

BOSNIA AND HERZEGOVINA  
FEDERATION OF BOSNIA AND HERZEGOVINA  
SECURITIES COMMISSION OF THE FEDERATION  
OF BOSNIA AND HERZEGOVINA

**Official Gazette of FBH, 34/09, 01/10, 31/10, 7/11, 53/13, 27/14 and 72/14**  
**(Unofficial consolidated version)**

Pursuant to Article 11, item 1, Article 12, item 3, in relation to Article 13 of the Law on Securities Commission (Official Gazette of FBH, 39/98, 36/99 and 33/04), and Article 270 of the Law on Securities Market (Official Gazette of FBH, 85/08), the Securities Commission of the Federation of Bosnia and Herzegovina, at its 239<sup>th</sup> session, held on April 22, 2009, adopted the following

**Rulebook  
on Intermediation in Securities Operations**

**I – General provisions**

**Article 1**

This Rulebook shall regulate the conditions and methods of performing securities operations, pursuant to the Law on Securities Market.

**Article 2**

This Rulebook shall regulate securities issued by issuers registered in the registry of issuers with the Securities Commission of the Federation of Bosnia and Herzegovina (hereinafter: the Commission) and registered with the Registry of Securities in the Federation of Bosnia and Herzegovina (hereinafter: the Registry).

**Article 3**

(1) Securities operations shall be performed, as set out in these Rules, by securities market participants referred to in Article 68 of the Law on Securities Market, licensed by the Commission for the performance of securities operations.

(2) Issuance agent and issuance sponsor operations, as well as depositary operations in the securities issuance and the depositary operations for investment funds shall be regulated by special regulation of the Commission.

(3) Professional intermediaries, as referred to in the provisions of these Rules, shall mean professional intermediaries and banks referred to in Article 69 of the Law on Securities Market.

**II – General requirements for securities operations**

**Article 4**

Professional intermediaries shall set up their internal organization in a manner that provides for timely, high-quality, lawful and reliable performing of securities operations, pursuant to the Law and bylaws of the Commission.

## **Article 5**

- (1) Professional intermediaries shall introduce clients to the types of services provided based on the operating license, and to their service fees.
- (2) Professional intermediaries shall present in their business premises, in which they deal with clients, rules of operation and the tariff of fees charged to clients, and post them on their Internet site.
- (3) Pursuant to the provisions of Articles 78 and 81 of the Law on Securities Market, professional intermediaries shall:
  - a) determine the identity of clients, by inspecting their personal identification documents, for natural persons, or by inspecting the excerpt from the registry for legal entities, and the personal identification documents of persons representing legal entities and by establishing the beneficial owner;
  - b) become acquainted with the financial status of the clients, their investment experience and other circumstances in relation to clients, so that they could provide appropriate services;
  - c) present to the clients all information (including information on risks) necessary for the client to make an appropriate investment decision;
  - d) present to the clients all information on possible conflict of interest between the intermediary and the clients.
- (4) Professional intermediaries shall provide for equitable treatment of all clients.
- (5) Professional intermediaries shall inform the clients of possible conflict of interest between the intermediary and one or more clients.
- (6) Professional intermediary shall establish a registry, in the form of a book, referred to in Article 79 of the Law on Securities Market, and designate an employee in charge of keeping the registry.
- (7) The information shall be entered into the registry referred to in paragraph 6 of this Article on the person acquiring securities (name and address for natural persons, or company name, registered office, and the name of the authorized representative for the client – legal entity), securities information (type and class, symbol, quantity and price, or other means of acquiring it, and the date of the legal transaction resulting in acquiring securities) and information on the previous securities owner (name and address for natural persons, or company name, registered office, and the name of the authorized representative for the legal entity), if available.
- (8) The professional intermediary shall keep the registry referred to in paragraph 5 of this Article permanently in its premises, and provide either direct insight into it or deliver information contained in the registry at the Commission's request.

## **Article 6**

- (1) At the request of a client, the professional intermediary shall produce the license for performing securities operations and inform the client of the type of operations performed, and the rights and obligations arising from the license.
- (2) The professional intermediary may not refuse an order that complies with the law and bylaws of the Commission, and bylaws of the stock exchange or other regulated public market.
- (3) In the event that the execution of an order may be detrimental to the client, the professional intermediary shall inform the client thereof, and execute the order only

provided that the clients issues a written statement testifying that the professional intermediary had presented the possible damage from order execution and that the client issued the order the risk notwithstanding.

#### **Article 7**

- (1) When performing securities operations, employees of professional intermediaries shall comply with the provisions of Article 78 of the Law on Securities Market.
- (2) Employees of professional intermediaries may not lead clients into concluding legal transactions with securities, nor take other actions aimed at obtaining a commission.
- (3) When receiving client's orders, employees of professional intermediaries shall introduce the client to all circumstances relevant to the legal transaction related to the order.

#### **Article 8**

- (1) Rules of operation shall serve as the basis for performing securities operations, which shall be valid for each individual contract.
- (2) Rules of operation shall be adopted by a body set forth in the statute of the professional intermediary.
- (3) Rules of operation, and any changes or amendments, may apply after the approval of the Commission is obtained.
- (4) A contract on performing securities operations, concluded on the basis of rules of operation for which approval of the Commission has not been obtained shall have no legal effect.
- (5) Professional intermediaries shall provide insight into rules of operation to its clients prior to concluding and at any time during the validity period of the contract on performing securities operations, as well as into the tariff of fees that applies.

