

LAW ON SECURITIES

(Unofficial translation)

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CHAPTER I: BASIC PROVISIONS AND DEFINITIONS

Scope of the Law

Article 1

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

(2) Provisions of the Law on Trade Companies, Law on Bankruptcy and Law on General Administrative Procedures, shall apply to all matters that are not addressed by this Law.

Definitions

Article 2

Certain terms used in this Law shall have the following meaning:

(1) “Share” shall mean a security which is an indivisible and ideal ownership interest in the basic capital of a joint stock company or limited partnership by shares. Shares may be ordinary or preferential;

(2) “Joint stock company with special reporting requirements” shall mean a company that has either made a public offering of securities, or that has a basic capital of 1.000.000 euro in counter denar value and more than 50 shareholders or that is listed in the stock exchange;

(3) “Request for approval” shall mean a written request submitted to the Commission by the issuer of securities for permission to make a public or private offering;

(4) “NBRM bill” shall mean a short-term security issued by the National Bank of the Republic of Macedonia, which is sold at discounted value, where the owner pays for its nominal value, on the date when it matures;

(5) “Inside information” shall mean any price sensitive information that has not been made public via the print or electronic media.

(5-a) “Business secret “ shall mean data, document or information that authorized participant of the securities market obtain during its operations, from legal entity or natural person and that should keep confidential and adequately protect.

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

(7) “Derivative financial instruments” shall mean any instrument, the price of which directly or indirectly depends on the price of securities, commodities, foreign currencies, Securities indices or interest rates, other than depository receipts;

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

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

(10) “License for operation with securities” shall include a license for a broker and a license for an investment advisor;

(11) “Treasury bill” shall mean a short-term debt security issued by the Republic of Macedonia;

(12) “Deposit interest rate” shall mean an average interest rate paid by commercial banks in the Republic of Macedonia on one-year fixed term denar deposits of natural persons;

(12-a) “Good reputation” shall mean honesty, competence, hardworking and possession of character that makes sure that the person will not act towards jeopardizing the safety and soundness of the brokerage house, Stock Exchange or Central Securities Depository

(13) “Long-term security” shall mean any security which matures in a period of one calendar year or longer from the day of its issuance;

(14) “Exposure of a brokerage house” shall mean an aggregate of receivables, securities investments and capital investments of a brokerage house;

(15); “Institutional investor ” is a bank, an insurance company, open and closed ended investment fund or pension fund and open and closed-ended fund Management Company or pension fund, central banks, national governments and local authorities, the International Monetary Fund, EBRD, EIB and the financial holding company;

(16) “Public offering” shall mean a public invitation for subscription and purchase of securities, published in public media;

(17) “Commercial bill” shall mean a short-term debt security issued by a joint stock company or limited partnership by shares binding the issuer thereof to pay the owner thereof the nominal value on a fixed maturity date and the interest thereon. A commercial bill may have a fixed or floating interest rate, or may be a zero-coupon;

(18) “Commission” is the Securities and Exchange Commission of the Republic of Macedonia, which is an autonomous and independent regulatory body with public authorizations prescribed by this Law, the Law on Investment Funds, Law on Takeover of Joint Stock Companies and all regulations issued on the basis of these laws;

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

(19-a) “Qualifying holding” in a brokerage house, stock exchange and depository of securities shall mean any direct or indirect holding which represents 10% or more of the total number of issued shares or issued shares with voting rights in a brokerage house, stock exchange or depository of securities, irrespective of whether the person acquires the shares alone or together with other related persons;

(20) “Short-term security” shall mean any security that mature in a period of less than one year from the date of its issuance;

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

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

(23) “Bond” shall mean a long-term debt security, binding the issuer to pay the owner of the Bond, on predetermined dates, the nominal value of the bond and interest thereon... A Bond may be secured or unsecured, may have a fixed or floating interest rate, may be zero-coupon, may require interest and/or payments in pre-determined installments, may be redeemable by either party under certain circumstances and/or may contain certain rights entitling the owner thereof to convert the Bond into other type security of the issuer;

(24) “Licensed securities market participant” shall mean any natural person or legal entity involved in the operation of the securities market who has received an operating license from the Commission, including any securities depository, any stock exchange, any brokerage house, bank, broker or investment advisor;

(25) “Average market price of shares” shall be the weighted arithmetic average of all prices of all trade transactions, with the exception of block transactions, with a defined security on one day of trading in a licensed stock exchange. The weight is actually the quantity of traded securities;

(26) “Prospectus” shall mean a written document which contains all the relevant information that enables a purchaser of securities described in the document, to make an assessment as to the issuer’s legal standing, financial standing and business operation, risks of investment and rights that derive from the offered securities;

(27) “Primary market” shall mean the initial sale of the securities by the issuers, i.e. the initial subscription and payment of the securities;

(28) “Private Offering” shall mean an offer for subscription and payment of securities made to: no more than 20 persons who are not shareholders in the joint stock company and who are not related persons with the shareholders in the joint stock company, and which are individually identified in the issuance act of such securities or it refers to institutional investors only, with the exception to the private offering under Article 27 paragraph 6 of this Law;

(29) “Affiliate” shall mean related legal entities, related natural persons and a natural person related to a legal entity;

(30) ““Related legal entities” shall mean a legal entity which owns, directly or indirectly at least 20% of the voting shares of the other legal entity; a legal entity 50% of whose members of the Board of Directors or Supervisory Board or Management Board, as the case may be, are also members of the Board of Directors, Supervisory Board or Management Board, as the case may be of the other legal entity; a legal entity which, as defined by the Law on Trade Companies has significant participation, majority participation or mutual participation in the other entity; two legal entities which are controlled by the same legal entity or entities or natural persons or persons and a legal entity which on some other basis is controlled by other legal entity;

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

(32) “Individual person related to a legal entity” shall mean a natural person who, with respect to a legal entity directly or indirectly owns at least 20% of the voting shares of the entity or in some other way have a qualifying holding in the entity. The Commission shall in more details prescribe the conditions for additional determination of related persons;

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

(34) “Depository Receipts” shall mean evidence of ownership in a foreign security not otherwise offered, sold or traded in Republic of Macedonia created for the purpose of enabling the with foreign securities in the Republic of Macedonia;

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

(36) “Self-regulatory organization” shall mean a legal entity whose members and/or shareholders are licensed securities market participants and which adopts rules and procedures designed to enforce the rules of the organization and securities legislation of the Republic of Macedonia through investigation, adjudication and in the case of violations found, the imposition of disciplinary and other measures;

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

(38) “Secondary market” shall mean any purchase or sale of previously issued securities;

(39) “Certificate of deposit” shall mean any debt security, issued by a licensed bank based on money deposited with the issuer which the deposit is recorded in a separate account with the issuer and which binds the issuer to pay the amount of the deposit and interest thereon to the certificate owner within a determined period of time. A certificate of deposit may be freely negotiable and may be issued as a serial security. A certificate of deposit may be a long-term security or a short-term security, may have a fixed or floating interest rate or be zero-coupon and shall have a fixed maturity date which may be subject to renewal, upon request of the owner, with proper notice requirements.

(40) “Treasury shares” shall be the shares previously issued and sold by a joint stock company or limited partnership by shares which later on are acquired by the company on various basis;

(40-a) “Personal assets “ are assets that include the core capital, reserves and other-categories of own capital calculated according to the Regulation of the categories of personal assets and manner of calculation the value of personal assets of the brokerage house.

(41) “Trade transactions” shall mean transfer of the ownership of a security on the secondary market resulting from a purchase or sale of the security;

(42) “Clearance” shall mean a several-phase process that consists of: identification of licenses securities market participants that concluded trade transaction in the secondary

market, identification of the securities that were traded, quantity of the securities that were traded and the price at which the transaction was concluded; confirmation of the elements of the trade transaction by the licenses securities market participants that concluded it; and calculation of the obligations between the licenses securities market participants that concluded trade transaction in the secondary market;

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

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

- (a) Shares in trade companies;
- (b) Bonds
- (c) Money-Market Instruments;
- (d) Shares in investment funds which operated pursuant to the Law on Investment Funds;
- (e) Derivative Financial Instruments;
- (f) Depository Receipts; and
- (g) Other financial instruments determined as Securities according to the Commission;

(45) “Price sensitive information” shall mean data of a precise nature relating directly or indirectly to an issuer of securities and which, if it were made public, would either be likely to have a significant effect on the prices of such issuer’s securities or an investor’s decision to purchase, sell or hold such securities.

II. ISSUANCE, OFFER AND SALE OF SECURITIES

1. Issuance of Securities

Issuers of Securities

Article 3

Securities may be issued by the Ministry of Finance on behalf of the Republic of Macedonia, the National Bank of the Republic of Macedonia, municipalities and the City of Skopje, joint stock companies, limited partnerships by shares or any other domestic or foreign legal entities (hereinafter: the issuer) in accordance to this or other law.

Dematerialized Securities

Article 4

Securities may be issued in a dematerialized form only.

Obligations of Issuers

Article 5

An issuer of a security shall comply with all obligations emerging from such securities, as defined by this or other law.

Nominal Value and Currency of Securities

Article 6

- (1) Securities shall be clearly denominated with their nominal value.
- (2) Securities shall be denominated in Denars or in a foreign currency.
- (3) Trade Transactions with Securities within the territory of the Republic of Macedonia shall be conducted in Denars.
- (4) The issuance of securities without a nominal value shall be prohibited.
- (5) Securities issued without nominal value shall be null.

Act of issuance for Securities

Article 7

(1) With respect to each issuance of securities, the issuer thereof shall prepare an act of issuance which depending on the type of securities shall contain the following information:

- name of issuer;
- type of security;
- purpose for which securities are issued;
- type and class of shares;
- name of guarantor;
- series of security;
- aggregate value of securities offered;
- nominal value of the security;
- voting rights;
- manner of payment of dividend;
- interest rate, method of calculation and payment thereof;
- the amount of basic capital of the issuer and the percentage of participation of the issue of bonds in the issuer's fixed capital;
- convertibility features;
- sources of funds from which securities shall be repaid;
- method and time of security subscription;
- quantity and denomination of securities;
- method and deadline for payment of subscribed securities;
- pre-emption rights and priority of execution of such rights with respect to multiple series of shares;
- manner of announcing securities issuance;
- securities allocation procedure;
- rights attaching to preferred shares;
- identity of known buyers if the issuance is a private offering; and
- sales price of securities.

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

Value of Issuances of Securities

Article 8

(1) An issuer that is a joint stock company or limited partnership by shares may issue any amount of new Shares, as authorized by the issuer's Statute.

(2) The total nominal value of a single issuance of Bonds or Commercial Bills, which are not guaranteed by a bank or the Republic of Macedonia, shall not exceed the amount of the issuer's basic capital.

(3) If an issuance of Bonds or Commercial Bills is guaranteed by a bank, or the Republic of Macedonia, the highest value of the issuance shall not exceed the amount of the basic capital and the amount of the issued guarantee.

Approval for Issuance of Securities

Article 9

(1) The issuance of the securities in the Primary Market including treasury shares shall be carried out only upon approval granted by the Commission except in cases from the Article 26 and 29 of this Law.

(2) The issuance of Securities in the Primary Market including Treasury shares may be carried out through a Public Offer and Private Offering.

Option and Futures Contract and other Derivative Financial Instruments

Article 10

The manner and procedure of issuance, offer and sale of Options and Futures Contracts and other derivative financial instruments on the Primary Market, trade transactions in these derivative financial instruments in the Secondary Market and the clearance and settlement of trade transactions in these instruments shall be prescribed in more details by the Commission.

Depository Receipt

Article 11

(1) "Depository receipt issued, offered and sold in the Republic of Macedonia presents a proof of ownership of one or more ordinary shares, preferential shares or debt securities issued abroad, listed on Stock Exchange or traded on another regulated market in the countries of OECD or the European Union, or debt securities issued or guaranteed

by the governments of the countries of the OECD or European Union or the Central Bank from any of those countries..

(2) The issuer of depositary receipt can be a bank that has obtained permission of the National Bank of the Republic of Macedonia for sale, supply and guarantee an issuance of securities and permit the Commission to perform all the services stated in Article 94 of this Law.

(3) The issuer of depositary receipt can be a brokerage house with permission by the Commission to perform all services provided in Article 94 of this Law

(4) For issuance of depositary receipt the following conditions needs to be fulfilled:

- Foreign securities, for which depositary receipt are issued in the Republic of Macedonia should be issued in dematerialized form and be registered in official Depository of Securities in the home country of the issuer,

- The issuer of the receipt for foreign securities must have an account of securities in the Depository of Securities in the home country of the issuer of foreign securities, on which the ownership right of foreign securities for which a depositary receipt is issued in Republic of Macedonia is recorded and

- The issuer of the depositary receipt for foreign securities to ensure that on his account of securities from line 2 of this paragraph, the restrictions for disposal of securities for which the depositary receipt is issued in the Republic of Macedonia will be written

(5) The act for issuance of depositary receipt defines that the income acquired for the securities under paragraph (1) of this Article, whether in the form of interest, dividend or any other form shall be distributed to the holder of the depositary receipt and may not be reinvested in the security on the grounds of which the depositary receipt was issued.

(6) The act for issuance depositary receipt specifically defines that the income acquired in course of maturity of debt securities under paragraph (5) of this Article or other securities that have a maturity deadline, shall be distributed to the holder of the depositary receipt and may not be reinvested in the security on the grounds of which the depositary receipt was issued.

(7) The depositary receipt shall contain the words “depositary receipt” in its name.

(8) Provisions of this Law that apply to issuance, purchasing, sale, non-trade transfer, the reporting requirements of the issuer and the Commission authority with regard to other securities, shall equally apply to depositary receipts.

2. Public Offerings

Requirement for Approval for Public Offerings of Securities

Article 12

The issuance, offer and sale of securities shall be carried out upon approval granted by the Commission to the request for issuance of securities through public offer.

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

Article 13

(1) The issuer shall submit a Request for Approval to the Commission in order to issue Securities through the process of public offer.

