to use more than one buying order for same client;
- The BEST system will automatically reject the entering or changing of the buying orders for a particular share for the same account maintained at the CSD by one or more MSE members if a buying order for the same account maintained at the CSD is already entered in the BEST system;
- all buying orders must be entered with the number of shares equal with the number of shares entered in the MSE selling order;
- all buying orders must be entered as "daily" orders (the field for conditions must be left empty or filled with "D");
- buying orders with a group account (at least 2 buyers) may be used.

7.6 The following rules are valid in the bidding phase:

- only MSE members that have entered buying orders in the indication of interest phase may participate in the bidding phase;
- the prices of the entered buying orders may only be increased;
- new buying orders may not be entered in the bidding phase.

## **8. Closing of the auction and choice of the best buying offer**

8.1 The closing of the auction is done automatically and the BEST system automatically executes a transaction with the order that is first-ranked according with the priority criteria as prescribed in the item 7.3 and according with the rule for the execution of the transactions prescribed in the item 7.2, line 2.

## **III. PUBLIC AUCTION USING TRADING MODEL "ONE SHARE MINIMUM"**

9.1 On the day of the auction, MSE enters the selling prices and quantities for particular shares in the BEST system as an agent of the sellers of the shares;

9.2 More than one auction using the trading model "one share minimum" can not be organized for the same share issued by the same issuer in the same day;

9.3 Each auction is executed in two phases:

- phase of entering of the buying orders;
- phase of execution of the transactions.

9.4 The phase of entering of buying orders by the MSE members for particular shares lasts from 30 to 240 minutes, depending on the quantity of shares offered, according the duration determined by the CEO of the MSE;

9.5 After the phase of entering of buying orders follows the phase of execution of the transactions, when the BEST system ranks the entered buying orders and executes the transactions;

9.6 BEST system sorts the buying order entered by the MSE members with the following priority:

- higher price;



- smaller quantity;
- earlier entering time of the order.

9.7 During the auction, the MSE members can see the selling price for a particular share entered by MSE as well as the bid prices entered by the other MSE members;

9.8 The following rules are valid in the phase of entering of the buying orders:

- all MSE members can participate;
- the BEST system accepts only buying orders with prices equal or higher than the offered sale price for a particular share;
- while entering the buying orders, MSE members may not use additional and/or special terms set forth in these Rules;
- during same auction performed in one day for particular share, MSE members from the buyer's side are not allowed to use more than one buying order for the same client;
- MSE members may withdraw and change the entered buying orders;
- the quantity of shares must be determined in the buying order;
- the buying orders must be entered as "daily" orders (the field for conditions must be left empty or filled with "D");

9.9 During the auction using the trading model "one share minimum" the offer for sale of the shares may last one or several days, where if the auction is planned to last several days it will last less only if the whole offered quantity is sold.

## **10. Closing of the auction and execution of transactions**

10.1 During the phase of execution of the transactions the BEST system automatically executes transactions according to the ranking of the orders made according to the priority criteria prescribed in the item 9.6. The price at which each transaction is executed is the price of the buying order of the MSE member at the end of the phase of entering of the buying orders.

10.2 The execution of the transactions when the auction lasts more than one day is done at the end of each trading day.

## **IV. SETTLEMENT AND REPORT OF THE CONCLUDED TRANSACTIONS**

### **11. Settlement of transactions**

11.1. The settlement of transactions with securities owned by the state is done in accordance with the conditions set by the institutions responsible for sale of those securities and the buyer/s.

11.2 The settlement of the transactions with shares offered on a public auction is performed according to the Rules of the CSD and Cooperation Agreement between the MSE and CSD.

11.3 The settlement period for transactions with shares offered on a public auction which are paid in cash is T+3 (three working days after the day when the transaction is concluded), and for the shares paid with securities issued by the Republic of Macedonia, the settlement period is T+7 (seven working days after the day when the transaction is concluded).

## **12. Report on the concluded transactions**

12.1 After closing of the auction, all members of the MSE may see the report on concluded transactions in the BEST system.

## **ANNEX 3**

### **RULES**

#### **on regulating the manner of subscription of publicly offered securities through the stock exchange**

#### **1. Subscription of publicly offered securities**

1.1 For the purpose of this Annex, a public offer means issuing securities on the primary market through public offering of securities and sell of treasury shares.