#### **Article 9**

- (1) Compulsory elements of rules of operation shall include:
  - a) a description of operations performed by the intermediary for the client;
  - b) a description of the manner of performing operations;
  - c) a description of the basis for the execution of operations;
    1. the type of orders issued by the client;
    2. the contents of each order;
    3. the possibility of delivering orders;
    4. the method of executing individual orders;
    5. market conditions pertaining to the dynamics of execution and the price and quantity restrictions of orders;
  - d) a description of the contents, basis and manner of keeping the book of orders, and the order of entering and executing orders;
  - e) the method of calculating intermediary's fee and reference to the tariff of fees, stating the Commission's decision approving the tariff of fees;
  - f) the information necessary to conclude a securities service agreement that the client must provide to the intermediary;
  - g) client's responsibility for the accuracy and truthfulness of information provided to the intermediary;

- h) a description of the system for recording client data, as well as a description of data confidentiality protection system;
  - i) a statement whether it is possible for the client to access information on securities traded at the stock exchange or other regulated public market;
  - j) information on risks involved in securities operations, as well as the fact that it is impossible to guarantee any profit;
  - k) the possibility and manner of changing orders;
  - l) the possibility and manner of withdrawing orders;
  - m) the manner of settling liabilities due to the execution of orders;
  - n) the manner of recording securities information by the Registry,
  - o) a description of the clearance and settlement system for liabilities resulting from order execution,
  - p) a description of communication between the intermediary and the Registry,
  - r) the consequences of failing to settle liabilities resulting from executing orders;
  - s) the possibility of amending the rules of operation;
  - t) the manner in which the person issuing an order may access rules of operation at any time during the validity period of the contract on securities operations;
  - u) the Commission's approval of the rules of operation, including the reference number and date of the Decision granting approval;
  - v) certification on the rules of operation by the authorized body of the intermediary.
- (2) Rules of operation shall prescribe the manner of receiving orders, protection of persons issuing orders, the method of determining the identity of persons issuing orders. continuous identification of domestic and foreign legal entities (court/competent authority registration, deadline for re-examining information on legal entities, especially in relation to changes of directors and founders of the person issuing an order), the risks involved in agreeing to receive orders via facsimile and other information relevant to the client.

### **Article 10**

- (1) In addition to the elements prescribed in Article 9 of these Rules, the rules of operation shall also contain provisions pertaining to the manner of performing market support operations, in accordance with the provisions of the Law on Securities Market.
- (2) Rules of operation of professional intermediaries that perform securities portfolio management operations shall also contain the information on:
- a) basic investment strategies and principles of investment policy (the criteria for drawing up a client's securities portfolio);
  - b) risk management principles (the manner of diversifying client's securities portfolio);
  - c) the manner of reporting to the client on the market value of client's portfolio securities, special investment risks, account balance and other relevant issues;
  - e) the manner and conditions under which board members and employees of the intermediary may invest in a securities portfolio managed by the professional intermediary;
  - f) prohibition of investing client's funds in purchasing securities:
    - 1. that contain the obligation to purchase specific assets or rights in future, without obtaining previous written consent of the client;

2. that are not subject to a public offering in an organized public market;
  3. issued by the professional intermediary and persons related to it.
- (3) Rules of operation of professional intermediaries performing investment advisor operations shall also contain the services they provide and the method in which they are provided to clients.
- (4) Rules of operation of professional intermediaries performing custody operations shall also contain the services they provide and the method in which they are provided to clients.
- (5) The rules of operation and their contents must be familiar to all employees and body members of professional intermediaries.

#### **Article 11**

In relation to client's orders, professional intermediaries shall:

- a) provide for secrecy and security of information on clients and orders;
- b) keep the original order received, with the registered time of receiving the order;
- c) other, as stipulated by law, these Rules and bylaws of the Commission.

#### **Article 12**

- (1) Professional intermediaries shall organize an internal control system, in accordance with the regulation of the Commission and its bylaws.
- (2) Internal control, for the purpose of the provisions of these Rules, shall include:
- a) control of securities operations;
  - b) control of handling confidential information;
  - c) estimating the compliance with the capital adequacy standard for professional intermediaries, the work methods and measures to remedy and irregularities detected;
  - d) handling client's complaints;
  - e) handling intermediary's documents;
  - f) keeping records on client's complaints.

#### **Article 13**

- (1) Professional intermediaries shall establish special records with chronological entries on all client's complaints received, with the following information:
- a) name and address, or company name and registered office of the person making the complaint;
  - b) date of reception;
  - c) measures taken in relation to the complaint, and the timeline.
- (2) Professional intermediaries shall handle client's complaints with no delay and with due care.

#### **Article 14**

- (1) Professional intermediaries shall keep a book of orders, that shall contain the following information, in addition to elements prescribed in Article 85 of the Law on Securities Market:
- a) the minimum, maximum or exact number of securities purchased or sold,

- b) instructions on the manner of execution, for each order, in relation to the dynamics and restrictions on quantity,
- c) the account type for which trading is performed.
- (2) Professional intermediaries shall keep separate books for each securities operation performed.
- (3) The order book shall not be kept for the investment advisory, custody or depositary operations.
- (4) For operations referred to in paragraph 3 of this Article, special records shall be kept electronically, containing the client information (name, or company name and registered office), information on the contract concluded with the client (contact number and date), and information on each transaction performed for the client (a description of the transaction, the manner of execution and information transaction characteristics, date, amount of fee, etc.).

### **Article 15**

- (1) The order book shall be kept electronically, located in the premises of professional intermediaries.
- (2) Entry into the order book shall be performed in accordance with the chronological order of receiving orders, and orders shall be marked by ordinal numbers as appropriate.
- (3) The order shall be considered received following its entry into the order book.
- (4) Professional intermediaries shall establish information systems providing for the accuracy and control of information entered (orders), which shall not allow making changes to information entered in the order book.
- (5) Professional intermediaries shall provide for software by independent manufacturers to monitor and record any access to the database of the information system referred to in the previous paragraph.
- (5) The Commission may inspect the order book and any of the orders.
- (6) At the Commission's request, professional intermediaries shall provide a print out of the order book.
- (7) The information requested by the Commission in accordance with paragraph 3 of this Article may be delivered directly and/or electronically.
- (8) The manner of delivery shall be determined by the Commission.
- (9) The Commission may request that other information be delivered electronically.

### **Article 16**

- (1) Professional intermediaries shall receive orders in the manner set out by the rules of operation.
- (2) Professional intermediaries shall be accountable in case that proof is not obtained, when receiving orders, as to the reception, time of reception and entry of orders in the order book, and for any errors or inaccuracies in orders entered, and any actions contrary to the client's intentions stated in the order.
- (3) Professional intermediaries shall provide that time stamps in the facsimile, voice messages and servers containing the order book be exactly the same.
- (4) Professional intermediaries shall provide for sound recording, with the obligation of ascertaining the identity of clients when receiving orders by telephone.