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

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

(3) The Commission shall prescribe the contents of the Request for Approval for issuance of Securities, per types of issuers and per types of Securities, through the process of public offer.

Documents Submitted with the Request for Approval

Article 14

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

- a) Statute of the company;
- b) Trade registration;
- c) Financial Statements for the previous three years compiled in accordance with the International Financial Reporting Standards;
- d) Report of a certified auditor for the previous three years conforming to International Standards of Auditing;
- e) Act for issuing Securities;
- f) A statement of the management, appointing a person who is designated by the issuer as the one who is responsible for the contents of the Prospectus and who assures that:
 - the issuance is in compliance with this Law and the act of issuance;
 - the data and information contained in the Request for Approval are true and correct; and
 - the data and information contained in the Prospectus are true and correct and the Prospectus does not omit any Price Sensitive Information, except omissions approved by the Commission;
- g) A proposed Prospectus and invitation to subscribe and pay for the Securities and other information for purchasers;
- h) Other documents that the Commission further requires.

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

- a) Value of the previous approved and realized sales; and

- b) Type and quantity of the previously issued securities, with a description of the rights deriving from them and their nominal value.
- c) Other information related to the issued securities according to regulations issued by the Commission

(3) The fees for reviewing and approving the Request for Approval for Issue of Securities shall be paid by the issuer in compliance with the Commission's Tariff referred to in Article 227, paragraph (4) of this Law.

(4) The Prospectus referred to in paragraph (1) item g) of this Article is prepared by the issuer of the securities or entity referred to in Article 95 paragraph (1) of this Law that deals with services in securities, and which has received approval to perform all services on securities from Article 94 of this Law

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

Non-Disclosure of Price-Sensitive Information

Article 15

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

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

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

Decisions on Requests for Approval

Article 16

(1) The Commission shall, based on the entire documentation, issue a formal decision to approve or reject a Request for Approval of Issue of Securities by way of public offer not later than sixty (60) calendar days following the day of submission of the Request.

(2) Based on the information and documentation submitted pursuant to Articles 13 and 14 of this Law, the Commission shall decide whether to approve or reject the Request for Approval.

(3) The Commission shall reject the Request for Approval if it finds out that the Prospectus:

(a) fails to comply in any substantial respect with this Law or the regulations deriving under this Law;

(b) contains any promise, statement, estimate or forecast that is misleading, false or deceptive; and

(c) contains a misrepresentation or omits important information.

(4) If the Commission issues an approval for issuance of securities, the Prospectus submitted pursuant to Article 14 paragraph (1) Item (g) of this Article shall be deemed approved.

Commencement of Procedure for Subscription and Payment in of Securities

Article 17

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

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

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

Publishing of Invitation for Subscription and Payment in and Prospectus

Article 18

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

(2) The invitation from paragraph 1 of this Article may also be published in a daily newspaper published on the territory of the Republic of Macedonia in one of the

languages of the ethnic communities which are not majority in the Republic of Macedonia.

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

(4) The Prospectus shall be made available to all interested parties in the premises of the issuer and in all locations at which the applicable Securities may be subscribed for and paid.

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

Change in Circumstances during Public Offer

Article 19

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

(2) Should, during the course of a public offering, any Price Sensitive Information in the Prospectus cease to be true and accurate or should new information become available which would be important to an investor's purchase decision in the course of the public offering, the issuer shall immediately terminate the public offer of the Securities; notify the Commission and the public; and seek the Commission's approval to undertake appropriate amendments of the Prospectus within 3 business days from the date when the public offer was cancelled. Such amendments must be made public within three (3) business days upon receiving approval from the Commission. The issuer shall deliver an updated Prospectus to all persons who previously subscribed to Securities during the offer, along with a notice to the subscribers of their right of waiver pursuant to paragraph (3) of this Article.

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

Advertising of Public Offer

Article 20

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

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

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

Subscription Procedure

Article 21

(1) Subscription for publicly offered Securities shall be carried out through official Stock Exchange that concluded a contract with the issuer.

(2) Licensed securities market participants shall ensure that the subscription for Securities complies with this Law, act for issuing of Securities and the Prospectus

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

(4) Any amounts paid by an investor during a subscription period shall not be considered part of the bankruptcy estate of the issuer in the event that the issuer becomes insolvent or is subject to bankruptcy proceedings at any time prior to the successful close of an offer in accordance with Article 23 of this Law.

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

(6) The Commission shall prescribe the manner and procedure for subscription of Securities.

Public Offer Realization Deadline

Article 22

The public offer of Securities shall be conducted no longer than twelve (12) months after the day stipulated in the Prospectus for the commencement of subscribing and paying in of the Securities.

Closing of a Public Offer

Article 23

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

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

(3) The issuer may close the offer within the deadline set forth in Article 22 of this Law, provided that more than 60% of the offered Securities or more than the threshold stipulated by the issuer in the Prospectus have been subscribed and paid for. In this event the issuer shall notify the Commission and the public at least 15 (fifteen) days prior to the closing date. The issuer may not close an offering prior to the date that the issuer has set as a date for closing the public offer.

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

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

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

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

Reporting on the Outcome of the Public Offer

Article 24

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

(2) The Commission shall prescribe the required content of the notification of the subscribed and paid Securities (i.e., the realization percentage.)

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

(4) In case the issuer is to provide consent of another entity on the registration of Securities sold, the notification to the Commission under paragraph (1) of this Article shall be submitted following the provision of such consent.

Offer for Sale of Treasury Shares

Article 25

- (1) A joint stock company and limited partnership by shares intending to offer for sale Treasury Shares shall notify the Commission and submit the decision on resale of treasury shares.
- (2) All offers for sales of Treasury Shares shall be considered as Public Offer, unless the offer qualifies as an exemption to granting approval in accordance to Article 26 or private offering in accordance to Article 27 of this Law.
- (3) During the sale of Treasury Shares, the provisions of this Law that refer to issue of securities shall apply.

3. Exemptions from Granting Approval for Issue of Securities

Offer in Amount Lower than 25,000 Euros in Denar Counter Value

Article 26

- (1) Commission's approval shall not be required for any issuance of Securities by way of public or private offer where the value of the sale does not exceed 25,000 Euros in denar counter value.
- (2) An issuer of Securities referred to in paragraph (1) of this Article shall notify the Commission of such offer and submit to the Commission an act of issuance with respect to the Securities, as well as provide a public announcement regarding this offer.
- (3) An issuer may make an issuance of Securities without Commission's approval pursuant to paragraph (1) of this Article no more than once every two (2) calendar years.
- (4) The Commission shall prescribe the contents of the notification referred to in paragraph (2) of this Article.

4. Private Offer

Procedure for Realization of Private Offer

Article 27

- (1) In the event of a Private Offer, the issuer shall submit to the Commission its request for approval of private offer, an act of issuance of securities and a proposed announcement to the public for issue of the Private Offer.
- (2) The Commission shall issue a decision for approving or denying the application for a Private Offer within fifteen (15) calendar days from the date of submission of the request for approval referred to in paragraph (1) of this Article.

(3) On the basis of the information and documentation under paragraph (1) of this Article, the Commission shall decide whether to approve or deny the request for approval of the private offer.

(4) Securities subject to the private offer shall be paid in within fifteen (15) calendar days from the date when the decision under paragraph (2) of this article becomes final.

(5) The issuer shall, at the latest within 5 business days upon conclusion of the private offer, inform the Commission and the public regarding the quantity of subscribed and paid in securities, i.e. the percentage of realization of the issue.

(6) The procedure for realization of the private offer pursuant to this Law shall also apply in cases of increase of basic capital of company's assets in the form of new shares, regardless of the number of shareholders who acquire new shares.

(7) The issuer may make a private offer of securities pursuant to the provisions of this law under the same condition only once during one calendar year.

(8) The fees for review and approval of the request for approval shall be paid by the issuer pursuant to the Commission's Tariff of article 227 paragraph (4) of this Law.

(9) The Commission shall prescribe the form and contents of the request for approval of private offer, of the announcement under paragraph (4) and of the notification under paragraph (5) of this Article.

Change of Purchasers in Private Offer

Article 28

(1) If the identity of any of the named purchasers is changed in the course of a Private Offer, the issuer shall seek the Commission's approval on the change.

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

(4) The Commission may nullify any Private Offer, which results in a sale of Securities to a purchaser not identified in the issuer's act of issuance.

5. Exemptions for Which No Approval from the Commission is required

Article 29

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

- (a) securities issued or guaranteed by the Republic of Macedonia;
- (b) securities issued by the National Bank of the Republic of Macedonia;
- (c) securities issued upon a transformation procedure of one form of a legal entity into a joint stock company or limited partnership by shares, provided that the amount of the

basic capital of the entity remains unchanged and all holders receive their pro rata amount of newly-issued Shares;

(d) securities issued upon the simultaneous founding of a joint stock company or limited partnership by shares.

(e) certificates of deposit not issued as serial securities;

(f) stock splits in certain proportion where the basic capital remain unchanged.

III. SECURITIES DEPOSITORY, REGISTRATION OF SECURITIES, EXECUTION OF NON-TRADE TRANSFERS AND SETTLEMENT OF TRADE TRANSACTIONS

1. Securities Depository

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

Article 30

(1) A securities depository (hereinafter, “Depository”) shall be established for registration of Securities, execution of Non-Trade Transfers and for settlement of Trade Transactions in the Republic of Macedonia.

(2) The Depository shall function as a self-regulatory organization.

Ownership Rights of Securities

Article 31

(1) Ownership rights of Securities are created upon subscribing the Security into the owner’s account with the Depository and they are transferred by subscribing them into the account of the new owner with the Depository.

(2) Rights conferred by Securities may be obtained, limited or transferred only by means of appropriate subscription in the securities accounts of the Depository, unless otherwise provided by law.

(3) All data recorded at the Depository pertaining to the ownership of Securities shall be deemed to be true and accurate.

(4) An excerpt of the statement of balance of a securities account provided by a Depository to an owner of Securities pursuant to paragraph (2) or (3) of Article 67 of this Law shall be considered as proof of ownership rights of such Securities as of the date and time such statement was issued.

Depository Functions

Article 32

(1) The functions of the Depository shall be:

- (a) registration of issuances and transfers of all Securities issued in the Republic of Macedonia in electronic form (keeping a Register of Securities);
 - (b) issuance of international securities identification number (“ISIN”) for all issued Securities;
 - (c) registration of the owners of Securities;
 - (d) settlement of Trade Transactions according to the “delivery versus payment” principle;
 - (e) execution of Non-Trade Transfers
 - (f) facilitation of the borrowing and lending of Securities;
 - (g) monitoring the solvency of its members for the purposes of risk management in cases of non-settlement of trade transaction;
 - (h) providing additional services to issuers of Securities;
- (2) The Depository may also render the following additional services on behalf of issuers of Securities:
- (a) submission of an updated list of all current owners of such issuer’s Securities;
 - (b) other services related to issued Securities such as calculation and payment of dividend and/or interest, notifications to shareholders of shareholder assemblies etc.

License to Establish a Depository

Article 33

- (1) A legal entity may not conduct the functions in Article 32, paragraph (1) of this Law without obtaining a license from the Commission for establishment of a depository in accordance with Article 43 of this Law.
- (2) No legal entity may register in the Trade Companies Register under the name “securities depository”, nor may it operate using the name “securities depository” unless it has obtained a license for establishment and operation as a Depository.

Establishment of a Depository

Article 34

- (1) A Depository shall be founded as a joint stock company with a registered office in the Republic of Macedonia in accordance with the Law on Trade Companies and this Law.
- (2) A Depository may be founded by brokerage houses, banks, insurance companies or fund management companies.
- (3) A Depository must possess and maintain at all times a Minimum Basic Capital in the amount of at least 500,000 Euros (in Denar counter value calculated according to the average exchange rate of the NBRM), commencing on the date of receipt of a license to establish and operate as a depository.
- (4) The Commission shall more closely prescribe the required structure and the manner of calculation of the Minimum Basic Capital for a Depository.

Ownership Rights in a Depository

Article 35

- (1) Shareholders in Depository may be only brokerage houses, banks, insurance companies or fund management companies.
- (2) Legal entities referred to in paragraph (1) of this Article and their affiliated persons may acquire qualified holding of shares only in one depository.
- (3) Investment in the equity capital of the Depository may be returned to the shareholders in the Depository on a proportional basis only in a case of a permanent cessation of operation of the depository and after previously settlement of all obligations of the Depository.
- (4) Owners of the Depository shares may sell their shares only to persons referred to in paragraph (1) of this Article.

Board of Directors of Depository

Article 36

- (1) A member of the Board of Directors or Supervisory and Management Board, as the case may be, of a Depository, may be each person that has a higher education and experience in the field of finance and business law for at least three (3) years. However, this person may not be:
 - (c) a person against whom a security measure - prohibition to perform a profession, activity or duty has been enforced.In case of deleting the verdict under items a) and b) of this paragraph, provisions of the Criminal Code shall respectively apply.
- (2) In the case of a Depository with a two-tier management structure, at least 1/3 of the members Management Board and Supervisory Board shall be individuals who are not employed by or otherwise affiliated with the Depository, any shareholder or member of the Depository or other legal entity which is a Licensed Securities Market Participant.
- (3) In the case of a Depository with a one-tier management structure, at least 1/3 of the members of Board of Directors shall be individuals who are not employed by or otherwise affiliated with the Depository, any shareholder or member of the Depository, or any legal entity that is a Licensed Securities Market Participant.

Statute of Depository

Article 37

A Depository Statute, in addition to issues determined in the Law on Trade Companies, shall determine the following:

- (a) conditions for acquiring a membership in the Depository and their rights and duties;
- (b) conditions, criteria and documentation for admission of individual members in the Depository and their rights and duties;

- (c) reasons for denying certain Depository members the right to participate in Depository operations;
- (d) basic principles of operation of the Depository;
- (e) method of audit conducted by the Depository itself over operations carried out by the Depository and its members;
- (f) the method of resolution of disputes between members of the Depository, clients and members;
- (g) the method of prevention of abuse of information not accessible to all members of the Depository;
- (h) the method of prevention of abuse and failure to settle Trade Transactions.
- (i) the method of organizing information systems; and
- (j) other issues important for the operation of the Depository.