1.2 Subscription of publicly offered securities shall be done through a procedure for realizing a public offering.

1.3 The provisions from MSE rules, Law on securities, Law on trade companies and other relevant laws and regulation shall apply to all items which are not regulated by this Annex.

#### **2. Preconditions for subscriptions of publicly offered securities through MSE**

##### **2.1. Preconditions for the issuer of securities**

2.1.1. For subscription of publicly offered securities through MSE, the following conditions shall be met by the issuer:

- A competent body of the issuer shall adopt an act on issuing securities or act on selling treasury shares (hereinafter: act on issuing) in which, besides the other legal obligations for the content of this act, the following shall be provided:
  - the payment of securities to be exclusively with money;
  - the model and the manner of subscription of publicly offered securities through the MSE, according to item 9 of this Annex.
- The issuer shall sign an agreement for subscription of publicly offered shares with the MSE, which, among other, will regulate that the subscription of securities shall be done in accordance to the law, regulations of the SEC, the act of issuance, the prospectus and MSE rules.
- The public offering must be approved by the SEC and the SEC's decision on approved must be final and effective.
- The issuer shall sign an agreement for cooperation with the member of the MSE (hereinafter: member representative of the issuer), by which the issuer shall authorize the MSE member to represent them in the procedure of subscription of publicly offered securities through the MSE.
- Temporal ISIN for the publicly offered securities shall be registered at the authorized depository (except in case of sell of treasury shares).
- The issuer shall open a special account in bank (accumulative account), which can not be used by the issuer until successful completion of the public offering according to article 23 from the Law on securities.

##### **3.2 Preconditions for MSE members participation on buy and sell side**

3.2.1 For MSE member participation in subscription of publicly offered securities on the sell side, the following conditions shall be met:

- MSE member shall sign an agreement for corporation with the issuer according to item 2.1.1, paragraph 4 from this Annex

- MSE member has active membership rights, has right to use the BEST system and to participate in trading and to conclude transactions through its licensed brokers with access to BEST system.

3.2.2 For MSE member participation in subscription of publicly offered securities on the buy side, the following conditions shall be met:

- MSE member has active membership rights, has right to use the BEST system and to participate in trading and to conclude transactions through its licensed brokers with access to BEST system.
- MSE member shall provide enough number of copies of the Prospectus used in the public offering in written form available to all interested parties in its premises where the MSE member receives buying orders (orders for subscription).

### **3.3 Preconditions for the MSE**

3.3.1 In order to organize subscription of the publicly offered securities through stock exchange, the MSE and the authorized depositary shall sign a protocol for precise regulation of the procedures for undisturbed and efficient functioning of the transactions settlement, in accordance with the laws, MSE acts and the acts of a depositary.

3.3.2 MSE is obliged to provide the Prospectus from the issuer in electronic form.

## **4. Participants in the subscription of publicly offered securities through the stock exchange**

4.1 Participants in the subscription of publicly offered securities through the stock exchange on sell side are the issuers of securities (hereinafter: issuers).

4.2 Participants in the subscription of publicly offered securities through the stock exchange on the buy side are all interested domestic and foreign entities and individuals, in accordance with the legislation of the Republic of Macedonia (hereinafter: buyers).

4.3 The Participants in the subscription of publicly offered securities through the stock exchange on the buy side are represented by the MSE members.

4.4 The Participants in the subscription of publicly offered securities through the stock exchange on sell side (issuers), are represented by the MSE members.

4.5 The MSE members mentioned in the item 4.3 and 4.4 shall realize the subscription of publicly offered securities through the stock exchange for its clients in accordance with the law, secondary regulations of the SEC, MSE acts and Central depositary's acts.

4.6 MSE organizes the subscription of publicly offered securities through the stock exchange in accordance with the law, secondary regulations of the SEC, and its acts.

## **5. Expressing price and quantity of the publicly offered securities through the stock exchange**

5.1 Provisions from article 4, 5 and 33 from these Rules shall apply while expressing the price and the quantity in the subscription of publicly offered securities through the stock exchange.

5.2 As an exception from the item 5.1, in accordance to the act of issuance, the quantity of the securities denominated on 1 (one) lot, may be bigger than 1 (one).