(5) When receiving orders as electronic files, professional intermediaries shall provide for a reliable method of client identification.

#### **Article 17**

Professional intermediaries shall issue to the client, in accordance with their rules of operations, and rules of the stock exchange or other regulated public market, a receipt for orders, and also a calculation following the conclusion of the transaction.

#### **Article 18**

Professional intermediaries shall keep records and other archive materials in accordance with archival regulations in the Federation of Bosnia and Herzegovina and their bylaws.

### **III – Broker and dealer operations**

#### **Article 19**

Professional intermediaries licensed by the Commission for the performance of broker operations shall buy and sell securities for their name, and for the account of a person issuing orders (hereinafter: broker operations), pursuant to a brokerage contract concluded with the person issuing orders, or a written order for each individual sale or purchase.

#### **Article 20**

(1) Professional intermediaries, in their registered office or at any venue of receiving orders, may conclude a brokerage contract, or receive a sale or purchase order for securities by proxy, if the proxy is awarded to an immediate family member or attorney of the person issuing the order.

(2) An immediate family member, as referred to in paragraph 2 of this Article, shall mean a spouse, parent or child (born in or out of wedlock, adopted or step child), or sibling.

(3) Professional intermediaries may receive orders from foreign persons also via foreign professional intermediaries, if it is envisaged in the regulation in the country of the registration of the foreign professional intermediary.

(4) Professional intermediaries may realize a securities purchase order also in the event that the cash payment for the purchase of securities on behalf and for the account of the person issuing the order was made by a natural or legal person who is not the person issuing the order, provided that the person issuing the order submits to the professional intermediary a properly certified document as a clear proof of the mutual relationship between the person issuing the order and the legal or natural person making the cash payment, and the basis on which the legal or natural person made the cash payment for the name and account of the person issuing the account.

(5) Professional intermediaries shall, once a month for the previous month, by the 5<sup>th</sup> of the month, report to the Commission on all securities purchase orders in which the cash payment, for the name and account of the person issuing order, was made by a natural or legal person other than the person issuing order.

(6) The depositary shall pay out the proceeds of the securities sale on the basis of the order of the professional intermediary for the payment of funds to the account of the person issuing order.

## **Article 21**

(1) Compulsory elements of a brokerage contract shall include:

- a) Information on the professional intermediary: company name and registered office of the brokerage company, name of the person authorized to conclude contracts;
  - b) information on the ordering party:
    - 1. Name, address, personal identification number for a natural person (passport number for a foreign natural person) or company name, registered office, registry number and the name of the authorized representative of the legal entity,
    - 2. Telephone and facsimile number, e-mail address,
    - 3. Bank name and account number,
    - 4. Name, address and personal identification number of the person authorized to sign orders to sell or purchase securities;
  - c) a clear statement of the scope of the contract;
  - d) a statement on accepting general terms of business, the mandatory elements of which are regulated by these Rules;
  - e) identification code or other identification method for the purpose of order validation, that may only be known by the brokerage company and the ordering party, or authorized persons of the ordering party, as well as a statement of responsibility for keeping the identification code or any other means of identification confidential;
  - f) the manner of delivering orders and methods for the verification of the identification code or other means of identification;
  - g) the reporting method and deadline for the brokerage company to the ordering party on the entry of orders in the trading system of the stock exchange or other regulated public market, as well as the execution of orders;
  - h) the delivery method and deadline for the commission calculation to the ordering party by the brokerage company, as well as the calculation elements;
  - i) the method and deadline for paying commission to the brokerage company for its services;
  - j) the method of dissolving the contract;
  - k) the manner of settling disputes, and the court competent for settling disputes;
  - l) the date of concluding the contract and signatures of parties to the contract.
- (2) In the event of receiving orders via e-trading and telephone, provided that the professional intermediary has ensured a reliable method of client identification and protection, the signature of the ordering party may be omitted.
- (3) A brokerage contract shall be concluded in two identical copies, and each party to the contract shall keep a copy.
- (4) When concluding a brokerage contract, the professional intermediary shall verify the client's identity.
- (5) Verification of the identity of a legal entity shall also include the verification of the person authorized to represent the legal entity.



## **Article 22**

- (1) Professional intermediaries receive and execute clients' orders in accordance with law, these Rules, bylaws and the brokerage contract.
- (2) The type of order, methods of receiving orders and other issues related to orders for the sale/purchase of securities shall be regulated by the rules of operation of professional intermediaries and rules of the stock exchange or other regulated public market.

## **Article 23**

- (1) Professional intermediaries shall trade securities in the stock exchange or other regulated public market in accordance with the rules of the stock exchange or other regulated public market of which they are members.
- (2) Professional intermediaries shall introduce to clients the rules of the stock exchange or other regulated public market at which they intend to trade securities for the name and the account of the ordering party.
- (3) Professional intermediaries shall enter orders into the trading system of the stock exchange or other regulated public market within the deadline determined by the ordering party, and in the event that the ordering party failed to determine a deadline for the order entry, the order shall be entered immediately, or no later than on the following business day, prior to the commencement of trading in the market.
- (4) Professional intermediaries may not receive nor execute orders to sell specific securities on their own behalf and for the account of the client, or on their own name and own account, in the event that at the time of issuing the order a transaction involving the same securities has not been concluded in the stock exchange or other regulated public market which serves as the basis for acquiring ownership of the securities that are subject to trading, with the quantity stipulated in the sale order.

## **Article 24**

- (1) Professional intermediaries licensed by the Commission for the performance of dealer operations shall buy and sell securities for their own name and account (hereinafter: dealer operations), pursuant to an order by the management or a person authorized to do so by the management of the professional intermediary.
- (2) When performing dealer operations, an intermediary:
  - a) May not give precedence to its own interest or interest of parties related to it over the interest of its clients, when executing orders of its clients and other contractual obligations towards its clients;
  - b) may not issue orders to sell or purchase the same securities that are subject to orders, before executing client's orders;
  - c) shall manage its own securities portfolio in the manner that provides such capital adequacy, risk exposure and liquidity management which shall not jeopardize meeting its obligations towards the client.