Members of a Depository

Article 38

- (1) Only Licensed Securities Market Participants that are registered in the Trade Companies Register may be members of a Depository.
- (2) A member of the Depository may not be required to become a shareholder of the Depository.
- (3) A Depository shall adopt Membership Rules that closely determine membership criteria and duties and rights of members of the Depository in accordance to this Law and the Statute of the Depository
- (4) A Depository shall be obliged to allow any entity meeting the conditions laid down in its Membership Rules to become a member of the Depository.
- (5) The Depository's Membership Rules shall require that a Depository member shall:
 - (a) be licensed by the Commission for performing services with respect to Securities;
 - (b) be adequately equipped in terms of organization and technical equipment; and
 - (c) satisfy any other criteria as the Commission and the Depository may prescribe;
 - (d) submit copies of the financial reports to the Depository as filed to the Commission pursuant to this Law.
- (6) The Depository's Membership Rules shall require that an entity applying for membership shall submit the following:
 - (a) application in writing in the form and contents as determined by the Depository;
 - (b) a copy of its Statute;
 - (c) a copy of its license for performing services related to Securities as issued by the Commission; and
 - (d) any additional information as the Depository may require under its membership rules.

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

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

Operating Rules of Depository

Article 39

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

- (a) the manner of maintaining the register of Securities;
- (b) the manner and procedure for settlement of Trade Transaction;
- (c) the manner and procedure for execution of Non-Trade Transfers;
- (d) the manner of maintaining the accounts of Securities owners; and
- (e) the means of protecting against errors in operation of the Depository.

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

Tariff of a Depository

Article 40

All users of services of a Depository shall pay fees in accordance with a tariff adopted by the Depository.

Self-Regulatory Organization

Article 41

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

(2) The Depository's Conduct and Disciplinary Rules shall grant authority to the Depository's General Director to take measures and/or temporarily or permanently revoke a member's right to participate in the operation of the Depository if the member fails to comply with the rules of the Depository or fails to fulfill liabilities under executed transactions with respect to Securities.

(3) A member of the Depository shall have the right to an appeal in compliance with this Law, particularly for the following:

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

Dispute Resolution among Members

Article 42

- (1) A licensed securities Depository shall adopt Arbitration Rules designed to closely resolve disputes between members and between members and their clients in a fair, efficient and trustworthy manner.
- (2) All disputes between members of the Depository shall be resolved through arbitration. Disputes between members and their clients shall be resolved through arbitration upon request of the client.
- (3) A Depository may develop Arbitration Rules in cooperation with other depositories and/or stock exchanges and may jointly apply the same.
- (4) The Commission shall approve the Arbitration Rules referred to in paragraph (3) of this Article.

License for Establishing a Depository

Article 43

- (1) Founders of a depository submitting an application to the Commission for a license for establishing a securities depository shall submit the following:
 - (a) a written application, in the form and contents as determined by the Commission;
 - (b) a copy of the proposed Operating Rules, Membership Rules, Conduct and Disciplinary Rules and Arbitration Rules;
 - (c) draft Statute; and
 - (d) business plan for the establishment and operation of the Depository which shall include, without limitation:
 - proof that the Depository has adequate infrastructure and computer systems to maintain a register of Securities in a manner that fully protects the interest of securities holders and issuers;
 - proof that the Depository has sufficient equipment and capability for quick and accurate settlement of Trade Transactions and execution of Non – trade Transfers; and
 - proof that the Depository is adequately equipped in terms of staff, technology and organization to perform the functions of a securities depository in compliance with this Law.
- (2) The Commission shall decide upon Depository's license application within ninety (90) calendar days from the date of submission of the application to the Commission. The
- (3) The Commission shall grant a license to establish a depository if it finds that:
 - (a) the Membership Rules provide for open and equal access to all licensed securities market participants who meet the requirements form the Rules for Membership;
 - (b) the Operating Rules provide for a high degree of:
 - effective keeping of registry of securities;
 - smooth settlement of Trade Transactions;

- open and equal treatment of all members;
 - honesty in business dealings;
 - protection of confidential information; and
 - dissemination of required information.
- (c) the Conduct and Disciplinary Rules are adequate to provide for full and fair enforcement of the Depository's rules, this Law and the regulations adopted hereunder;
- (d) the Arbitration Rules provide efficient, fair and timely dispute resolution;
- (e) the Depository is capable of performing all required operations in terms of staff, technical equipment and organization;
- (f) the Depository has at least three employees with a license for operating with securities;
- (g) the Depository has adequate information, computer and communication system to perform registration of securities, settlement of Trade Transactions and execution of Non-Trade Transfers; and
- (h) the Depository shall have organizational departments to provide efficient and uniform performance of Depository functions.
- (4) The Commission shall issue a decision for refusal of the application for issuing license for establishing a Depository if it finds that the conditions under paragraph 3 of the Article are not satisfied.
- (6) The Commission shall prescribe the manner and procedure for obtaining a license for establishing a Depository.

Liability of Depository

Article 44

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

Prohibited Acts

Article 45

- (1) A Depository may not purchase or otherwise acquire or possess any Security for its own account if it registers such Securities in its own system.
- (2) As an exception to paragraph 1 of this Article, the Depository may purchase or otherwise acquire or possess government securities and own Treasury Shares.
- (3) No full-time employee of a Depository may be a member of the Supervisory Board and the Management Board or Board of Directors of a shareholder or member of the Depository and may not perform any services for them or activities on their behalf, outside the scope of his/her responsibilities as a Depository employee.

Acts Subject to Commission's Approval

Article 46

- (1) A Depository shall request approval from the Commission for the following:
- (a) Statute and any amendments and supplements thereto;
 - (b) adoption of its Membership Rules, Operating Rules, Arbitration Rules and Conduct and Disciplinary Rules and any amendments thereto;
 - (c) Tariff book and any amendments thereto; or
 - (d) Adoption of acts concerning the different manners of connecting or merging with other Depositories.
- (2) For the acts under paragraph (1) items a), b) and c) of this article, the Commission shall give approval within 30 calendar days from the date of submission of the request to the Commission, and for the acts referred to in paragraph (1) item d) of this Article within 60 calendar days from the date of submission of the request to the Commission.
- (3) For the purpose of protection of investors or securing fair and proper registration of securities, clearing and settlement of the trade transactions and execution of non trade transfers with Securities, the Commission may direct the Depository to introduce amendments or adopt new acts or Rules related to the work and operations of the Depository.

Appointment of a Depository Director

Article 47

- (1) The appointment of a Director of a Depository shall be approved by the Commission.
- (2) Along with the request for consent for appointment of a Depository Director, the following documents shall be submitted:
- (a) short biography of the proposed Director;
 - (b) resolution of the Depository's authorizing body appointing the proposed Director;
 - (c) certificate of educational background in the area of economics, finance or business law;
 - (d) a copy of the license for operating with securities issued by the Commission; and
 - (e) draft program for the business and development policy of the Depository for the following two (2) years.
- (3) The Commission shall approve the appointment of the Director within sixty (60) calendar days from the date of reception of the request referred in paragraph (2) of this Article unless it finds that the proposed Director:
- (a) is subject to a security measure that prohibits him/her to perform his/her profession, activity or duty;
 - (b) is sentenced to imprisonment:
 - from the period of effectiveness of the verdict till the day of servicing the sentence and 5 years from the day when he/she serviced the sentence, in the case of conviction up to 3-year imprisonment
- In a case of deleting the conviction referred to in the item b) of this paragraph, provisions of the Criminal Code shall apply.

(c) does not possess a license to operate with Securities issued by the Commission;
(e) provided false information in the documents submitted in accordance with paragraph (2) of this Article.

(4) The Commission shall provide a reasonable written explanation in case of not issuing an approval to the candidate proposed for a Director of a Depository.

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

Representation of the Depository

Article 47-a

(1) The Director of the Depository represents and presents the Depository in relations with third parties.

(2) The Director of Depository could not transfer the right of representation of the Depository to third persons.

Data Storage and Safekeeping

Article 48

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

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

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

(4) A Depository may establish more detailed manners and techniques for protecting the computer system and data contained therein.

Obligation to keep confidential business secret

Article 48-a

(1) The Depository shall keep as confidential the data and information's for the legal entity or natural person obtained during its operation in accordance with the Law.

(2) Notwithstanding paragraph (1) from this Article, the Depository is obliged to submit data and information that referred to in paragraph (1) from this article only at the request of an authority according to the Law.

Registration of Securities

Article 49

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

- (2) All Securities shall be registered in the name of the owner of such Security.
- (3) An issuer shall submit the securities for registration in the Depository within three (3) business day after registration of the basic capital in the Trade Register.
- (4) Securities issued by an issuer shall be registered in one depository only.
- (5) The issuer may not dispose with the assets deposited on the special account by the day the securities are registered in the depository.
- (6) As an exception of paragraph (1) of this Article, the National Bank Bills are registered in the National Bank of the Republic of Macedonia.

Accuracy of Data Maintained by the Depository

Article 50

- (1) An issuer of Securities shall be responsible for the submission of accurate information regarding the Securities to be registered with the Depository.
- (2) After a Security is registered, a Depository maintains responsibility at all times for the accuracy of data pertaining to that Security.

Contents of Electronic Records

Article 51

The electronic records shall include at minimum the following data:

1. Name, registered office and unique identification number of the issuer;
2. Issuance date;
3. Type of Security (e.g., Shares, Bonds, NBRM Bills);
4. Type and class of Shares (e.g., preferred or common);
5. Identity of owners of Securities (for domestic natural persons: name, address and unique ID number of the citizen; for foreign individuals: name, citizenship and passport number; for all legal entities: name, address and registered office of such entity and unique identification number of the issuer issued by the Central Register of the Republic of Macedonia);
6. Quantity of Securities of the owner ;
7. Nominal value of the Securities ;
8. In the case of Bonds, Certificates of Deposit, NBRM Bills, Treasury Bills and Commercial Bills:
 - a. the amount of the interest rate;
 - b. method of interest calculation;
 - c. payment dates; and
 - d. maturity date;
9. In the case of preferred Shares, preferences as to

- a. dividends;
 - b. voting right and/or
 - c. liquidation proceeds; and
10. Date of registration of the Security in the Depository.

Accounts of Securities

Article 52

- (1) The owner of the securities opens accounts of securities in the Depository.
- (2) On the accounts of securities that are maintained in the Depository are conducted the conditions, classes, types and volume of securities, the rights of property and holders of the ownership rights on securities, limitation of the ownership right or changes in the ownership rights on securities;
- (3) Limitations of the ownership rights and changes in the ownership rights, may be derived only from the act of issuing, court decision, decision from NBRM, an act from the Securities and Exchange Commission, an act from the Public Revenue Office and other legal authority according to the Law.

Personal securities accounts

Article 52-a

- (1) The Account of securities is on the name of one person as owner of the securities and presents the whole condition of these securities, in ownership of that person (hereinafter: personal securities account)
- (2) Every owner of securities must not possess more than one account of securities in the same Depository,
- (3) The members of the Depository have one account for their own securities in the Depository and other accounts for realization and settlement of the transactions of clients.

Other accounts of securities

Article 52-b

- (1) Notwithstanding Article 52-a from this Law, in the Depository can be opened an account of securities that referred to an authorized member of securities market or on other person, who opens an account in his own name and on behalf of a third person, and that as:
 - Proxy account
 - Portfolio account
 - Custodian account
 - Omnibus account.
- (2) The proxy account of securities is opened in the Depository on the basis of regulations that regulate the issue of legal representative or on the basis of a certified Power of Attorney with which the owner of securities, shall entrust the management and disposal of its securities and fulfilling the rights of those securities, to a third person - as representative.
- (3) The portfolio account of securities is opened on the basis of the contract for managing with portfolio of securities, which is on the name of the participant in the securities market that provides services with securities specified in Article 94 point c) of

this Act and on which account the securities that are managed by the authorized participant on behalf of the investor are registered - as giver of the order

(4)The custodian account of securities is opened on the basis of an agreement for keeping securities, on the name of an authorized participant in securities market that provides services with securities according to the article 94 item i) from this Law and in the name of the Bank- custodian of the asset of the pension and investment funds and on which account are registered the securities on behalf of third person or persons- clients.

(5)The omnibus account of securities is on the name of the authorized participant in the securities market and/or the Bank - custodian of the asset of pension and investment funds, and on the behalf of individual client non-resident or several clients' non-residents. The authorized participant on securities market and the bank - custodian of the asset of the pension and the investment funds are obliged to keep separate records for the condition of the securities for each client and at the request of the Commission to submit full data for all clients and the amount of securities in their property.

Authorization of the Depositary of securities

Article 52-c

The manner of opening and managing the accounts of securities by article 52-a and 52-b are describe by the Depositary with its Operating Rules

Contents of Securities Account

Article 53

Each Securities account shall contain the following elements:

- (a) type of Securities;
- (b) issuer of Securities;
- (c) quantity of Security;
- (d) the owner's rights reflected in each Security;
- (e) identity of owners of securities (for domestic natural persons: name, address and unique ID number; for foreign natural persons: name, citizenship and passport number; for all legal entities: name, address and registered office the entity);
- (f) any restrictions on securities ownership rights or changes in securities ownership rights;
- (g) other data pertaining to the rights conferred by the Securities

3. Non-Trade Transfers

Permitted Non-Trade Transfers

Article 54

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

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

Performing Non-Trade Transfers

Article 55

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

(2) A Depository may in more details prescribe the execution of the non-trade transfers in its Operating Rules.

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

Non-Trade Transfers by Gift

Article 56

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

Non – Trade Transfers by Pledge Agreement Execution

Article 58

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

Non-Trade Transfers Pursuant to Inheritance

Article 59

Acquisition and termination of ownership rights of a Security on the basis of inheritance shall be conducted upon a final court decision.

Non- Trade Transfers Pursuant to Court Decision

Article 60

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

Recordkeeping of Non-Trade Transfers

Article 61

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

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

4. Clearance and Settlement of Trade Transactions

Settlement of Trade Transactions Made in the Depository

Article 62

(1) Settlement of all Trade Transactions in Securities shall be carried out in the Depository.