5.3 The quantity of publicly offered securities through the stock exchange is expressed as a natural number.

5.4. General price limitation determined in article 55 from these Rules are not applicable at the transaction with publicly offered securities.

## **6. Expressing price and quantity of publicly offered securities through the stock exchange while offering of treasury shares**

6.1 While expressing the quantity of the publicly offered treasury shares through the stock exchange, the provision from article 5 from these Rules shall apply.

6.2. As an exception from the item 6.1, in accordance to the decision for selling treasury shares, the quantity of the securities denominated on 1 (one) lot may be bigger than 1 (one).

6.3. The quantity of publicly offered treasury shares through the stock exchange is expressed as a natural number.

6.4. While selling publicly offered treasury shares through the stock exchange, the model of “one share minimum” shall apply.

6.5. While selling publicly offered treasury shares through the stock exchange, the starting offered price is the average market price in the last 12 months prior to reaching the decision for selling treasury shares. As an exception, if there is no average market price for the treasury shares in the last 12 months or there is no concluded transaction with these shares, the starting offered price is the price at which the shares are acquired, regardless of the period of acquiring.

6.6. Minimal price correction is the smallest allowed price change after entering the order in the system.

6.7. Corrections of the entered buy or sell orders are allowed in amount of 1 (one) denar at least.

6.8. General price limitation determined in article 55 from these Rules are not applicable to the transaction with publicly offered treasury shares.

## **7. Organizing and duration of the subscription of publicly offered securities through the stock exchange**

7.1. The subscription of publicly offered securities through the stock exchange shall be performed during the trading days.

7.2. Duration of the auction for the subscription of publicly offered securities through the stock exchange is determined by the CEO of the MSE.

## **8. Preparation for the subscription of publicly offered securities through the stock exchange**

8.1. The issuer who has an intention to submit request for registration of publicly offered securities through the stock exchange is obliged to conclude an agreement with the MSE as prescribed in item 2.1.1, paragraph 2 of this Annex. The agreement shall enter into force upon reaching decision on registration, according to the item 8.5 of this Annex.

8.2. Upon prior authorization by the issuer, MSE member which represents the issuer submits request for registration of publicly offered securities through the stock exchange to the MSE. The request for registration shall be submitted by the issuer in a case the issuer is MSE member.

8.3. In addition to the request for registration the following documents shall be submitted:

- a copy of the act of issuance;
- a copy of the Approval by the SEC to the public offer;
- a copy of the invitation for subscription and payment of the securities in electronic form;
- Prospectus in electronic form;
- Other documents that MSE may consider necessary to prove the fulfilment of the obligations arising from this Annex.

8.4 MSE shall check whether the request for registration and filed documentation meet the requirements stipulated in this Annex, after what MSE shall make its decision upon request.

8.5. MSE shall bring a decision for registering of the publicly offered securities through the stock exchange once all conditions of this Annex are met.

8.6. MSE shall announce on its web page and through its electronic system the information on publicly offered securities through the stock exchange, the Prospectus, the invitation for subscription and payment of the securities and the conditions for subscription, 14 days prior to beginning of the subscription.

8.7. The information on registration of the publicly offered securities contains at least :

- Name of the issuer;
- Trading code of publicly offered securities;
- Number of the offered securities;
- Quantity of securities that consists one lot (if in the act of issuance the quantity of securities that consist one lot is bigger than 1);
- Price per offered security
- Initial day for subscription;
- Last day of subscription;
- Model and manner of subscription of publicly offered securities through the stock exchange.

8.8. MSE shall distribute the Prospectus in electronic form to all MSE members. MSE members that participate in the subscription of publicly offered securities through the stock exchange are obliged to act in accordance to item 3.2.2, line 2 from this Annex at least 14 days prior to the beginning of the subscription.

8.9. MSE immediately and no later than 1 (one) day shall inform the Central depository about the trading code of the publicly offered securities, as well as about the initial and the last subscription day.

## **9. The manner and conditions on proceeding of subscription of publicly offered securities**

9.1. During the realization of subscription of publicly offered securities through the stock exchange, MSE members engaged in subscription are obliged to act in accordance to these Rules and MSE's acts.