## **IV - Market support operations**

### **Article 25**

- (1) Professional intermediaries shall perform market support operations within dealer operations, on the basis of a notice on the sale and purchase securities with the obligation to sell and purchase securities at a previously advertised price.
- (2) The public notice shall contain the price, number of securities and the validity period during which the professional intermediary has the obligation to accept the offer received.

### **Article 26**

- (1) Professional intermediaries shall perform market support operations in the stock exchange or other regulated public markets, in accordance with the bylaws of the stock exchange or other regulated public market.
- (2) Professional intermediaries licensed to perform market support operations may request from the stock exchange or other regulated public market to be approved the status of a market maker for specific securities.
- (3) Provisions of the Law on Securities Market and these Rules in relation to dealer operations shall also apply to market support operations.

## **V- Portfolio management operations**

### **Article 27**

- (1) A portfolio management contract shall regulate:
- a) Client information:
    - 1. Name, address, personal identification number for a natural person (passport number for a foreign natural person) or company name, registered office, registry number and the name of the authorized representative of the legal entity,
    - 2. Telephone and facsimile number, e-mail address,
    - 3. Bank name and account number,
  - b) contract validity period,
  - c) the amount of money or type and quantity of securities which the clients provides to the professional intermediary for the purpose of trading securities,
  - d) securities investment policy, in terms of acceptable risks and expected return,
  - e) conditions under which the client entrusts management of securities to the professional intermediary,
  - f) the amount of commission and the basis for calculating and charging commission,
  - g) responsibility of the professional intermediary for performing operations,
  - h) the manner of notifying the client of the account balance,
  - i) the method and deadline for delivering the commission calculation to the client with the calculation elements,
  - j) an indication of operating risks and of the inability to guarantee any yield on the securities,
  - k) an amount that shall be considered a material change to the portfolio value,

- 1) a statement on authorizing the professional intermediary to issue securities trading orders on behalf of the client.
- (2) When concluding a portfolio management contract, the professional intermediary shall acquaint the client with the methods of operation, and the rules of the stock exchange and other regulated public market in which securities trading shall be performed on the bases of the portfolio management contract concluded.
- (3) An investment manager of the professional intermediary shall issue orders on the basis of the portfolio management contracts.
- (4) An indication that an order is based on the portfolio management contract shall be a compulsory order element.

### **Article 28**

- (1) A professional intermediary shall report to the client, at least monthly, on the client account balance, the value of assets held in the portfolio or an estimate on the basis of the market value of securities comprising the portfolio, the sum of cash funds (dividend, etc.) and the sum of commission for the professional intermediary services (including the services of the Registry and the stock exchange) with an indication of the manner of calculating the commission.
- (2) When estimating the portfolio assets referred to in paragraph 1 of this Article, the professional intermediary shall take into account all yield from portfolio securities (interest, dividend etc.).
- (3) The report from paragraph 1 of this Article shall contain:
  - a) The reporting period,
  - b) Client account balance,
  - c) Amount of cash funds,
  - d) Commission for the services of the professional intermediary, the stock exchange and the Registry, with an explanation of the commission calculation method,
  - e) Estimated asset value held in the client's portfolio, deducted by the commission and costs referred to in item d) of this paragraph.
- (4) Following any material change to the portfolio value, the professional intermediary shall notify the client of the changes within 5 days from the material change to the portfolio value.
- (5) A material change to the portfolio value shall mean any change to the portfolio value exceeding 10% or less, as determined in the portfolio management contract.

### **Article 29**

- (1) The professional intermediary shall invest client's cash fund in securities in accordance with the contract concluded with the client.
- (2) The professional intermediary shall return any unused client's funds after the expiry of the contract validity period.
- (3) The professional intermediary shall deliver to the Commission written quarterly reports, by the fifth day of the month for the previous quarter, on the value of trading based on portfolio management operations, the number of clients for which trading was performed and the revenue accrued from performing portfolio management operations.

### **Article 30**

- (1) When performing portfolio management operations and brokerage operations in which an order has been issued to sell and purchase the same securities, the professional intermediary shall give precedence to client orders received within brokerage operations.
- (2) When performing dealer operations, the professional intermediary must not give precedence to its own interests and interest of its related parties over the interest of its clients in the execution of client orders and of the portfolio management contract obligations.
- (3) The professional intermediary performing securities portfolio management operations shall keep securities in the client account with the Registry separate from its own assets.
- (4) Securities held in the account referred to in paragraph 3 of this Article shall be the property of the client, may not comprise its assets or liquidation or bankruptcy estate, not may they be used to settle liabilities of the professional intermediary.
- (5) The professional intermediary shall open a separate account for the client's cash funds.
- (6) Assets held in the client account shall not be the property of the professional intermediary, may not comprise its assets or liquidation or bankruptcy estate, not may they be used to settle liabilities of the professional intermediary.

## **VI - Investment advisory operations**

### **Article 31**

- (1) Pursuant to article 121 of the Law on Securities Market, investment advisory operations shall include:
- a) Notifying clients on the state of the securities market and giving advice on the purchase or sale of securities;
  - b) giving legal or financial advice relating to corporate management;
  - c) performing technical, fundamental and other analyses;
  - d) performing other similar operations.

### **Article 32**

A contract on the performance of investment advisory operations shall contain:

1. Information on the professional intermediary: - company name, registered office, unique identification number, name of the authorized representative, and the number and date of the investment advisory license;
2. Client information:
  - Name, address, personal identification number for a natural person (passport number for a foreign natural person) or company name, registered office, registry number and the name of the authorized representative of the legal entity,
  - Telephone and facsimile number, e-mail address,
  - Bank name and account number;
3. A clear statement that only investment advising shall comprise the scope of the contract, and the securities trading services may be obtained by the client from a professional intermediary licensed by the Commission to perform brokerage operations;

4. A clear statement of the responsibility of the professional intermediary and a statement to the effect that investment advisory services shall be provided with due care, in accordance with the professional standards;
5. A clear statement of the client's responsibility for advice taken and the final investment decision, and for the orders issued or not issued to the broker for the sale or purchase of securities;
6. The fee or the method of calculating the professional intermediary's fee for investment advisory services rendered;
7. The method and deadline for the payment of the investment advisory operation fee;
8. The method of contract dissolution;
9. The method of settling disputes, or the designation of the court competent for settling disputes;
10. Date and place of concluding the contract and signatures of parties to the contract.