(2) A Depository may perform settlement of Trade Transactions that occur on licensed stock exchanges and markets for Short-term Securities regulated by the National Bank of the Republic of Macedonia.

(3) Provisions under paragraph (1) of this Article shall not apply to settlement of NBRM Bills.

(4) Upon settlement of trade transactions, the transfer monies and transfer of securities arising from the trade transaction shall be considered final and irrevocable.

Delivery versus Payment Settlement Principle

Article 63

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

Timing of Settlement of Transactions

Article 64

Settlement of trade transactions with securities may be carried out immediately but, in any event, no later than three (3) business days after the transaction date.

Lending of Securities in Trade Transactions

Article 65

- (1) A Depository may register the lending of Securities between individual owners of Securities, upon written consent by the owners of Securities.
- (2) The lending of Securities referred to in paragraph (1) of this Article may take place solely for the purpose of settlement of Trade Transactions.
- (3) The Commission shall in more details prescribe the procedure for lending securities.

Supervision over Fulfillment of Liabilities

Article 66

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

Guarantee Fund

Article 66-a

- (1) The Depository of Securities obligatory forms a guarantee fund.
- (2) The guarantee fund is composed of the mandatory payments of the members of the Depository that use the services of settlement.
- (3) The assets of the guarantee fund shall be used especially for settlement the obligations of the members of the Depository when there is not enough money for a settlement of commercial transactions with securities.
- (4) The Depository with Rules regulates the manner and amount of payments under paragraph (2) of this article and using of assets from the guarantee fund.
- (5) The Commission gives approval for the rules of the paragraph (4) of this Article and their amendments.

5. Depository Reporting and Disclosure Obligations

Notification to Owners of Securities

Article 67

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

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

(3) If a transfer of ownership in Securities occurs in the account of a Security owner, the Depository shall issue a statement of balance to that Security owner within five (5) business days from the date when the change occurred.

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

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

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

Access to Depository Data

Article 68

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

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

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

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

Reporting by Depository to the Commission

Article 69

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

(2) The Depository shall notify the Commission within five (5) business days after recording a transfer of Securities, which results in an owner of Securities holding in the

aggregate greater than 5% of any type and class of Security issued by a Joint Stock Company with Reporting Requirements.

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

Financial Statements

Article 70

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

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

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

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

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

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

Operational Program

Article 71

No later than seven (7) calendar days after adoption of the operational program by the Shareholder Assembly, a Depository shall submit to the Commission an operational program for that year.

IV. TRADING IN SECURITIES

1. Secondary Trading in Securities

Requirement for Secondary Trading on a Licensed Stock exchange

Article 72

(1) All secondary trading in Securities shall be conducted through a stock exchange (hereinafter: stock exchange) licensed by the Commission.

(2) Purchase and sale transactions concluded contrary to paragraph (1) of this Article shall be null.

(3) As an exception to paragraph (1) of this Article, purchasing and selling of short-term securities and government bonds (other than bonds issued for compensation of foreign deposits of the citizens and denationalization bonds) and realization of repo-agreements may be conducted also through the over-the-counter markets organized by the National Bank of the Republic of Macedonia in cooperation with Ministry of Finance.

Exchange Operations

Article 73

In its operation, the stock exchange provides:

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

License to Establish a Stock Exchange

Article 74

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

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

(3) The stock exchange shall report to the Commission any changes regarding the entry of information relating to the stock exchange into the trade register, within five business days following the entry of any such changes into the trade register.

Establishment of a Stock Exchange

Article 75

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

(2) A stock exchange may be founded by legal entities and natural persons, both domestic and foreign.

(3) A stock exchange must have and maintain at all times a Minimum Basic Capital in the amount of at least 500,000 Euros converted in Denars counter value calculated by the average exchange rate of the NBRM, beginning on the date of obtaining a license to establish and operate a stock exchange.

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

Ownership Rights in a Stock Exchange

Article 76

"(1) Legal entity and natural persons and other affiliated with them may acquire a qualified holding of shares in only one Stock Exchange.

(2) Stock Exchange shareholder can sell its shares to any natural persons or legal entity.

(3) Equity in shareholder's capital on the Stock exchange may return to the shareholders in the Stock Exchange in proportional basis only in case of permanent cessation of the operation of the Stock Exchange, after previous settlement of all obligations.

(4) A member of the Stock Exchange is not required necessary to be shareholder in the Stock Exchange.

Board of Directors of a Stock Exchange

Article 77

(1) A member of the Board of Directors or Supervisory and Management Board of the stock exchange may be a person with higher education and with experience of at least three years in the field of finance or business law, but may not be a person:

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

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

(2) In the case of an exchange with a two-tier management structure, at least 1/3 of the members of the Management Board and Supervisory Board shall be individuals who are not employed by the exchange or affiliated with any shareholder, member of the exchange or a legal entity which is Licensed Securities Market Participant.

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

Contents of the Statute

Article 78

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

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

Exchange Members

Article 79

(1) Only Licensed Securities Market Participants that are registered in the Trade Companies Register may be members of a stock exchange.

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

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

(4) The exchange's Membership Rules shall require that a stock exchange member shall be:

- (a) licensed by the Commission for performing services with respect to Securities;
- (b) be adequately equipped in terms of organization and technical equipment;
- (c) a member in any or all licensed securities Depositories as a condition of stock exchange membership; and
- (d) satisfy any other criteria as the Commission and the stock exchange may prescribe.

(5) The Membership Rules of the stock exchange shall require that a company applying for membership shall submit the following:

- (a) application in writing and in such form and with such content as determined by the exchange;
- (b) a copy of its by-laws and;
- (c) a copy of its license for performing services related to Securities as issued by the Commission;
- (d) any additional information as the stock exchange may require under its Membership Rules.

(6) Licensed Securities Market Participants that are denied membership in a stock exchange may appeal the stock exchange's decision to the Commission within fifteen (15) calendar days of receipt of the decision.

(7) All exchange members shall comply with all Rules of the stock exchange.

Listing of Securities

Article 80

(1) The management body of the issuer shall issue a decision for listing of securities on the stock exchange.

(2) Securities are listed upon written request and application of the issuer.

(3) A general precondition for listing of the Securities is that they must be fully paid and with unlimited transferability.

(4) The listing conditions, manner of listing, as well as the procedure for listing of Securities shall be regulated by separate Listing Rules adopted by the stock exchange.

(5) The Listing Rules shall establish disclosure and notification requirements for the listed joint stock companies. These conditions shall not be less detailed or less stringent than disclosure and notification requirements for the Reporting Companies in accordance with this Law.

(6) Securities approved for listing on a stock exchange must have all formal features as set by law, as well as by the approval for their issuance.

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

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

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

Trading Rules

Article 81

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

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

(2) The Trading Rules of a stock exchange must provide for comparison and confirmation of trades and transfer of information to a Depository that will facilitate the clearance and settlement of all trades conducted through the exchange no later than three

(3) business days following the transaction date.

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

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

(4) The Commission shall prescribe additional requirements regarding the permissible trading methods to be employed by any stock exchange pursuant to paragraph (3) of this Article.

Stock Exchange Tariff

Article 81-a

Users and members of the stock exchange shall pay a fee for the services provided by the stock exchange according to a Tariff adopted by the stock exchange.

Self-Regulatory Organization Status

Article 82

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

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

(3) The Exchange member has the right to appeal to the Commission within fifteen (15) calendar days of receipt of:

(a) a disciplinary decision made by the exchange’s Director to the exchange’s Management Board or Board of Directors and

(b) a disciplinary decision made by the exchange’s Management Board or Board of Directors.

Settlement of Disputes among Members

Article 83

(1) A stock exchange shall adopt Arbitration Rules designed to resolve disputes between members and between members and their clients in a fair, efficient and trustworthy manner.

(2) All disputes between members of the exchange shall be obligatorily resolved through arbitration.

Disputes between members and their client shall be resolved through arbitration upon request of the client.

(5) The stock exchange may develop Arbitration Rules in cooperation with other stock exchanges and/or depositories and may jointly apply the same.

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

Data, Records and Information System

Article 84

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

(a) name of issuer and type of Securities traded on the exchange;

- (b) last transaction price, highest price, lowest price and average price of each Security traded;
- (c) volume and value of the Securities traded in the market;
- (d) other information relevant to the operations of the exchange.
- (2) A stock exchange shall protect the computer system and the data contained therein against unauthorized use and against change and loss of the data.
- (3) A stock exchange shall keep in a safe place in the original form the original documentation used for making entries in the data storage media for at least five (5) years.
- (4)The original documentation related to trading activities must be recorded on electronic media.
- (5) Data recorded on electronic media shall be permanently stored.
- (6) The Commission shall in more details prescribe the manner of keeping and maintaining all data regarding the operations of the stock exchange.

Application for License to Establish a Stock Exchange

Article 85

- (1) Person applying for a license to establish and operate a stock exchange shall submit the following:
 - (a) a written application, in the form and contents as determined by the Commission;
 - (b) draft Statute;
 - (c) draft Membership Rules;
 - (d) draft Trading Rules;
 - (e) draft Listing Rules;
 - (f) draft Conduct and Disciplinary Rules;
 - (g) draft Arbitration Rules;
 - (h) a business plan on the establishment and operation of the exchange.
- (2) The Commission shall prescribe the additional information required in a license application for establishment of a stock exchange and the process for issuing a decision regarding the same.

Grant and Denial of License to Establish a Stock exchange

Article 86

- (1) The Commission shall decide upon the application for licenses to establish a stock exchange within ninety (90) calendar days from the date of submission of application to the Commission.
- (2) The Commission shall approve the application for the license to establish an exchange if it finds that:
 - (a) the Membership Rules provide for open and equal access by all qualified applicants;
 - (b) the Trading Rules provide for high degree of:
 - orderly settlement of Trade Transactions with Securities

- open and equal treatment of members;
 - honesty in business dealings;
 - security of confidential clients' information;
 - transparency in trading; and
 - dissemination of pre-trade and post-trade information.
- (c) the Listing Rules are designed to promote full and fair disclosure to the market from listed securities issuers;
- (d) the Conduct and Disciplinary Rules are adequate to provide for full and fair enforcement of the exchange's rules, this Law and the regulations adopted hereunder;
- (e) the Arbitration Rules provide efficient, fair and timely dispute resolution;
- (f) the exchange is capable of performing all required operations in terms of staff, technical equipment and organization;
- (g) the exchange employs at least three licensed brokers;
- (i) the exchange has adequate information, computer and communication systems to perform execution and settlement of Trade Transactions; and
- (j) the exchange has organizational departments to provide efficient and uniform performance of all exchange operations.

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

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

Prohibited Actions

Article 87

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

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

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

Obligation to keep confidential business secret

Article 87-a

(1) The Stock Exchange keeps as confidential all data and the information's for the legal entity or natural person obtained during its operation in accordance with the Law.

(2) Notwithstanding paragraph (1) of this Article, the Stock Exchange is obliged to submit the data and information from paragraph (1) of this Article only at the request of the competent authority authorized by law.

Acts Subject to Commission Approval

Article 88

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

- (a) Statute and any changes and amendments to it;
- (b) adoption of its Membership Rules, Trading Rules, Listing Rules, Arbitration Rules and Conduct and Disciplinary Rules, and any amendments thereto;
- (c) the tariff and its amendments and supplements;
- (d) adoption of forms of connecting or merging with other stock exchanges.

(2) For the acts under paragraph (1) items a), b) and c) of this Article the Commission shall give an approval within 30 calendar days from the date of submission of the request to the Commission, and for association and merger from paragraph (1) item d) of this Article within 60 calendar days from the date of submission of the request to the Commission

(3) For the purpose of investor protection or securing fair and proper trading in Securities, the Commission may direct the stock exchange to introduce changes or adopt new acts or rules related to the work and the operations of the stock exchange.

Approval for the Appointment of a Stock Exchange Director

Article 89

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

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

- (a) short biography or curriculum vitae of the proposed Director;
- (b) resolution of the exchange's authorized body for appointing the proposed Director;
- (c) certificate for educational background of the proposed Director in the field of economics, finance or business law;
- (d) a copy of the license for operating with securities issued by the Commission;
- (e) proposed program for the business and development policy of the stock exchange for the following two years

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

- (a) is subject to a security measure prohibiting performance of a profession, activity or duty;
- (b) is sentenced to imprisonment:

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

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

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

(d) provided false information in the documents that are submitted pursuant to paragraph (2) of this article.

(4) The Commission shall provide a reasonable written explanation in case of rejecting the proposed candidate for a Director of the stock exchange.

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

Representation of Stock Exchange **Article 89-a**

(1) The Director represents and presents the Stock Exchange in relations with third parties.

(2) The Director of the Stock Exchange could not transfer the right of representation of the Stock Exchange to third persons.

Supervision over the Stock Exchange Operations **Article 90**

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

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

(3) The Commission carries out the supervision by reviewing the periodic and annual operational reports, as well as other books and documentation of the stock exchange and its members.

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

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

(b) fulfillment of obligations by the issuer as prescribed by law and the act of issuance of Securities;

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

Reports on Operation of the Stock Exchange

Article 91

- (1) The stock exchange shall submit to the Commission daily, weekly and monthly reports for its working performances.
- (2) The Commission shall prescribe the required contents and deadlines for filing the reports described in paragraph (1) of this Article.

Annual Report

Article 92

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

Operational Program

Article 93

No later than seven (7) calendar days after adoption of the operational program by the Shareholder Assembly, the stock exchange shall submit to the Commission an operational program for that year.