9.2. The orders for subscription of publicly offered securities through the stock exchange are entered in the regular order book of the member.

9.3. During the realization of subscription of publicly offered securities through the stock exchange, MSE members can see the quantity and the price of the entered sell order, as well as the quantity and the price of the entered buy orders.

### **PROCEDURE FOR SUBSCRIPTION OF PUBLICLY OFFERED SECURITIES THROUGH THE STOCK EXCHANGE ACCORDING TO THE FIXED PRICE MODEL**

9.4. The subscription of publicly offered securities through the stock exchange at which the issuer defines a fixed price, can be made in one of the following three ways, depending on the priority for ranking of orders chosen by the issuer in the issuance act:

- giving the priority to the orders with an earlier entering time,
- giving the priority to the orders with a smaller quantity and an earlier entering time,
- giving the priority to the orders with a bigger quantity and an earlier entering time.

#### **ENTERING OF THE SELL ORDER**

9.5. The subscription of publicly offered securities through the stock exchange begins with the entering of the sell order by the MSE member that represents the issuer, on the initial day of the subscription of publicly offered securities through the stock exchange, in the phase of entering of the sell order.

9.6. No other MSE member than the member that represents the issuer may not, at any moment, enter a sell order for the subscription of publicly offered securities through the stock exchange.

#### **ENTERING OF THE BUY ORDERS AND RANKING OF ORDERS**

9.7. The phase for entering of the buy orders lasts from 30 to 240 minutes, depending on the quantity of securities offered, according to the duration determined by the MSE CEO.

9.8. In the phase for entering of the buy orders the following rules apply:

- all MSE members may participate;
- BEST system accepts only the buy orders with prices equal to the offered sell price for a certain security;
- MSE members enter the buy orders only as daily orders (the field "conditions" is left blank or is filled as "D")
- entering of other additional and/or special conditions determined in these Rules is not allowed;
- MSE members may change or withdraw the entered buy orders;
- the buy orders must contain the quantity of securities that are to be subscribed.

9.9. When giving the priority to the orders with an earlier entering time, the BEST system ranks the buy orders entered by the MSE members by giving the priority to the order with an earlier entering time.

9.10. When giving the priority to the orders with a smaller quantity and an earlier entering time, the BEST system ranks the buy orders entered by the MSE members by giving the priority to the order with the smaller quantity, and in the case of equal quantity the priority is given to the order with an earlier entering time.

9.11. When giving the priority to the orders with a bigger quantity and an earlier entering time, the BEST system ranks the buy orders entered by the MSE members by giving the priority to the order with the bigger quantity, and in the case of equal quantity the priority is given to the order with an earlier entering time.

## **EXECUTION OF TRANSACTIONS**

9.12. The execution of transactions is done at the price of the sell order, immediately after the expiration of the time for entering the buy orders, when the BEST system executes transactions according to the ranking of orders, until the full quantity of the sell orders or of the buy order is spent.

9.13. The trading system will register transactions in the execution of transactions phase, at the end of each trading day, until the total offered quantity is spent. After the end of the subscription in the current trading day, the unsubscribed quantity of the sell order will be transferred for subscription in the next trading day, until the last subscription day according to the Public offering or until the complete realization of the Public offering.

## **PROCEDURE FOR SUBSCRIPTION OF PUBLICLY OFFERED SECURITIES THROUGH THE STOCK EXCHANGE ACCORDING TO THE MINIMUM PRICE MODEL**

9.14. The subscription of publicly offered securities through the stock exchange at which the issuer defines a minimum price, can be made in one of the following three ways, depending on the priority for ranking of orders chosen by the issuer in the issuance act:

- giving the priority to the orders with a higher price and an earlier entering time,
- giving the priority to the orders with a higher price, a smaller quantity and an earlier entering time,
- giving the priority to the orders with a higher price, a bigger quantity and an earlier entering time.

## **ENTERING OF THE SELL ORDER**

9.15. The subscription of publicly offered securities through the stock exchange begins with the entering of the sell order by the MSE member that represents the issuer, on the initial day of the subscription of publicly offered securities through the stock exchange, in the phase of entering of the sell order.

9.16. No other MSE member than the member that represents the issuer may not, at any moment, enter a sell order for the subscription of publicly offered securities through the stock exchange.