### **Article 33**

- (1) The professional intermediary shall perform investment advisory operations with due care, in accordance with the professional standards, based on quantifiable financial indicators.
- (2) The professional intermediary may not advise the sale or purchase or advise against the sale or purchase securities unless the intermediary believes the advice to be acceptable to the client, with regard to the client's financial abilities and proclivity to accepting risk.
- (3) The professional intermediary may not perform securities trading for the account of the client.
- (4) The professional intermediary shall provide to the client, at the client's request any information on the market and securities to which advice refers, as well as an explanation to recommending the purchase, sale or advising against the purchase or sale of certain securities.
- (5) The professional intermediary shall keep all client information and advice given to clients confidential, except in the event that the Commission request such information, pursuant to law and bylaws of the Commission.

## **VII – Custody operations**

### **Article 34**

The contract on the performance of securities custody operations shall regulate:

- a) Information on the custody:
  1. company name, registered office, unique identification number, name of the authorized representative, and the number and date of the investment advisory license;
- b) Client information:
  1. name, address and personal identification number for natural persons, or the company name, registered office, unique identification number, name of the authorized representative of the legal entity;

- 2. telephone and facsimile number and the e-mail address,
  - 3. bank and giro account number,
  - c) operations set out in Article 123 of the Law on Securities Market that the custody shall perform for the client;
  - d) securities entrusted into custody, or that the client entrusts, and the conditions under which the clients entrusts securities into custody;
  - e) statement of the custody's responsibility;
  - f) statement of the client's responsibility for the timely delivery of all necessary information and acting in accordance with the custody's requests;
  - g) the fee or the method of calculating the custody's fee for services rendered
  - h) the method and deadline for paying the custody fee;
  - i) the method of dissolving the contract;
  - j) the manner of settling disputes;
  - k) other mutual rights and obligations.
- (2) If the contract includes representation in the general assemblies of shareholder, the custody shall act in the best interest of shareholder, in accordance with the scope, contents and instructions provided in the proxy document.
- (3) The custody shall inform shareholder that provided the proxy of any restrictions to representation arising from law and other regulation.

#### **Article 35**

- (1) Securities held in the custody account shall be the property of the client, may not comprise its assets or liquidation or bankruptcy estate, not may they be used to settle liabilities of the professional intermediary.
- (2) The custody shall open a separate account for the client's cash funds.
- (3) The funds held in the client account may be used only in accordance with the client's orders.

Assets held in the client account shall not be the property of the professional intermediary, may not comprise its assets or liquidation or bankruptcy estate, not may they be used to settle liabilities of the professional intermediary.

#### **Article 36**

- (1) The custody shall deliver to the Commission the following information related to custody operations:
- a) notification on the changes to requirements of performing securities custody operations;
  - b) notification on the acquiring 30% voting shares of an issuer by a client, in the event of initiating the tender bid in accordance with the regulation in relation to tender bids;
  - c) information on securities owners.
- (2) The notifications referred to in paragraph 1, items a) and b) of this Article shall be submitted by the custody no later than within three days from the arising of the reported circumstances.
- (3) The custody shall deliver information on securities owners to the Commission at its request.

## **VIII – Depositary operations in securities trading**

### **Article 37**

- (1) Cash transactions relating to securities trading in the secondary market shall be executed by the depositary in accordance with law and other regulation, bylaw of the Registry and the stock exchange or other regulated public market, on the basis of reports on concluded transactions by the stock exchange or other regulated public market and orders of professional intermediaries.
- (2) A special account shall be opened by the depositary for operations referred to in paragraph 1 of this Article.

### **Article 38**

- (1) Prior to paying out the proceeds of securities trading in the secondary market, the depositary shall control the payment orders of the professional intermediary in relation to trading to which the order refers, and make the payment in accordance with the trading executed.
- (2) Following the payment of the proceeds of securities trading in the secondary market, the depositary shall deliver a report to the Registry, pursuant to the bylaws of the Registry.

## **IX - Securities borrowing and lending**

### **Article 39**

- (1) Securities borrowing and lending operations may be executed only among professional intermediaries.
- (2) By way of derogation to paragraph 1 of this Article, a bank licensed for custody operations may also borrow or lend securities, provided that the client, securities owner, agrees to such activities.
- (3) Securities lending shall be performed on the basis of a securities lending contract concluded in written, by which the lender undertakes to transfer to the borrower a certain quantity of an issuer's securities of a certain type and class, and the borrower undertakes to return the same quantity of the issuer's securities of the same type and class to the lender as soon as possible, or no later than within 15 days from the date of the lending contract and pay to the lender the agreed fee.
- (4) Short selling shall be prohibited.

### **Article 40**

The conditions, lending procedure, method of purchasing securities by the Registry, as well as any other issues related to acquiring securities for the purpose of clearing and settlement of trading executed at the stock exchange or other regulated public market shall be regulated by the Registry.

## **X - Trading securities in the stock exchange and other regulated public market**

### **Article 41**

(1) Shares of an issuer that meets the requirements defined by these Rules and other bylaws of the Commission, and rules of the stock exchange, as well as other requirements set out in the Law on Securities Market, may be listed in the stock exchange quotation.

(2) In addition to the requirements set out in the Law on Securities Market and rules of the stock exchange, the requirement for listing shares in the stock exchange quotation shall be that the sum of capital assets and the reserve fund of the issuer, including the profit or loss accrued in the previous business year, may be no less than 4.000.000,00 (four million) convertible marks (BAM).

### **Article 42**

The applicant for listing securities in the free stock exchange market shall, following the approval of the stock exchange, disclose the following :

- a) information on the issuer (company name, registered office, unique identification number and the name of the authorized representative of the issuer);
- b) business report, with the audit report, for the previous business year;
- c) information on securities (type, class, quantity and nominal value).

### **Article 43**

Shares of open-end joint stock companies may not be traded outside the stock exchange, except as provided by these Rules.

### **Article 44**

Securities of an issuer whose registered office is located outside Bosnia and Herzegovina may be traded in the stock exchange or other regulated public market in the Federation under the same conditions as prescribed for domestic issuers, provided that the issuer is registered in the registry of issuers with the Commission.