CHAPTER V. MARKET INTERMEDIARIES

1. Provision of Services with Respect to Securities

Types of Services Concerning Securities

Article 94

Services concerning Securities pursuant to this Law shall include the following:

- (a) the purchase and sale of Securities at the order of and for the account of a client;
- (b) the purchase and sale of Securities for its own name and account;
- (c) the portfolio management of Securities at the order and for the account of an individual customer;
- (d) performing transactions and activities for the account of an issuer of Securities necessary for a successful public offering of Securities, without mandatory buyout of unsold securities;
- (e) performing transactions and activities for the account of an issuer of Securities necessary for a successful public offering of Securities, with mandatory buyout of unsold Securities;
- (f) providing listing sponsor activities;
- (g) providing investment counseling;
- (h) performing transactions and activities for the account of third parties necessary for carrying out a takeover of a joint stock company in accordance with the Law on Company Takeovers as amended; and
- (i) keeping securities which includes opening and keeping securities accounts on own name and on behalf of clients in the Depository and opening and keeping securities accounts and managing accounts of securities for its clients who are not owners of these securities, and on behalf of their clients and other services of securities by order of the client (due to the claims of the publishers on due to securities, interest and dividend at the expense of the owners of those securities, notice of meetings of shareholders and presentation of those meetings, payment of tax liabilities of the client on the basis of securities that are his property, etc.).

Legal Entities Performing Operations with Securities

Article 95

(1) Services as set forth in Article 94 may only be performed by:

- (a) a brokerage house which has obtained an operational license from the Commission (hereinafter: brokerage house);
- (b) an authorized bank in accordance with the Law on Banks, which has obtained an operational license from the Commission;
- (c) a subsidiary of a foreign brokerage house which has obtained an operational license from the Commission;

(2) All provisions of this Chapter concerning brokerage houses shall be equally valid for banks, unless otherwise stipulated herein.

(3) A bank shall segregate the services with Securities from other financial services in terms of structure and organization.

Ban on the Provision of Services with Regard to Securities

Article 96

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

2. Establishment and Organization of a Brokerage House

Requirement to Obtain an Operational License

Article 97

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

Establishment of a Brokerage House

Article 98

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

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

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

Basic Capital of the Brokerage House

Article 99

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

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

Personal assets of the brokerage house
Article 100

- (1) The amount of personal assets of the brokerage house at any moment must not be lower than the amount of the capital specified in Article 99 of this law.
- (2) In case the amount of personal assets of the brokerage house in paragraph (1) of this section drops below the minimum amount of the capital in Article 99 of this law, the Commission will order the brokerage house in a certain period to comply with the law.
- (3) The Commission with Regulation will prescribe the categories of personal assets and the way for calculating the amount of personal assets of the brokerage house, depending on the risks that are exposed during the performance of services in Article 94 of this Law.

Consent for Appointment of a Brokerage House Director

Article 101

- (1) The appointment of the Director of a brokerage house must be approved by the Commission.
- (2) Along with the consent requested for appointing a Director of a brokerage house, the following documents must be submitted:
 - (a) short biography or curriculum vitae of the proposed Director;
 - (b) decision of the authorized body for appointing the proposed Director;
 - (c) certificate of educational background of the proposed Director in the areas of economy, finance or business law;
 - (d) copy of the operational license by the Commission.
 - (e) proposed program for the business and development policy of the brokerage house for the following two years.
- (3) The Commission shall approve the appointment of the Director within sixty (60) calendar days from the day of reception of the request referred in the paragraph (2) of this Article unless it finds that the proposed Director:
 - (a) is subject to a security measure – prohibition to perform a profession, activity or duty;
 -In a case of deleting the conviction referred to in the item (b) of the paragraph 3 of this Article, provisions from the Criminal Code shall apply.
 - (d) has submitted any false information in conjunction with the documents provided pursuant to paragraph (2) of this Article.
- (4) The Commission shall provide a reasonable written explanation of any decision not to approve the request for appointment of a Director of a brokerage house.
- (5) The Commission shall prescribe the manner and procedure for the process of appointing the Director of a brokerage house.

Representation of a brokerage house
Article 101-a

- (1) The Director of the brokerage house represents and presents the brokerage house in relations with third parties.
- (2) The Director of the brokerage house could not transfer the right of representation of the brokerage house to third persons.

Subsidiary of a Foreign Brokerage House

Article 102

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

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

(a) a translation and the original of the authorization to perform services with Securities in the country of its domicile and proof that the foreign brokerage house is duly registered in the trade register or in any other register in compliance with the laws of the country of its domicile; and

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

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

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

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

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

Prohibition on Distribution of Profits

Article 103

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

Share Ownership in a Brokerage House

Article 104

- (1) A legal entity or a natural person, including their respective Affiliates, may be a shareholder of only one brokerage house.
- (2) The brokerage house, within eight (8) calendar days from the day of change, is obliged to inform the Commission of any changes in ownership structure for acquisition of over 5% of the shares with voting rights.
- (3) A bank may own Shares of only one brokerage house.

Employees and Board Members

Article 105

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

Application for Operational License for a Brokerage House

Article 106

- (1) A brokerage house may not be entered into the trade register without obtaining an operational license from the Commission.
- (2) An entity applying for a license to operate a brokerage house shall submit the following:
 - (a) the draft Statute;
 - (b) description of the brokerage house's proposed services;
 - (c) information on the founders, including the founders' Securities holdings in other entities;
 - (d) evidence of satisfaction of the basic capital set forth in Article 99;
 - (e) documentation prescribed by the Commission to demonstrate that the brokerage house is sufficiently equipped in terms of staff, technology and an organizational aspect to perform all services for which it is founded;
 - (f) licenses from a competent authority with respect to the founders, in the event that a founder is a bank, savings house or insurance company; and
 - (g) data regarding the person who will oversee the compliance and implementation of the laws and other legal acts, regulations of the self-regulatory organizations and acts of the brokerage house in its operation
 - (h) business plan for establishment and operation of a brokerage house;
- (3) The Commission shall prescribe additional information required in the application for a license to establish a brokerage house.

Approval of the License for Operation of a Brokerage House

Article 107

- (1) The Commission shall decide upon the application for issuing a license for operation of a brokerage house within ninety (90) calendar days following the day of submission of the application to the Commission.
- (2) The Commission's decision to approve a brokerage house operational license shall specify the particular services referred to in Article 94 of this Law for which the license is issued.
- (3) The Commission's decision to approve a brokerage house operational license shall be published in the Official Gazette of the Republic of Macedonia and on the Commission web site within eight (8) calendar days of granting such approval.
- (4) The Commission shall maintain a register of brokerage houses and their subsidiaries.
- (5) The Commission shall prescribe the form, contents and manner for maintaining register of brokerage houses and their subsidiaries.
- (6) A brokerage house is obliged to start operating within six (6) months after receiving the license for operation by the Commission.

Brokerage House Branch Office

Article 108

- (1) A brokerage house may open a branch office anywhere on the territory of the Republic of Macedonia.
- (2) A branch office established in accordance with paragraph (1) of this Article must have at least one employee, who has a license for operation with securities, except in cases when only technical and other supporting activities are performed in the branch office.
- (3) A brokerage house shall inform the Commission prior to opening or closing any branch office.

Membership in Self-Regulatory Organization

Article 109

- (1) A brokerage house shall be a member of at least one self-regulatory organization, mentioned in the Articles 30 and 82 of the Law, licensed by the Commission.
- (2) A brokerage house shall notify the Commission within eight (8) calendar days after becoming a member or before terminating of its membership in a licensed self-regulatory organization.

Request for Termination of License for Operation of a Brokerage House

Article 110

The Commission may terminate a brokerage house license upon request by a brokerage house to terminate its operations only if the brokerage house has met all of its liabilities towards the clients.

Mergers of Brokerage houses

Article 111

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

Authorized Brokers

Article 112

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

(2) A broker must be of legal age and must have successfully passed the examination of expertise necessary for operating with securities.

(3) A broker must have a diploma for completed secondary education of at least four (4) year.

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

Application for Broker License

Article 113

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

(2) The Commission shall decide upon the application under paragraph (1) of this Article within 60 calendar days from the date of submission of the application to the Commission.

(3) The Commission shall grant the broker a license upon determining that the applicant meets the conditions set forth in Article 112 of this Law.

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

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

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

Renewal of Broker License

Article 114

(1) Each broker shall be required to renew the license for operation with securities every five (5) years.

(2) Each broker is obliged within three (3) months before the expiration of the term in the paragraph (1) of this Article to submit an application for renewal of its broker license to the Commission.

(3) The application set forth in paragraph (2) of this Article shall contain documentation required in Article 112 of this Law.

(4) The obligation referred in paragraph (1) of this Article shall apply to the persons employed as brokers in licensed securities market participants.

(5) Commission shall be obliged, upon the request for renewal of broker license, to decide within 30 calendar days from the date of submission of the request to the Commission.

(6) The Commission shall prescribe the procedure for renewing a broker license.

Obligations of a Broker

Article 115

(1) In its work, a licensed broker shall

- (a) strictly follow instructions given by a customer;
- (b) act in a conscientious manner with due professional care based on customer stated investment objectives and customer's financial conditions; and
- (c) strictly respect the rules of any self-regulatory organization of which it is a member,

(2) A broker shall not unnecessarily postpone the execution of a customer's order if market conditions would otherwise allow such execution to take place.

3. Brokerage House Operations Publication of Services and Price List

Article 116

(1) A brokerage house shall be obliged, at premises where its clients are serviced, to provide access to the general conditions of its operation and price list for services with

respect to Securities. The general conditions for operation shall, at a minimum, inform clients as to:

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

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

Protection of Customer's Interests

Article 117

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

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

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

Conflict of Interest

Article 118

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

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

Customer Orders

Article 119

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

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

Acceptance of Clients Order

Article 120

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

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

Keeping the Order Book

Article 121

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

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

(3) The order book shall be kept permanently.

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

Execution of Customer Orders

Article 122

(1) A brokerage house shall be obliged to execute a customer's order as soon as the Securities market conditions for execution of the order are met.

(2) A brokerage house shall execute customer orders to buy and/or sell Securities in accordance with the priority in the order book.

(3) All customer orders must be submitted to competing bids and offers on a licensed stock exchange.

(4) A brokerage house may not buy and/or sell Securities for its own account or for the account of any employees if, as a result of such purchase or sale, it would be unable to execute a customer's order to buy and/or sell or if such an order could only be executed under conditions less favorable for the customer.

Customer's Financial Assets

Article 123

(1) A brokerage house shall keep the funds remitted by clients for payment of Securities or the money received from the sale of a customer's Securities in a separate account which shall be opened for that particular purpose.

(2) A brokerage house shall fully remit the funds in the customer's account earned as a result of the sale of Securities exclusively in favor of the customer account within one (1) business day after the receipt of the proceeds arising from the sale unless otherwise agreed upon by the brokerage house and the customer.

(3) The funds in an individual account set forth in paragraph (1) of this article may only be used in accordance with the customer's instructions.

(4) A brokerage house shall not be permitted to make payments arising from transactions made for its own account from the financial assets of any customer.

(5) A brokerage house shall not be allowed to make use of any customer's financial assets for the account of any other customer.

(6) A customer's financial assets cannot be included in a brokerage house's estate in the event of a liquidation or insolvency and cannot be used for payment of a brokerage house's liabilities.

Notification of Trade Transactions to Clients

Article 124

(1) A brokerage house shall be obliged to provide, to its clients a notification on each transaction entered into regarding a Security no later than two (2) business days after clearance and settlement of such transaction is complete. The submission of the notification shall make in the manner as agreed with the customer:

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

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

Recordkeeping

Article 125

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

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

Obligation to keep confidential business secret Article 125-a

(1) Brokerage house shall keep as confidential, the data and information for the legal entity or natural person obtained during its operation in accordance with the Law.

(2) Notwithstanding paragraph (1) of this Article the brokerage house is obliged to submit data and information's of paragraph (1) of this article only at the request of authority authorized by law.

Customer Contracts Article 126

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

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

- (a) the general conditions of the brokerage house's operation;
- (b) a statement by the customer acknowledging that he/she has been presented with the general conditions of operation prior to executing the agreement and that he/she has had the opportunity to become familiar with the contents of said agreement.

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

(4) A brokerage agreement may not:

- (a) purport to waive any rights the customer may have arising from this Law or the regulations issued hereunder;
- (b) purport to waive any rights the customer may have to pursue judicial remedies in the event of a dispute with the brokerage house;
- (c) allow any type of fee other than the standard commission to compensate the brokerage house for executing a Trade Transaction at a price more favorable to the customer than the terms contained in the customer order.

Maintaining accounts Article 127

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

Advertising by Brokerage Houses

Article 128

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

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

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

Portfolio management by order and on behalf of individual client

Article 129

(1) Portfolio management by order and on behalf of the individual client is management with securities, as well as assets of the clients and their investment in securities, based on prior agreement with individual client.

(2) Agreement under paragraph (1) of this Article shall be concluded in writing and shall include:

- Amount of assets that the customer trusted to the brokerage house;
- The policy of investments of the customer;
- A statement that the client accepts the terms and the risks of involvement in the trading with financial instruments;
- Type, content and frequency of submission of reports on activities carried out by the brokerage house to a client;
- The fees for performing the work of portfolio management by order and on behalf of individual client and method of calculation and
- Opportunity for the customer to terminate the contract concluded with the brokerage house.

(3) The Commission prescribes the securities and the other financial instruments in which the assets of the client can be invested.

Contract with a Client for Keeping Securities

Article 129-a

(1) Prior to the performing service –keeping of securities, the bank or brokerage house is obliged to sign a contract with the client in writing, regulating their common rights and obligations in performance of keeping of securities

(2) The bank or the brokerage house may dispose with the securities that are kept on separate accounts with them only upon an order of the orderer on whose behalf they provide the service of keeping securities.

(3) Securities which on behalf of a client are kept on a separate account in a bank or a brokerage house are in the ownership of the client and shall neither enter into the estate of

the bank or the brokerage house nor liquidation or bankruptcy estate, nor maybe used for settlement of their liabilities.

The bank or the brokerage house shall, upon request of the client, immediately issue him/her a notification on the status of assets on his/her account, at the latest three (3) days from the date of filing the request.

(5) The bank or the brokerage house shall charge the client for providing the service of keeping his/her securities pursuant to the contract referred to in paragraph (1) of this Article.