## **ENTERING OF THE BUY ORDERS AND RANKING OF ORDERS**

9.17. The phase for entering of the buy orders lasts from 30 to 240 minutes, depending on the quantity of securities offered, according to the duration determined by the MSE CEO.

9.18. In the phase for entering of the buy orders the following rules apply:



- all MSE members may participate;
- BEST system accepts only the buy orders with prices equal to or bigger than the offered sell price for a certain security;
- MSE members enter the buy orders only as daily orders (the field “conditions” is left blank or is filled as “D”)
- entering of other additional and/or special conditions determined in these Rules is not allowed;
- MSE members may change or withdraw the entered buy orders;
- the buy orders must contain the quantity of securities that are to be subscribed.

9.19. When giving the priority to the orders with a higher price and an earlier entering time, the BEST system ranks the buy orders entered by the MSE members by giving the priority to the order with a higher price and in the case of equal price the priority is given to the order with an earlier entering time.

9.20. When giving the priority to the orders with a higher price, a smaller quantity and an earlier entering time, the BEST system ranks the buy orders entered by the MSE members by giving the priority to the order with the higher price, in the case of equal price the priority is given to the order with a smaller quantity, and in the case of both equal price and quantity the priority is given to the order with an earlier entering time.

9.21. When giving the priority to the orders with a higher price, a bigger quantity and an earlier entering time, the BEST system ranks the buy orders entered by the MSE members by giving the priority to the order with the higher price, in the case of equal price the priority is given to the order with a bigger quantity, and in the case of both equal price and quantity the priority is given to the order with an earlier entering time.

## EXECUTION OF TRANSACTIONS

9.22. The execution of transactions is done at the price of the entered buy orders, immediately after the expiration of the time for entering the buy orders, when the BEST system executes transactions according to the ranking of orders, until the full quantity of the sell orders or of the buy order is spent.

9.23. The trading system will register transactions in the execution of transactions phase, at the end of each trading day, until the total offered quantity is spent. After the end of the subscription in the current trading day, the unsubscribed quantity of the sell order will be transferred for subscription in the next trading day, until the last subscription day according to the Public offering or until the complete realization of the Public offering.

## **10. Clearing, announcing and sending the data for settlement of transactions**

10.1. MSE does the clearing of transactions, which, for every transaction, means the identification of the members that made the transaction, identification of the security that was subject of the transaction, the quantity of the security in the transaction and the price at which the transaction has been made.

10.2. MSE publishes a daily announcement for realized quantities and prices of the subscribed securities in the procedure for subscription of publicly offered securities through the stock exchange.

10.3. After the registration of transactions in the BEST system and their clearing, MSE sends to the authorized depository a report on executed transactions in the procedure for subscription of publicly offered securities through the stock exchange, in which the planned settlement date for all transactions from a certain Public offering is also stated.

10.4. MSE members from the point 4.3. are fully responsible for all buy orders in the procedure for subscription of publicly offered securities through the stock exchange for which the clients will not pay the required amount of money in the defined period.

## **ANNEX 4**

### **RULES**

#### **on organizing a public exchange auction of shares for selling of big shares packages**

##### **1. Public exchange auction**

- 1.1 A public exchange auction in sense of this Annex (hereinafter: auction) is a procedure where the seller, according to the advanced set conditions, gives a sell offer for shares that are object of the auction, while the auction participants, in accordance with the auction rules, mutually bid to buy the shares.
- 1.2 The auctions are performed at a special stock exchange segment within the MSE electronic trading system “Segment for packages of shares”.
- 1.3 The buy and sell of shares through public exchange auctions at the segment for packages of shares, are performed:
- through the model “one share minimum”, when the shares are being sold in quantities smaller or equal to the totally offered quantity of shares, through one or more transactions or
  - through the model “all or none”, when the whole offered quantity of shares is being sold in a package, through one transaction.

##### **2. Subject of the auction**

- 2.1 The subject of the auction are shares offered for sell by one owner or by more owners which offer shares together, while a condition to organize an auction is the starting sell value of the sell order to be in an amount of at least 5,000,000.00 denars.
- 2.2 In case of sell of shares by more sellers, their mutual acting must be regulated with an agreement, which will regulate the manner of distribution of the funds from the sold shares and the distribution of the unsold shares quantity if the whole offered quantity is not sold.
- 2.3 The subject of an auction may be securities listed at the MSE Official market or registered at the Regular market.