### **Article 45**

(1) Derivatives and other financial instruments may be traded only continuously.

(2) For the purpose of these Rules, derivatives traded in the stock exchange shall mean futures and options.

(3) For the purpose of these Rules, futures shall mean a contract concluded in the stock exchange between a futures buyer and a futures seller, under the conditions defined by the stock exchange in futures standards, in which parties to the contract determine the value of the subject of the contract or the futures price. Delivery of the underlying asset of the futures shall be made in cash, unless stipulated otherwise by the standards of derivatives.

(4) An option shall mean the right of the option buyer in relation to option seller:

- a) to demand from the option seller to deliver (sell), by a set date, the underlying asset of the option at the option execution price - call-option, or
- b) to demand from the option seller to accept the delivery (buy), by a set date, the underlying asset of the option at the option execution price - put-option, or



- c) to demand from the option seller to pay, by or on the set date (in accordance with the trading conditions), the difference between the option market and execution price - cash payment call-option, or
- d) to demand from the option seller to pay, by or on the set date (in accordance with the trading conditions), the difference between the option execution price and market and execution price of the option underlying asset - cash payment put-option.

#### **Article 46**

The standard for derivatives and other financial instruments shall include: name, underlying assets, maturity or delivery date(s), quotation unit, tick, tick size, the first and last trading date, method of determining the daily settlement price, the method of determining the exercise price, the underlying asset delivery method.

#### **Article 47**

Short-term securities shall be traded in the stock exchange under the conditions set out in Articles 45 and 46 of these Rules.

### **XI - Securities operations outside the stock exchange or other regulated public market**

#### **Article 48**

- (1) Securities may be traded outside the stock exchange or other regulated public market if provided so in the Law on Securities Market and bylaws of the Commission, in the manner and under conditions as set out in these Rules.
- (2) The trading referred to in paragraph 1 of this Article shall be performed on the basis of a sale and purchase agreement between the buyer and the seller.
- (3) The sale and purchase agreement that serves as the basis for securities trading, for the purpose of these Rules, shall be in writing.

#### **Article 49**

- (1) Compulsory elements of securities sale and purchase agreement shall include:
  - a) Information on the securities seller:
    - name, parent's name and surname of a natural person, or the company name, name and function of the authorized person of the legal entity;
    - address and postal code of the place of residence of the natural person, or of the registered office of the legal entity;
    - unique personal identification number for the natural person, or the identification number of the legal entity;
    - securities owner's account number with the Registry.
  - b) Information on the securities buyer:
    - name, parent's name and surname of a natural person, or the company name, name and function of the authorized person of the legal entity;
    - address and postal code of the place of residence of the natural person, or of the registered office of the legal entity;

- unique personal identification number for the natural person, or the identification number of the legal entity;
  - securities owner's account number with the Registry, if applicable.
  - c) information on securities:
    - name, registered office;
    - securities symbol, securities identification number (ISIN), if applicable, and the type, class, quantity and nominal value of securities traded;
    - rights attached to securities;
  - d) securities trading price;
  - e) designation of the competent court in charge of dispute resolution;
  - f) date of concluding the contract;
  - g) signatures of parties to the contract;
  - h) certification by the company licensed to perform brokerage operations of the contract concluded, certifying its validity.
- (2) In addition to compulsory elements set out in paragraph 1 of this Article, the sale and purchase agreement shall contain a statement testifying that the seller had been acquainted with the price and the possibility of selling securities via the stock exchange, and may contain other elements on which parties to the contract agree, in accordance with law.

#### **Article 50**

- (1) Pursuant to these Rules, the following may not be a buyer and/or seller in a sale and purchase agreement:
- an institutional investor (investment fund, fund management company, banks, insurance or re-insurance company and other legal entities that are registered as securities investors),
  - a professional intermediary or a legal entity that performs securities intermediation in securities trading, including dealer operations,
  - custody bank.

(2) Persons paying the sale and purchase price must be parties to the sale and purchase agreement, and the payment shall be made via a bank.

#### **Article 51**

- (1) Securities listed in the stock exchange in accordance with the Rules of the Sarajevo Stock Exchange may not be traded outside the stock exchange or other regulated public market.
- (2) Shares of open-end joint stock companies listed in the stock exchange trading or trading at another regulated public market may be traded outside the stock exchange, provided that the quantity of securities traded via sale and purchase agreements as set out in these Rules may not exceed 5% of the total number of securities issued by an issuer, or securities of a buyer or a seller, in a calendar year, notwithstanding the sale and purchase of securities as referred to in Article 52 of the Rules.

## **Article 52**

- (1) A block of shares, for the purpose of these Rules, shall be at least the quantity of securities whose value is at least 500.000,00 KM, which represents at least 5% of the total number of securities issued by an issuer.
- (2) Block trading outside the stock exchange or other regulated public market may only be performed for securities eligible for that method of trading, provided that:
  - a) Trading is executed between a buyer and one or more sellers, or a buyer and one or more buyers, provided that each transaction meets the requirements set out in the previous paragraph of this Article;
  - b) The transaction rates may be within the range of +/- 10% of the volume weighted price average for previous five trading days, in case transactions took place in the stock exchange, including the days prior to the date on which the transaction was reported.
- (3) Block trading shall be reported to the stock exchange, pursuant to the stock exchange bylaws.
- (4) Payment of funds in relation to block trading outside the stock exchange or other regulated public market shall be made via a special-purpose account of the professional intermediary, and the funds paid shall not be included in the clearing and settlement calculation carried out by the Registry.
- (5) Block trading referred to in paragraph 1 of this Article may be executed in the stock exchange or other regulated public market, in a special auction, in accordance with the stock exchange bylaws.
- (6) In the event of trading referred to in paragraph 5 of this Article, several persons may appear as buyers.

## **Article 53**

- (1) Securities trading outside the stock exchange or other regulated public market shall be carried out only via professional intermediaries.
- 2) Securities trading executed in accordance with these Rules shall be reported to the stock exchange, registered as a special segment, in the manner set out by the bylaws of the Sarajevo Stock Exchange.