Brokerage house Liability Article 130

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

Reporting to the Commission Article 131

(1) Brokerage house submits to the Commission a monthly report for the previous month, signed by the director of the brokerage house, which includes calculations of the capital, legislative changes and changes in the ownership structure. In addition to the monthly report, the brokerage house is submitting a statement signed by the director that in the reporting period the basic capital of the brokerage house was in accordance with Article 99 of this law and Regulations derived from this Law.

(2) The brokerage house is obliged immediately to inform the Commission, if it is unable for timely payments of the obligations to the clients.

(3) The brokerage house shall inform the Commission for any changes in the data stated in the request for granting license for work, within eight days from the occurrence of the change.

(4) Brokerage house shall submit an annual report for its work to the Commission no later than May 31 in the current year for the previous year.

(5) The annual report of the brokerage house comprise the financial statements, with situation on the last day of the previous year, confirmed in accordance with international financial reporting standards and audited by the auditor in accordance with international auditing standards.

(6) Brokerage house submits semi-annual non-audited financial reports (balance sheet, income statement, a statement of cash flows and report of changes in capital) to the Commission, 30 calendar days after the period relating to the report at the latest.

(7) Bank as an official participant in the securities market submits to the Commission non-audited annual and semi-annual financial reports for the work and the department dealing with securities in terms laid down in Article 131, paragraph (4) and (6) of this Law.

(8) The Commission with regulation prescribes the content, the form and the manner of submission of the annual and semi-annual reports on financial working of the department

dealing with securities of a bank as authorized participant in the securities market.
(9) A branch office of a foreign brokerage house with license to operate in the Republic of Macedonia, submits an annual report on operations of foreign brokerage house to the Commission, until May 31 in the current year for the previous year
(10) Branch office of a foreign brokerage house with license to operate in the Republic of Macedonia, shall inform immediately the Commission for the lost of the license to provide services in securities in the home country of the foreign brokerage house.
(11) Commission shall prescribe the form and the content of the report under paragraph (1) of this Article.

4. Closure of a Brokerage House
4.1 Liquidation Proceeding
Conditions for Opening Liquidation
Article 132

- (1) The Commission shall issue a decision for satisfying the requirements for opening liquidation if:
- (a) shareholders assembly reaches a decision for closure of the brokerage house;
 - (b) the license for operation with securities has been revoked permanently;
 - (c) the brokerage house did not commence the activities within six months after receiving the license for operation by the Commission.
- (2) The Commission shall reach the decision within eight (8) working days from the:
- (a) the day of receiving the notice by the managing body about shareholders assembly decision on termination of the brokerage house;
 - (b) the day of issuing the decision for revocation of the license;
 - (c) the day of expiration of the deadline for commencement of operation of the brokerage house.
- (3) The Commission shall submit a proposal to a competent court for opening a liquidation proceeding with an attachment of the resolution for satisfying the requirements for opening liquidation.

Liquidation proceeding before the court
Article 133

- (1) The Competent Court of the area where the seat of the brokerage house is located shall be competent for opening and conducting a Liquidation Proceeding.
- (2) The Liquidation Council and the liquidator are the organs of the Competent Court that conducts the liquidation. The Court shall appoint the Liquidation Council which consists of three judges.
- (3) The Liquidation Council shall reach a decision within eight (8) working days of the day of the receiving the proposal for opening liquidation, without a hearing.

(4) The brokerage house shall be entitled to appeal against the decision within eight (8) working days after receiving the decision. The appeal shall not postpone the effectiveness of the decision.

Appointing a Liquidator Article 134

(1) Together with the decision for opening liquidation, the Liquidation Council shall appoint a liquidator of the brokerage house on the proposal of the Commission.

(2) The decision for opening liquidation shall contain the following data:

- the company title, registered office, address, account number and unique identification number of the brokerage house;
- full name and address of the liquidator; and
- the date of opening the liquidation.

(3) With the decision for opening liquidation the creditors shall be called to report their claims to the liquidator within a deadline that may not be longer than 30 days of the day of the last announcement for opening liquidation.

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

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

Contents of the announcement for the opened liquidation Article 135

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

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

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

- 1) name of the court that has brought the decision for opening liquidation;
- 2) excerpt of the decision for opening liquidation;
- 3) company title, registered office, account number and unique identification number of the brokerage house;
- 4) full name and address of the liquidator;
- 5) invitation to the creditors of the brokerage house to report their claims;
- 6) invitation to the debtors of the brokerage house to settle their obligations immediately;

- 7) date of the placing the announcement on the bulletin board at the Competent Court;
and
- 8) date of the hearing when the claims reported by the creditors are to be examined.

Submitting the Decision for Liquidation

Article 136

- (1) The decision for opening liquidation shall be submitted to the Commission, brokerage house, banks and performer of payment operations where the brokerage house has an account and to the Central Register of the Republic of Macedonia.
- (2) The Central Register of the Republic of Macedonia shall register the opening of the liquidation ex officio based on the submitted decision for opening liquidation.
- (3) The decision for opening liquidation shall be placed on the web page of the Central Register of the Republic of Macedonia.

Legal Consequences Arising from Liquidation

Article 137

- (1) Legal consequences arising from the liquidation shall appear on the day the opening of bankruptcy procedure is announced on the bulletin board in the court and on the web page of the Central Register of the Republic of Macedonia.
- (2) The day the legal consequences arising from the liquidation appear all the rights and obligations of the members of the managing organ and the brokerage house's supervisory organ as well as the rights of the Assembly of shareholders shall cease to exist.
- (3) As of the day the legal consequences arising from the liquidation appear the liquidator of the brokerage house shall not be entitled to conclude new contracts with clients.

Balances on Initiation of Liquidation

Article 138

- (1) The liquidator shall prepare balances for initiation of the liquidation with the status which includes period of 30 days before the day the liquidation has been initiated as well as a report explaining the items of the liquidation balances.
- (2) The liquidator shall submit the liquidation balances and the report to the Competent Court and to the Commission within fifteen (15) working days of the day the liquidation has initiated.

Rights and obligations of the Liquidator

Article 139

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

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

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

Allocation of the Assets of the Liquidation Estate

Article 140

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

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

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

Decision to Terminate the Liquidation Proceeding

Article 141

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

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

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

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

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

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

Proposal to Discontinue the Liquidation due to Satisfying the Requirements for Opening Bankruptcy Procedure

Article 142

If during the liquidation, the liquidator determines that:

- (a) the assets of the brokerage house are not sufficient to settle the receivables of the creditors; or
- (b) the assets of the brokerage house may not be cashed to settle the receivables of the creditors, he/she shall notify the Commission immediately and submit a proposal to the Competent Court for opening a bankruptcy procedure.

4.2 Bankruptcy Procedure over the Brokerage House Reasons for Opening a Bankruptcy Procedure

Article 143

A bankruptcy procedure over a brokerage house shall be opened if:

- 1) the Commission determines that the financial situation of the brokerage house has not improved;
- 2) during supervision it has been determined that the assets of the brokerage house are not sufficient to settle all the receivables of the creditors;
- 3) the brokerage house is not able to settle the obligations within forty-five (45) calendar days from the date when they matured, as well as in the event of its over-debit.

Proposal for Opening Bankruptcy Procedure

Article 144

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

Opening a Bankruptcy Procedure

Article 145

- (1) If the Commission submits the proposal for opening a bankruptcy procedure the Competent Court shall issue a decision for opening bankruptcy procedure within eight

days of the receipt of the decision for satisfying the requirements for opening bankruptcy procedure without any prior procedure.

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

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

Application of Provisions of the Bankruptcy Law

Article 146

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

(2) The Bankruptcy judge shall issue all decisions made by the Assembly of creditors and the Council of creditors concerning the selling of the property and cashing of the insolvency estate.

Separation of the Brokerage House's property

Article 147

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

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

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

Investment Advising Companies

Article 148

(1) An investment advising company may provide investment advising services if it employs at least one person with a license for operation of an investment advisor.

(2) The services that are performed by the company from paragraph (1) of this Article are managing the portfolio of securities by order and for the benefit of an individual client and investment advising.

(3) The investment advising company shall obtain license for operation from the Commission.

(4) The investment advising company may not register with the trade register before obtaining a license for operation from the Commission.

(5) The Commission shall prescribe the documentation to be submitted with the application for license for operation of the investment advising company.

(6) The Commission shall decide for granting an operation license to an investment advising company within 90 calendar days from the date of submission of application to the Commission.

(7) The Commission shall publish the decision for granting the license for operation of an investment advising company in the Official Gazette of the Republic of Macedonia within eight (8) days of the day the decision is issued.

(8) The Commission shall maintain an investment advising companies register.

(9) The Commission shall prescribe the form, contents and the manner of maintaining the investment advising companies register.

Basic Capital and Liquid Assets of the Investment Advising Company

Article 149

(1) The investment advising company shall possess and at all times maintain basic capital in amount of Euro 10.000 in denar equivalent, calculated by the middle NBRM rate as of the date of receiving the license from the Commission.

(2) The Commission shall prescribe the mandatory structure and the manner of calculation and the basic capital of the investment advising company.

(3) The investment advising company shall at all times have liquid assets on disposal, in amount prescribed by the Commission depending on the extent and the type of the services related to securities and the possible risks during performing such services.

(4) The Commission shall prescribe the amount, type, maintaining and the manner of calculation and inspection of liquid assets of the investment advising company.

Investment Advisor

Article 150

(1) Only licensed investment advisors (hereinafter: investment advisors) shall perform services related to investment advising.

(2) An investment advisor shall pass an exam organized by the Commission for investment advising.

(3) An investment advisor shall not be sentenced by effective court decision for a crime in a period of five (5) years before applying for a license for an investment advisor.

(4) An investment advisor shall not be sentenced by an effective court decision for a crime of causing bankruptcy of a legal entity.

(5) The Commission shall prescribe the manner and the conditions for taking the exam referred to in Paragraph (2) of this Article.

**Application for License for Operation of an Investment Advisor and
Maintaining Register
Article 151**

(1) Any physical person that satisfies the conditions referred to in Article 150 of this Law may apply for a license for operation of an investment advisor.

(2) The Commission shall issue a decision on the application referred to in Paragraph (1) of this Article within sixty (60) calendar days after submitting the application to the Commission.

(3) The Commission shall grant a license for operation of an investment advisor after establishing that the conditions referred to in Article 150 of this law have been satisfied.

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

(5) The Commission shall prescribe the form, contents and the manner of maintaining the investment advisors register.

**Renewal of License for Operation of Investment Advisor
Article 152**

(1) Each investment advisor shall be required to renew the license for operation with securities every five (5) years.

(2) Each investment advisor is obliged within a period of three (3) months before the expiration of the term in the paragraph (1) of this Article to submit an application for renewal of its investment advisor license to the Commission.

(3) The application set forth in paragraph (2) of this Article shall contain documentation required in Article 151.

(4) The obligation referred in paragraph (1) of this Article shall apply to the persons employed as investment advisors in licensed securities market participants.

(5) Commission shall be obliged, upon the request for renewal of license for operation of Investment Advisor, to decide within 30 calendar days from the date of submission of the request to the Commission.

(6) The Commission shall prescribe the procedure for renewing a license for operation of investment advisor.

V-a. SHAREHOLDERS WITH QUALIFYING HOLDING IN A BROKERAGE HOUSE, STOCK EXCHANGE OR DEPOSITORY

Shareholders with qualifying holding in a brokerage house, stock exchange or depository

Article 152-a

(1) Natural person or legal entity who intends to acquire directly or indirectly, gradually or immediately shares whose total cumulative amount exceed 10%, 20%, 30% and 50% of the total number of issued shares with voting rights in a brokerage house or stock exchange or depository, irrespective of whether has an intention to acquire the shares alone or together with other related persons, shall submit a request to the Commission for obtaining a prior approval for the acquisition of qualifying holding.

(2) A shareholder with qualifying holding in a brokerage house, Stock Exchange or Depository cannot become natural person or/and legal entity controlled by a person:

1) who was imposed a misdemeanour sanction prohibition to perform a profession, activity or duty, whilst the prohibition is still in force;

2) against whom a bankruptcy procedure has been initiated;

3) against whom has been imposed minor penalty:

- Prohibition on obtaining permission for operation of brokerage house, Stock Exchange or Depository,

- Revocation of a license to operate as a brokerage house, Stock Exchange or Depository

- Temporary or permanent prohibition of dealing with securities and

- Prohibition of establishment of new legal entities;

4) who does not have a good reputation, thus compromising the safe and sound operations of the brokerage house, Stock Exchange or Depository and

5) who fails to comply with the provisions of this Law or/and fails to enforce them, or otherwise acts contrary to the measures imposed by the Commission, that compromised or have been compromising the safety and soundness of the securities market.

(3) In case of intention of further acquisition of shares by a person who has already obtained a qualifying holding in a brokerage house, Stock Exchange or Depository, which exceed the amount of shares whose acquisition is already approved by the Commission, the person is obliged to submit a request to the Commission for obtaining prior approval for further acquisition of shares above the determined amounts in paragraph (a) of this Article.

(4) Notwithstanding paragraphs (1) and (3) of this Article a person who, on the basis of a decision of a competent authority as defined by law acquired, gradually or immediately, shares in the total cumulative amount over 10% 20%, 30% and 50% of the total number

of issued shares with voting rights of a brokerage house, Depositary or Stock Exchange irrespective of whether the it has acquired the shares alone or together with other related persons, shall submit a request to the Commission for obtaining an approval for such change within ten calendar days after the effectiveness of the Decision.

(5) The transaction for acquiring such shares shall be executed within 90 calendar days after the date of obtaining the prior approval of the Commission for acquisition of qualifying holding. After the expiration of this period, a procedure shall be initiated for obtaining a new approval.

(6) When the person who has already obtained an approval for acquiring qualifying holding in accordance to paragraphs (1) and (3) intends to reduce its holding, directly or indirectly, so that such holding in the total number of shares or the total number of issued shares with voting rights in the brokerage house, depositary or stock exchange will fall below 10% 20%, 30% and 50%, shall notify the Commission at least five working days prior to the reduction, on the following:

- 1) the total number of shares and the total number of issued voting shares in the brokerage house, Stock Exchange or Depositary that it intends to sell;
- 2) the amount by which its holding in the capital will reduce;
- 3) the total number of shares and the total number of issued voting shares in the brokerage house, Stock Exchange or Depositary, it will hold after the reduction and
- 4) the identity of the person who will acquire its shares in the brokerage house, Stock Exchange or Depositary, if it is known.