##### **3. Auction participants**

- 3.1 Auction participants on the sell side are one or more securities owners who decided to offer their shares for sell through an auction (hereinafter: sellers).
- 3.2 Auction participants on the buy side are all interested domestic and foreign entities and individuals, in accordance with the laws of the Republic of Macedonia (hereinafter: buyers).
- 3.3 The auction participants on buy and sell side are represented by the MSE members.

##### **4. Expressing of the price and quantity**

- 4.1 At the auction, the price is expressed per share.
- 4.2 The shares’ price is expressed in denars, without decimals.
- 4.3 The minimum prices corrections shall be made in an amount of 1 denar per share.
- 4.4 The sellers determine the quantity of shares offered at the auction and it is expressed as natural number.
- 4.5 The general price limitations set in article 55 of these Rules, are not in force for the transactions with these shares.

## **5. Organizing and duration of the auction**

5.1 The public exchange auction is organized in the MSE trading days.

5.2 The MSE CEO determines the auction duration.

## **6. Preparation for the auction**

6.1 The MSE member which represents the sellers submits to the MSE a request for organizing an auction.

6.2 The following data should be cited in the request:

- the shares which will be subject of the auction;
- trading code of shares which will be subject of the auction;
- the name of the MSE member which represents the sellers;
- the code of the MSE member which represents the sellers;
- the names of the sellers (obligatory if the MSE member is shares seller – principal, and optionally for all other shares sellers);
- the date when the shares will be offered at the auction for sell, which is 5 trading days from the day of submitting the request at earliest;
- the quantity of the offered shares;
- starting sell price per one share;
- the percentage of the company's nominal capital which is object of sell;
- the selected model for sell of the shares.

6.3 If the starting sell price of the shares, cited in the submitted request, varies for more or less than 10% of the last average trading price at the classic trading, in addition to the request, the MSE member which represents the sellers, obligatory submits the sell order given by the sellers, as well as a statement by the sellers stated that they are acquainted that the price from the sell order varies for more or less 10% of the last average trading price of the said shares.

6.4 The MSE checks the submitted request for sell of the shares, and especially controls whether the conditions from the item 2.1 from this Annex are fulfilled.

6.5 If the conditions from item 2.1 are fulfilled, the MSE determines a code for shares which will be subject of the auction and informs its members and the public about the title and code of the shares which will be offered for sell and about other information cited into the request, through the BEST system and the MSE web site, two days before the auction at latest.

6.6 A withdraw of the submitted request for sell of shares, according the rules, may be done second day after the day of submitting the request at latest. In such case, MSE informs its members and the public for canceling the sell and submits copies of the whole documentation to the Securities and Exchange Commission.

## **7. A procedure for public stock exchange auction through the model “one share minimum”**

7.1 On the day of the auction, the MSE member – representative of the sellers, enters the sell prices and quantities for the certain shares into the BEST system.

7.2 It is not possible to realize more than one auction on parts for same shares issued by same issuer, in the same day.

7.3 Each auction is comprised of two phases:

- phase of entering buy orders and
- phase of concluding the transactions.

7.4 The phase of entering buy orders by the MSE members for certain shares lasts from 30 to 240 minutes, depending on the quantity of the offered shares, according to the duration determined by the MSE CEO.

7.5 After closing the phase of entering the buy orders, follows the phase of concluding the transactions, when the BEST system ranks the entered buy orders and concludes transactions.

7.6 The BEST system ranks the entered buy orders by the MSE members according to the following priority:

- a) higher price;
- b) within the same price, earlier time of entering the order.

7.7 During the auction, the MSE members can see the sell price of the shares which are auction subject and the buy orders entered by the other MSE members.

7.8 In the phase of entering the buy orders into the BEST system the following rules are in effect:

- all MSE members may participate;
- the BEST system accepts only the buy orders with prices equal or higher of the offered sell price for certain share;
- at the entering of the buy orders by the MSE members other additional and/or special conditions determined with these Rules can not be used;
- the MSE members may change or withdraw the entered buy orders;
- it is obligatory to determine the quantity of shares in the buy order;
- the orders must be entered as daily orders (the field conditions into the mask for entering the orders shall not be filled or “D” shall be put).