## **Article 54**

- (1) A sale and purchase agreement shall be concluded at the professional intermediary.
- (2) The professional intermediary shall verify:
  - a) The identity of the buyer/seller,
  - b) The contract price,
  - c) Proof of payment (to the effect that the buyer has paid funds and the funds are paid to the seller of shares), prior to reporting a contract based transfer,
  - d) The provisions of Article 6 of these Rules,
  - e) That the execution of the sale and purchase agreement complies with the regulation on joint stock company takeover, securities trading and other legislation and regulation.
- (3) The contract price shall be verified on the day of concluding the agreement the the professional intermediary, and may not be:

- a) By 10% higher or lower than the average price for 30 previous (calendar) days of stock exchange trading, in case of securities traded in the stock exchange;
  - b) By 10% higher or lower than the average price for six previous months (calendar) days of stock exchange trading, in case of securities not traded in the stock exchange for the period referred to in sub-item a) of this paragraph.
- (4) In the event that trading did not take place in the period referred to in paragraph (3) of this Article, parties to the contract shall determine the price in accordance with the sound business practice.
- (5) In case that the professional intermediary detects any irregularities during the verification of the sale and purchase agreement, the intermediary shall inform the buyer/seller thereof.

#### **Article 55**

- (1) The verification of items elements referred to in Article 54 of these Rules shall be performed by the professional intermediary by filing an application to the Registry.
- (2) The application for the verification of elements referred to in paragraph (1) of this Article shall be filed by the professional intermediary to the Registry no later than on the day following the date of concluding the contract.
- (3) The Registry shall inform the professional intermediary on the verified elements referred to in paragraph (1) of this Article on the first business day following the date of the professional intermediary's application.

#### **Article 56**

- (1) The professional intermediary shall deliver the application/order for the transfer of ownership with the Registry and report the securities trading to the stock exchange following the verification of the sale and purchase agreement in accordance with Article 55 of these Rules, no later than on the work day following the reception of the Registry's notice referred to in Article 9 of these Rules.
- (2) The Registry shall not execute transfers in accordance with applications/orders delivered by the professional intermediary unless the elements of the transfer order match the elements set out in these Rules and bylaws of the Registry.
- (3) The transfer with the Registry shall be performed in the manner defined in the bylaws of the Commission and the Registry, within five work days from the date of the sale and purchase agreement.

#### **Article 57**

- (1) The professional intermediary shall be authorized to execute gift agreements concluded between persons other than immediate family members as referred to in the Rules on the Securities Registration and Transfer with the Registry.
- (2) Within the authority referred to in paragraph (1) of this Article, the professional intermediary shall verify:
- a) The identity of the donor and the recipient directly, or by verifying the signatures in the agreement,
  - b) Act with the duty of care in carrying out obligation within its professional activity.

- (3) The professional intermediary shall submit to the Registry the transfer application/order, following the verification referred to in paragraph (2) of this Article.
- (4) The transfer with the Registry shall be executed within the timeline and in the manner defined in the bylaws of the Commission and the Registry.
- (5) The professional intermediary shall notify the parties to the agreement on the executed transfer within a day from the transfer execution by the Registry.
- (6) The amount of securities donated by a gift agreement referred to in paragraph 1 of this Article may not exceed 5% total quantity of securities of an issuer, donor or recipient within a calendar year.
- (7) Business companies may not donate shares.

## **XII - Securities registration and transfer operations**

### **Article 58**

- (1) Registration, keeping and maintenance of securities information and the transfer of securities shall be carried out in securities accounts created and kept in the form of electronic records within the information system of the Registry (hereinafter: the Registration System).
- (2) Securities shall be entered into the Registration System pursuant to:
  - a) A final report of competent authorities on shares sold in the procedure of privatizing companies and banks;
  - b) Decision on the Entry of Securities in the Registry of Issuers with the Commission;
  - c) Other, pursuant to law and other regulation.
- (3) Carrying out of activities related to securities transfer shall be regulated by the rules of operation or other bylaws of the Registry.

### **Article 59**

- (1) A securities issuer, as referred to in the Law on Securities Market, shall conclude a contract with the Registry and deliver to the Registry, within eight days from the date of the contract, all information on securities and securities owners, as well as all decisions on:
  - a) Securities issuance;
  - b) Capital asset increase and decrease, including re-purchase and withdrawal of shares;
  - c) Acquiring own shares;
  - d) Splitting up and merging of shares, conversion and denomination of issued securities;
  - e) Acquisition, merger, division and change of the organization form of the issuer;
  - f) Termination of an issuer on the basis of a decision of the general assembly, the Commission or a competent court, and the liquidation procedure;
  - g) Bankruptcy of an issuer.
- (2) Rights of securities owners shall be realized with the entry of the securities into the account of the securities owner in the Registry and shall be transferred by transferring the securities to the account of the new owner in the Registry.

(3) Information on shares and shareholders of companies privatized in accordance with the privatization regulation shall be entered into the Registration System on the basis of reports of the competent privatization agency in the Federation of Bosnia and Herzegovina (hereinafter: the Agency).

(4) Information on shares and shareholders of banks privatized in accordance with the Law on Bank Privatization (Official Gazette of FBH,12/98), shall be entered into the Registration System pursuant a report of the competent body or authority.

(5) The Registry shall open the accounts of securities issuers and owners, pursuant to a report of the Agency and the authority or body competent for privatization of banks referred to in paragraphs 3 and 4 of this Article, within 30 days from the date of the receipt of the report.

#### **Article 60**

(1) Information set out in the Law on Securities Market shall be registered in the Registry.

(2) Securities shall be kept in the following accounts:

- a) Securities owner account,
- b) Client account,
- c) Custody account,
- d) Other accounts in accordance with the bylaws of the Registry regulating the method of opening and keeping of the accounts.

#### **Article 61**

(1) The Registry shall regulate in its bylaws the opening and keeping of accounts referred to in Article 60 of these Rules.