(7) In the cases of paragraphs (1) and (3) of this Article brokerage houses, subsidiaries of foreign brokerage houses and authorized banks at admission and execution of the order to purchase shares of brokerage house, Stock Exchange or Depositary are necessarily required to review and obtain from the customer a copy of the approval from the Commission for acquisition of qualifying holding in accordance with paragraphs (1) and (3) of this article.

Request for obtaining prior approval for acquisition of qualifying holding in a brokerage house, stock exchange or depositary

Article 152-b

(1) The request for obtaining prior approval for acquisition of qualifying holding in brokerage house, stock exchange or depositary shall consist the following:

- Basic information about the person referred to in Article 152-a paragraph (1) of this Law,
- The number of shares and the size of their participation in the total number of issued shares with voting rights of the brokerage house, stock exchange or depositary that the person referred to in Article 152-a and paragraph (1) of this Law holds at the time of submission of the request and
- The number of shares and the size of their participation in the total number of issued shares with voting rights of brokerage house, stock exchange or depositary the person referred to in Article 152 -a paragraph (1) of this Law intends to acquire on the basis of the request for obtaining prior approval.

(2) With the request for approval for acquisition of qualifying holding in a brokerage house, stock exchange or depository, the person referred to in Article 152-a paragraph (1) of this Law shall enclose the following:

- 1) evidence relating to Article 152-a paragraph (2) items 1, 2 and 3 of this Law;
- 2) proof of origin of the funds for payment of the shares for whose acquisition is required an approval;
- 3) if the person referred to in Article 152-a paragraph (1) of this Law is a natural person, evidence for the financial standing of that persons, and if the person referred to in Article 152-a paragraph (1) of this Law is a legal entity:
 - certificate from the registry of the head office of the legal entity referred to in Article 152-a paragraph (1) of this Law,
 - Complete audited financial reports for the last two years together with the opinion of an authorized editor and the notes to the financial reports,
 - List of persons with direct or indirect ownership of more than 10% of shares or stakes in the legal entity and
 - List of members of the management bodies of the legal entity;
- 4) List of legal entities in which the person from the Article 152-a paragraph (1) of this Law holds, directly or indirectly, more than 10% of the shares or stakes in the legal entity;
- 5) List of persons with whom the person referred to in Article 152-a paragraph (1) of this law has established and maintains a significant business relations with the description of the nature of these relations;
- 6) Description of the investment policy of the person from Article 152-a paragraph (1) of this Law relating to the investment in financial institutions.

(3) In addition to those stated under paragraphs (1) and (2) of this Article the Commission may require additional documents, data and information and conduct an interview with the person referred to in Article 152-a paragraph (1) of this Law i.e. the members of the management body of the legal entity referred to in Article 152-a paragraph (1) of this Law, in order to determine if the criteria for acquiring qualifying holding in brokerage house, stock exchange or depository are fulfilled.

(4) The person referred to in Article 152 and paragraph (a) of this Law which intends to acquire shares whose total amount exceeds 50% of the total number of issued shares with voting rights of the brokerage house, stock exchange or depository, in addition to the documents stated under paragraph (2) of this Article shall enclose with the request its own development plan for the operation of the brokerage house, stock exchange or depository in which it intends to acquire qualifying holding.

(5) If the person referred to in Article 152-a paragraph (1) of this Law is a foreign person and the acquisition of qualifying holding by that person in a brokerage house, stock exchange or depository according to this Law is an activity that is subject of supervision of a competent authority in the country where that person is registered, with the request from paragraph (1) of this Article shall be enclosed an approval or opinion of the competent authority related to the transaction for acquisition of qualifying holding in the brokerage house, stock exchange or depository, or notification from the person referred to in Article 152 –a paragraph (1) of this Law that an approval for realization of the

transaction is not required according to the law of the state where the person is registered.

(6) The Commission with regulation shall prescribe the needed additional documentation referred to in paragraph (3) of this Article for acquiring qualifying holding in brokerage house, stock exchange or depository.

Deciding upon the request for obtaining prior approval for acquisition of qualifying holding in a brokerage house, stock exchange or depository

Article 152-c

(1) The Commission shall adopt a decision upon the request for obtaining prior approval for acquisition of qualifying holding in a brokerage house, stock exchange or depository within 60 calendar days from the date of receipt of the request.

(2) The Commission shall reject the request for obtaining prior approval for acquisition of qualifying holding in a brokerage house, stock exchange or depository under Article 152-b of this Law if:

- 1) the request does not contain the complete documentation;
- 2) the request contains incorrect and false data;
- 3) the available data and information in regard with Article 152-b paragraphs(1), (2) and (3) of this law indicate that as a result of the legal or financial standing, i.e. the method of its operating, or the nature of the activities of the person referred to in Article 152-a paragraph (1) of this law and/or the related persons with it, indicate a high-risk tendency which may compromise the safety, soundness and the reputation of the brokerage house, stock exchange or depository i.e. its operations in accordance with the regulations and
- 4) there is reasonable ground to doubt the legitimacy of the origin of the funds, the reputation or true identity of the person under Article 152-a paragraph (1) of this Law or the related persons thereto according to this law.

(3) Against the Commissions' decision for rejection of the request for obtaining prior approval for acquisition of qualifying holding in a brokerage house, stock exchange or depository can be appealed a complaint to the Commission for deciding upon complaints in the area of securities market within 15 working days from the date of its receipt.

(4) The complaint under paragraph (3) of this Article shall not delay execution of the decision of the Commission.

(5) In the case when the basis for rejecting the request of paragraph (2) of this Article is the legitimacy of the origin of the money, the Commission shall immediately inform the Anti-Money Laundering and Combating the Financing of Terrorism Office.

(6) The Commission shall make a decision to revoke the consent to acquire a qualifying holding if:

- 1) The approval is obtained by giving false statements;
- 2) The holder of a qualifying holding or the related persons by taking certain activities or work compromise the safe and sound operation of the brokerage house, stock exchange or the depository;
- 3) The holder of qualifying holding or the related persons by exercising certain activities or work, impede the conduct of the supervision over the brokerage house, stock exchange or depository or the conduct of supervision is considerably hindered;
- 4) In the case of a foreign entity-holder of qualifying holding, if the regulations in

force in the country of origin of the foreign person or the practice when implementing those regulations indicate that the supervision over the brokerage house, stock exchange or depository will be hindered and disabled

Prohibition of acquisition of qualifying holding in a brokerage house, stock exchange or depository without prior approval by the Commission

Article 152-d

(1) The acquisition of qualifying holding in a brokerage house, stock exchange or depository contrary to Article 152-a paragraphs (1) and (3) of this Law shall be prohibited.

(2) In case of acquisition of qualifying holding in a brokerage house, stock exchange or depository contrary to Article 152-a paragraphs (1), (3) and (4) from this Law, as in the case when the issued approval for acquisition of qualifying holding is revoked under Article 152-c paragraph (6) of this Law, the Commission shall bring a decision with which will determine that the shares acquired by the shareholder shall not bear any voting rights and the right of payment of dividend. (3) With the decision from paragraph (2) of this Article the Commission shall require from the shareholder who acquired shares contrary to Article 152-a paragraphs (1), (3) and (4) of this Law, as well as from the shareholder whose approval for acquisition of qualifying holding was revoked under Article 152-c, paragraph (6) of this law to sell the shares, that it acquired or hold contrary to this Law in a specific term which may not

exceed one hundred and eighty days, except in the cases specified in Article 152-a paragraph (4) of this Law, when the Commission may determine a longer period.

(4) With the decision from paragraph (2) of this Article the Commission shall obligate the brokerage house, stock exchange or depository – issuers of the shares to not allow the shareholder to exercise the voting rights and the right to dividend of the shares.

(5) The decision from paragraph (2) of this Article shall be submitted to the authorized depository in which the shares of the brokerage house, stock exchange or depository are registered in order to make evidence on the account of the shareholder of the restrictions of the shares deriving from the decision of the Commission under paragraph (2) of this article.

(6) In case if the brokerage house, stock exchange or depository act contrary to the obligation of paragraph (4) of this Article, the Commission will imposed measures prescribed with the provisions of the Articles 205, 206, 207, 215 and 218 of this Law.

(7) In the cases from paragraph (2) of this Article when maintaining general meeting of shareholders of the brokerage house, stock exchange or depository, the total number of shares with voting rights arising from the issued shares of the brokerage house, stock exchange or depository will be reduced for the number of shares referred in the decision from paragraph (2) of this article. The remaining number of shares with voting rights represent total number of shares with voting rights in the brokerage house, stock exchange or depository.

(8) Against the decision of the Commission adopted under paragraph (2) of this Article may be appealed by complaint to the Commission deciding upon complaints in the area of securities market within 15 working days from the date of its receipt.

(9) The complaint under paragraph (8) of this Article shall not delay the execution of the decision of the Commission.

V-b Investor compensation fund
Establishment of the Investor compensation fund
Article 152-e

- (1) For the purpose of compensation of the investors in securities shall be established an Investor compensation fund (hereinafter: the Fund).
- (2) The Fund shall be founded and managed by a legal entity authorized by the Commission (hereinafter: the Fund operator).
- (5) The Fund operator guarantees the payment of the compensation of the clients of the fund members with the money provided by the Fund, in accordance with its own rules, the conditions stipulated in this Law and bylaws of the Commission.
- (4) The Commission shall prescribe with Regulation the manner and procedure for selection of the Fund operator.

Membership in the Investor compensation fund
Article 152-f

- (1) The membership of the Fund shall be obligatory for the following joint stock companies with registered office in the Republic of Macedonia:
- Brokerage houses and banks authorized to perform activities under Article 94 of this Law;
 - Investment fund management companies when provide activities of asset management on behalf of an individual client - the owner of the portfolio (hereinafter: Fund members).
- (2) The obligation in paragraph (1) of this Article applies to branches of foreign brokerage houses, banks and investment funds management companies from member state of the EU or OECD member country.

Cases in which compensation is made to the clients of the Fund members
Article 152 g

- (1) Cover shall be provided for claims of the clients of the Fund members referred to in Article 152-f of this Law, which a Fund Member is not able to pay and/or repay to the client, in the cases where:
- a) bankruptcy proceedings have been initiated over a Fund Member by the competent court or
 - b) The Commission determinates that a Fund Member is unable to meet its obligations towards its clients in the sense that it is unable to repay money owed and/or return securities held or managed by it, on behalf of the client.
- (2) The procedure and criteria for the establishment of the case referred to in paragraph 1, item b of this Article shall be prescribed by the Commission in a regulation.

Claims of the clients of a Fund Member

Article 152 h

(1) Claims of clients of a Fund member that is not able to meet its obligations and which are covered are the following:

- a) money funds owed by a Fund member to a client or belonging to a client and which are held on behalf of the client by the Fund member on the grounds of a prior agreement in accordance with this Law and the Law on Investment funds and
- b) securities belonging to a client of a Fund Member and held by him or managed on behalf of the client, on the grounds of previously concluded agreement.

(2) Funds of clients of banks covered by the Law on the Deposit Insurance Fund shall be exempt from the application of provisions referred to covering by the fund of from paragraph (1) of this Article.

(3) Claims of clients of a Fund Members arising out of transactions in connection with which with a final court decision a criminal conviction has been obtained for money laundering or financing terrorism, are not covered by the Fund under paragraph (1) of this Article.

(4) In case of suspicion that a claim of a client of a Fund Member arises out of a transaction in connection with money laundering and financing the terrorism, the payment of the claim shall not be executed until the effectiveness of the court decision with which criminal conviction on the connection of the transaction out of which the claim arose with money laundering and financing the terrorism has been obtained.

(5) The amount of protected claims of a client at one Fund Member shall be calculated as the total amount of claims of clients referred to in paragraph 1 of this Article, regardless of whether the Fund Member keeps them at one or more accounts, on one or several contractual bases or in relation to one or several investment services, up to the secured amount referred to in Article 152-j of this Law. This amount shall include interests from the date when bankruptcy proceedings were opened over a Fund Member or from the date of publication of the Commission's decision on the occurrence of the case referred to in Article 152-m of this Law.

(6) The Fund operator does not provide cover in accordance with Article 152-j paragraph j (1) of this Law to the following clients of the Fund members:

- 1) Bank;
- 2) brokerage house;
- 3) investment fund management company and investment funds;
- 4) pension fund management company and pension funds;
- 5) insurance company;
- 6) subjects for joint investments,
- 7) natural or legal person holding more than 5% of the voting shares in the capital of a Fund member which is unable to meet its obligations;
- 8) parent or subsidiary company of a Fund Member which is unable to meet its obligations;
- 9) management board and supervisory board members or members of the board of directors of a Fund Member who is unable to meet its obligations if such persons are in the abovementioned positions or employed by a Fund Member when bankruptcy or liquidation proceedings are initiated over a Fund Member or on the date of disclosure of

the Commission's ruling on the covered case, or were in these positions or employed during the current or previous financial year;

10) legal entities which have concluded contracts for acting as an intermediary with investment fund management company who is unable to meet its obligations, which act in such a capacity on the date of opening of bankruptcy proceedings over the investment fund management company, or the date of disclosure of the Commission's ruling on the covered case or were in these positions during the current or previous financial year;

11) authorized auditor responsible for carrying out the audit to the financial statements of the Fund member, as well as persons responsible for the maintain of the accounting records of the Fund member and for preparation of the financial statements;

12) members of the management board and the supervisory board or board of directors, and persons who holding 5% or more of the voting shares in the parent or subsidiary company of a Fund Member, and persons responsible for carrying out the audit of the financial statements of that company;

13) marital or extramarital partners and close relatives *in a blood line to the second level and side line to the first level of the persons* referred to in points 9 to 12 from this paragraph and

14) clients of a Fund member who have contributed to the covered case by non-fulfilling their obligations towards a Fund Member.