7.9 In the phase of concluding the transactions the BEST system automatically concludes transactions, according to the ranking of the entered buy orders made upon the priority criteria cited in item 7.6. The price of each individual transaction is the price of the buy order by the MSE member at the end of the phase of entering orders.

## **8. A procedure of public stock exchange auction through the model “all or none”**

8.1 On the day of the auction, the MSE member – representative of the sellers, enters the sell prices and quantities into the BEST system for certain shares.

8.2 The auction is comprised of two phases:

- 1) phase of indication of interest, with duration of 5 minutes;
- 2) bidding phase, with duration of 5 minutes at minimum, during which, if in the last minute the best bid price (the highest price) is not increased, a transaction will be concluded. On contrary, if in the last minute of the 5 minutes bidding, the best bid price changes, the bidding is prolonged for new 5 minutes after the expiration of the previous 5 minutes. If the best bid price changes in the last minute of the new 5 minutes, the bidding is prolonged for additional 5 minutes. This manner of prolongation of the bidding may last for 10 intervals at the most (10 times by 5 minutes). If during any interval of 5 minutes there is no change of the best bid price in the last minute of the 5 minutes, the BEST system concludes transaction with the best bid price. In case of bidding in 10 intervals, the BEST system concludes transaction with the best bid price in the tenth interval.

8.3 In the phase of indication of interest and in the phase of bidding as well, the BEST system ranks the buy orders entered by the MSE members, according to the following priority:

- a) higher price and
- b) earlier time of entering the order.

8.4 During the auction, the MSE members can see the sell price for certain share entered by the MSE and the buy orders entered by the other MSE members.

8.5 In the phase of indication of interest the following rules are in effect:

- all MSE members may participate;

- the BEST system accepts only the buy orders with prices equal or higher of the offered sell price for certain share;
- at the entering of the buy orders by the MSE members other additional and/or special conditions determined with these Rules must not be used;
- the withdrawal and changing of buy orders into the BEST system in order to decrease the price is allowed only in the period of time of 1 (one) minute after the entering the order;
- at same auction, in one day, the MSE members on the buy side for the same auction, may not enter more than one order for the same client;
- the BEST system will automatically reject entrance i.e. changing of buy orders for same share at same securities account in the Central Securities Depository, by one or more MSE members, if in the BEST system already exists a buy order for that securities account;
- all buy orders must to be worded on the quantity of shares as the buy order entered by the MSE worded as well;
- all buy orders must be entered as daily orders (the field conditions into the mask for entering the orders, shall not be filled or “D” shall be put);
- it is allowed to use buy orders for group account (with 2 buyers minimum).

8.6 In the phase of bidding the following rules are in effect:

- only those MSE members which entered buy orders in the phase of indication of interest, may participate;
- the prices of entered buy orders into the BEST system may only be increased;
- in the phase of bidding it is not allowed to enter new buy orders.

8.7 The auction closes automatically when the BEST system automatically concludes transaction with the first rank order according to the priority criteria cited in item 8.3 and according to the manner of concluding transaction of item 8.2 sub-item 2.

## **9. Clearing and settlement**

9.1 The clearing and settlement of the transactions with shares of the public exchange auction, is performed in accordance with the Securities Law and the rules of the authorized securities depository.

## **10. Report of concluded transactions, prices and price limitations**

10.1 After the auction completion all the MSE members may see the report of concluded transactions in the BEST system.

## APPENDIX 1

### Entering orders in BEST system according to the trading regimes

TYPES OF TRADE ORDERS	CONTINUOUS TRADING REGIME				FIXING TRADING REGIME			
	CLOSE MARKET	PRE- TRADING PHASE	TRADING PHASE	CLOSE MARKET	CLOSE MARKET	PRE- TRADING PHASE	ADDITIONAL TRADING PHASE	CLOSE MARKET
MARKET ORDER		+	+					
LIMIT ORDER		+	+			+		
FILL OR KILL ORDER							+	
HIDDEN QUANTITY ORDER		+	+					
ALL OR NONE ORDER			+					

## APPENDIX II

### Creating of an auction price