#### **Article 62**

The securities registration system with the Registry must include:

- a) A chronological record of all registration in the registration system;
- b) A unique ordinal registration number;
- c) Keeping of information on securities issuer account and owners of securities accounts;
- d) Daily backup of data;
- e) Data reconstruction, that enables the Registry to continue with its regular operation in the event of catastrophic damage to equipment, premises or files, with no losses or damage to the information system integrity;
- f) Keeping the accounting system and storing additional records;
- g) Processing applications of securities issuers and account owners;
- h) Keeping records on all correspondence and inquiries by securities issuers and account owners, and reports that represent a proof of the method in which each request was processed.

#### **Article 63**

Documents containing information registered in accounts of securities issuers and owners with the Registry may be stored on microfilm or in other appropriate media, for a year following their entry into the Registration System.

#### **Article 64**

The Registry shall keep records on changes registered in accounts of securities issuers and owners, that must include the following information:

- a) Registration number in the Registration System (allocated in accordance with the order of registration);
- b) Type of record;
- c) Date of the securities transfer application;
- d) Date of the securities transfer registration;
- e) Securities identification number (ISIN), issuer company, type, class, quantity and nominal value of transferred securities.

#### **Article 65**

The Registration System shall involve measures ensuring:

- a) Validity parameters for data entry operations;
- b) Double key for specific data inputs; and
- c) Control function to match printed output with the input documents.

#### **Article 66**

The Registry shall prepare reports that shall include:

- a) The statistics of changes in securities owner accounts;
- b) Statistics of other changes in the Registration System;
- c) A report on unprocessed files, prepared in the event there is a large number of files that have not been processed within deadlines defined in the Registry's procedures;
- d) A report on specific transactions, containing securities transactions for which special conditions or restrictions are set out in law and other regulation.

#### **Article 67**

(1) The Registry shall provide securities account owners, at their written request, an insight into their securities accounts held with the Registry, within the same business day, by issuing an account balance statement in accordance with law.

(2) The Registry shall deliver to securities account owners via registered mail, without a request, an account balance statement in the end of each month in which a change occurred in the quantity of securities in the account .

(3) On the basis of a written request, the Registry shall deliver to the issuer a list of owners of shares or other securities of an issuer within three days from the date of receipt of the request.

#### **Article 68**

(1) At the request of an issuer, the Registry shall draw up and deliver to the issuer a list of owners of its securities, as of the date specified in the issuer's request, namely:

- a) Shares, for each class of shares;
- b) Bonds, for each class of bonds;
- c) Swaps and bonds conferring pre-emptive rights;
- d) Other securities.

(2) Lists of securities owners referred to in paragraph 1 of this Article shall include all securities of an issuer, a type and a class, registered in securities owner accounts with the Registry, notwithstanding whether the Registry account owner holds them for its name and account or on behalf of third parties.

#### **Article 69**

(1) The list of owners of an issuer's shares referred to in Article 68 of these Rules shall contain:

- a) Name or company name and residence address or registered office of the shareholder;
- b) Quantity and nominal value of shares per class;
- c) Ownership percentage of shareholders of the total volume of shares issuer, and
- d) The number of voting shares and ownership percentage of shareholders of the total number of voting shares.

(2) The list of owners of an issuer's bonds referred to in Article 68 of these Rules shall contain:

- a) Name or company name and residence address or registered office of the owner of bonds; and
- b) Quantity and nominal value of bonds per class.

(3) The list of owners of other securities referred to in Article 68 of these Rules shall contain:

- a) Name or company name and residence address or registered office of the owner of securities;
- b) Type of securities, their quantity and nominal value, and the maturity date.

#### **Article 70**

For three years from their receipt or drawing up, the Registry shall keep:

- a) Reports of the Agency and bodies or authorities in charge of bank privatization referred to in Article 59, paragraphs 3 and 4 of these Rules, reports of depositaries and decision on entry into the registry of issuers with the Commission;
- b) orders and decisions referred to in Article 59, paragraph 1 of these Rules;
- c) securities transfer applications referred to in Articles 56 and 57 of these Rules;
- d) notifications on the rejection of securities transfer applications;
- e) lists of securities owners referred to in Article 68 of these Rules; and
- f) other documents and information in accordance with the Commission regulation.

#### **Article 71**

(1) The Registry is authorized to delete any information from the Registration System, in the end of a calendar year, the keeping of which is not prescribed by law, and maintain a Registration System that includes all current securities issuer and owner accounts with the Registry, with the balance as of the beginning of the new calendar year.

(2) The Registry shall keep an official copy of deleted information referred to in paragraph 1 of this Article in written or on appropriate electronic medium for at least seven years from the date of deleting it from the Registration System.



#### **Article 72**

(1) In the event of loss, theft or destruction of files or any part of them, the Registry shall immediately:

- a) Notify the Commission, stock exchange and professional intermediaries thereof in written;
- b) publish a call to securities issuers and owners, in at least two daily newspapers circulated in the Federation and via at least one electronic medium, to deliver to the Registry documents that will provide for the reconstruction of the Registration System.

(2) The Registry shall reconstruct the Registration System within 30 days from the loss, theft or destruction.

#### **Article 73**

(1) The Registry shall provide for storing electronic files outside the location of data processing, pursuant to a decision of the Supervisory Board.

(2) Storing of data referred to in paragraph 1 of this Article shall be carried out at least once a day.

### **XIII - Transitional and final provisions**

#### **Article 74**

Professional intermediaries shall harmonize their bylaws with the provisions of the Law on Securities Market and these Rules within 60 days from coming into force of these Rules.

#### **Article 75**

As of the date of application of these Rules, the validity of the following regulation shall be terminated: Rules on Conditions and Procedure of Buying and Selling Securities (Official Gazette of FBH, 91/07), Rules on Buying and Selling Securities Outside the Stock Exchange or Other Regulated Market (Official Gazette of FBH, 46/08), Rules on Securities Portfolio Management Operations (Official Gazette of FBH, 65/07), Rules on the Registration and Transfer of Securities with the Registry of Securities (Official Gazette of FBH, 32/99, 6/01, 51/01, 58/05, 10/06, 72/07 and 46/08), Decision on the Capital of Issuers Whose Shares are Listed in Stock Exchange Quotation (Official Gazette of FBH, 2/02).

#### **Article 76**

These Rules shall come into force on the eighth day from the date of its publication in the Official Gazette of the Federation of Bosnia and Herzegovina, and shall apply from the next day after the expiry of a 60-day period from its coming into force.