Article 152-i

(1) Claims relating to joint investment business to which two or more persons are entitled as members of a business partnership, association or grouping of a similar nature which has no legal personality may, for the purpose of calculating the amount of the covered claims in accordance with this chapter, be aggregated and treated as if arising from an investment made by a single investor.

(2) Where the client is not absolutely entitled to the sums or securities held, the person who is absolutely entitled shall receive the compensation, provided that that person has been or can be identified before the date of publishing of the decision referred to in Article 152-m of this Law.

(3) If two or more persons are absolutely entitled to dispose of the funds or securities, the share of each under the arrangements subject to which the sums or the securities are managed shall be taken into account when the amount laid down in Article 152-j of this Law is calculated.

(4) The provision of paragraph (3) of this Article shall not refer on investments in investment funds.

(5) For the purposes of this Article, joint investment business shall mean investment business carried out for the account of two or more persons or over which two or more persons have rights that may be exercised by means of the signature of one or more of those persons.

Amount to which client's claims are covered

Article 152 j

- (1) The claims of clients of a Fund member are covered to the amount of:
- 1) 100% of the total money funds and securities to any natural or legal person, client of a Fund member to the amount of 10,000 Euros in denar counter value.
 - 2) 90% of total money funds and securities to any natural or legal person, client of a Fund member to the amount of 10,000 to 20,000 Euros in denar counter value, but not more than 20,000 Euros in denar counter value.
- (2) All secured claims up to the amount provided for in paragraph 1 shall be completely covered.
- (3) In the process of compensation interests shall not be determined and paid on the established amount of the claim from the date of the opening bankruptcy proceedings over a Fund Member or from the date of publishing of the decision referred to in Article 152-m of this Law until the date of the payment.

Rules for operation of the Fund

Article 152- k

(1) The operation of the Fund is laid down more in detail by the Fund Operator, in rules preliminary approved by the Commission.

(2) The rules of paragraph (1) of this Article must in particular contain the following:

- 1) The manner in which Fund assets are managed,
- 2) The manner and procedure for collecting the Fund Members' contributions,
- 3) Compensation manner and procedure,
- 4) procedure for informing the public, in particular clients of the Fund Member unable to fulfil its obligations,
- 5) the procedure for withdrawing from the Fund membership,
- 6) Fund management fee rate in accordance with the actual costs for management of the Fund:
- 7) the content of the request for compensation of in the investors in securities and
- 8) procedure for notifying the Commission of the operation of the Fund.

Determining the amount of secured claims

Article 152-l

(1) In determining the amount of a secured claim held by a single client of the Fund Member, the Fund Operator shall determine the client's claims towards the Fund Member, taking into account all legal and contractual provisions in connection with each claim, and in particular, he is obliged to calculate possible counterclaims on the date when opening bankruptcy proceedings or publishing the Commission's decision referred to in Article 152-m paragraph (2) of this Law.

(2) The amount of the secured claims of the clients of a Fund member shall be determined on the day of opening of bankruptcy proceedings or the day of publishing the Commission's decision referred to in Article 152-m paragraph (2) of this Law.

(3) The value of the securities which the Fund member is obliged to return to the client is determined in accordance to their market value on the day of opening of bankruptcy

proceedings or the day of publishing the Commission's decision referred to in Article 152 paragraph (2) of this Law.

Occurrence of an insured event

Article 152-m

- (1) In the event of the occurrence of the circumstances referred to in Article 152-g paragraph 1 point a from this Law, the competent court shall adopt and submit a decision on the opening of bankruptcy proceedings against the Fund Member to the Commission and the Fund Operator without delay.
- (2) Pursuant to the decision of the competent court under paragraph (1) of this Article, and in the event of the occurrence of the circumstances referred to in Article 152-g paragraph 1 point b) of this Law the Commission shall pass a decision on the occurrence of an insured event, and shall submit it without delay to the Fund Operator and the Fund Member unable to meet its obligations.
- (3) The decision of the Commission in paragraph (2) of this Article shall be published in the Official Gazette of Republic of Macedonia and on the Commission's website.

Proceedings of the Fund Operator upon the occurrence of an insured event

Article 152-n

- (1) Having received the Commission's decision referred to in Article 152 –m paragraph (2) of this Law, the Fund Operator shall start a procedure in order to compensate clients of the Fund Member that is unable to meet its obligations and shall notify the public at least in two daily newspapers out the territory of the Republic and the internet site of the Fund operator.
- (2) Within 30 days from the date of publication of the Commission's decision referred to in Article 152 –m paragraph (2) of this Law, the Fund operator, in co-operation with a certified auditor and an authorised representative of the Fund Member unable to fulfil its obligations, shall determine the amounts of secured claims held by clients of the Fund Member, with the balance as of the day of opening of bankruptcy proceedings or the day of publishing of the Commission's decision referred to in Article 152-m paragraph (2) of this Law, and shall draw up a minute.
- (3) The minute under paragraph (2) of this Article shall be immediately submitted to the Commission by the Fund operator.
- (4) On the basis of information about clients of the Fund Member unable to fulfil its obligations, the Fund Operator shall send notification in written to every client, inviting them to submit a compensation claim.
- (5) The client of the Fund Member unable to fulfil its obligations may submit his compensation claim within five months from the day of publishing of the Commission's decision referred to in Article 152 –m paragraph (2) of this Law in the "Official Gazette of the Republic of Macedonia".
- (6) Notwithstanding subparagraph (5) of this Article when the client was prevented from filing a compensation claim for reasons beyond his influence within the deadline set in paragraph (5) of this Article may subsequently file a compensation claim within 1 year from

the day of publishing of the Commission's decision in the "Official Gazette of the Republic of Macedonia. "In this case the client is obliged to provide evidence confirming his inability to do so within the deadline specified in paragraph (5) of this Article. (7) The client referred to in paragraph 5 of this Article shall lose the right to reimburse the insured amount after the expiry of 5 years from the day of publishing the Commission's decision referred to in Article 152-m paragraph (2) of this Law in the "Official Gazette of the Republic of Macedonia".

Obligations of the Fund member to the Fund operator

Article 152-o

The Fund Member that is unable to fulfil its obligations shall promptly submit at the request of the Fund Operator the following:

- a list of the clients of the Fund Member that have the right to compensation, with all the records relating to the clients' claims secured by this Law and
- the amounts of claims for which the clients are entitled to compensation.

Payment of the secured claims to the clients

Article 152-p

(1) The Fund Operator shall pay the established amounts of secured claims from the Fund to an account of the Fund Member's client.

(2) The Fund Operator shall pay the established amount of a secured claim to a client of the Fund Member unable to fulfil its obligations without delay, at the latest within 90 days from the day of establishing the right to reimburse the secured claim, or the day of determining the amount of the same

claim, or exceptionally, within a further term of 90 days, pursuant to a special Commission decision.

(3) The right to payment of the secured amount under Article 152-j from this Law is not transferable, but can be inherited.

Refund of the paid secured funds

Article 152-q

(1) From the day of payment of the insured amount referred to in Article 152-j from this Law, the client's claim toward the Fund Member is reduced by the reimbursed amount.

(2) The Fund is entitled to a refund of the paid secured funds in bankruptcy proceedings against the Fund Member unable to fulfil its obligations, on the basis on prior request submitted to the bankruptcy manager of the Fund member.

(3) The claims of the Fund on the basis of payment of secured claims shall be settled before the claims of all other creditors.

(4) The request referred to in paragraph 2 of this Article is submitted to the competent court by the Fund Operator on behalf of the Fund

Obligations of the Fund Member's for calculating and paying contributions

Article 152 - r

(1) Fund members shall regularly calculate and pay in contributions to the Fund.
(2) Notwithstanding paragraph (1) of this Article, and pursuant to the Commission's decision, the obligation of the Fund member for payment of the contribution to the Fund shall cease i.e. shall be reduced in the following cases:

- 1) temporarily or permanently cease to perform some activities in Article 94 of this Law, i.e. the activity of asset management on behalf of an individual client the owner of a portfolio referred to in the Law on investment funds or
- 2) when its operating licence is temporarily or permanently withdrawn.
- (3) After the withdrawal of the operating license, the compensation of the claims of the clients under Article 152 - j of this Law shall continue to be provided in respect of the claims that are resulting from the activities taken up to the time of that withdrawal.

Fund Member's contributions

Article 152-s

- (1) The Fund Member's contribution consists of the initial and regular contributions. The funds paid on behalf of contribution are not retrievable.
- (2) The Fund Member referred to in Article 152-g from this Law shall pay in the initial contribution to the Fund in the amount of 5.000 Euros in denar counter value within 8 days after receipt of the decision whereby registering its incorporation with the trade registry.
- (3) The Commission shall lay down the manner and deadlines relating to the payment of regular contributions, on the basis of the type, scope and risk of the activities performed by the Fund Member.

Consequences of default on the part of the Fund Member

Article 152-t

- (1) When the Fund member fails to pay in the contribution provided for in Article 152-s from this Law within the set deadlines, the Fund Operator is authorised to calculate penalty interest on the amount of unpaid contribution.
- (2) Supervision over the execution of the obligations of Fund member performs the Fund Operator.
- (3) The Fund Operator shall inform the Commission without delay on any failure to fulfil obligations or default in settling obligations.
- (4) The Commission will take measures pursuant to Article 194 of this Law towards the Fund member that is not meeting its obligations to the Fund.
- (5) The clients of the Fund member did not lose the right to reimbursement the amounts provided in Article 152-j of this Law in case of inability of the Fund member in a certain period of time to pay in the contributions under Article 152 -s of the Law.

Keeping the account books and reporting to the Commission and the Fund Operator

Article 152 - u

The Fund Member shall organise its operation and shall keep its account books, business files and any other records relating to the clients' claims provided for in this Law and shall submit them to the Commission and the Fund operator.

Use and Data Protection

Article 152-v

(1) The Fund Operator shall keep the data on the balance of single claims of the clients and any other data, facts and circumstances that have come to his knowledge while performing his competencies and duties from, as professional secrecy, in accordance with the regulations that enact the protection of confidentiality of data.

(2) The Fund Operator may use the data referred to in paragraph 1 of this Article that has come to his knowledge while performing his competencies and duties, exclusively for the purpose for which it is provided, and shall not reveal it to third parties or enable the third parties to find it out, except in cases laid down by law.

(3) The provision of paragraph (2) of this Article shall also applies to all individuals who in their role of employees or other role work or have worked for the Fund operator.

Fund assets

Article 152-w

(1) The contributions paid into the Fund and the other income referred to in paragraph 2 of this Article realised by the Fund Operator are kept in a separate account open with the National Bank of Republic of Macedonia.

(2) Fund assets consist of:

1. contributions paid in by the Fund Members in accordance with the provisions of Article 152-s of this Law,
2. funds collected in bankruptcy proceedings against a Fund Member,
3. income from investment in free Fund assets,
4. other income.

(3) Fund assets are used by the Fund Operator to pay off the clients' secured claims and they cannot be used for other purposes, neither can they be the subject of enforcement towards a Fund Member or the Fund Operator.

(4) Fund assets may be invested in:

- Securities issued by the Republic of Macedonia, member state of the European Union, member states of OECD and central banks of these states,
- Bonds and other debt securities guaranteed by the Republic of Macedonia, member state of the European Union or member states of the OECD and
- Bonds and other debt securities issued by local authorities of the Republic of Macedonia, the member states of the European Union or member states of the OECD.

(5) The operator shall keep the records of the Fund and submit monthly report to the Commission for the available funds.

(6) The Commission shall prescribe the form and the contents of the records and the report referred to in paragraph (5) of this Article.

Management fee

Article 152-x

(1) The Fund Operator charge a fee for Fund management.

(2) The fee for Fund management is paid annually and in equal amounts for all Fund members.

(3) The funds collected on the basis of the Fund management fee may be used:

1. to cover the costs incurred in the procedure of reimbursing the insured amounts,

2. to cover the costs incurred by the Fund Operator in the procedure of collecting claims from the bankruptcy estate of a Fund Member,
3. for the costs associated with investments of Fund assets,
4. costs of employees of the Fund Operator and other operating costs of the Fund Operator associated with the insurance of the investors' assets.

Information on the Investor Compensation Fund

Article 152-y

- (1) In all of its premises intended for operation with clients, the Fund Member shall disclose in a visible place and in a clear manner data relating to the Investor Compensation Fund pursuant to this Law.
- (2) At the request of a client, the Fund Member shall provide him with information concerning the conditions under which the clients' claims are compensated through the Investor Compensation Fund.
- (3) The Fund Members shall not disclose their Membership in the Investor Compensation Fund, with the aim of promoting themselves.

Proceedings of the Fund Operator in the case of lack of resources in the Fund

Article 152-z

- (1) In the event that the Fund does not have enough resources available to compensate the clients of the Fund Member unable to fulfil its obligations, the Fund Operator shall obtain additional funds:
 - from borrowing in the state and abroad, where the Fund Members are jointly liable for the repayment of proceeds obtained from a borrowing or
 - additional payments by the Fund members .
- (2) The Commission shall prescribe the amount and manner of payment of the additional payments under paragraph (1) indent 2 of this Article“

VI. JOINT STOCK COMPANIES WITH SPECIAL REPORTING OBLIGATIONS AND REPORTING OBLIGATIONS FOR THE MEMBERS OF THE MANAGEMENT, DIRECTORS AND SHAREHOLDERS

1. Joint Stock Company with Special Reporting Obligations

Registry of Joint Stock Companies with Special Reporting Obligations

Article 153

- (1) The Commission shall maintain the Registry of Joint Stock Companies with Special Reporting Obligations (hereinafter: Registry). An issuer shall be included in the Registry if it is a Joint Stock Company with Special Reporting Obligations.
- (2) the register of joint stock companies with more specified reporting obligations are managed and publishers of debt securities from who from the date of issuance till the date of maturity and to the full payment of the debt securities have the status and obligations of a joint stock company with specific reporting obligations
- (3) The provisions of paragraph (2) of this Article shall not apply to a case of a private offering of debt securities whose transfer is limited.

(4) An issuer shall be removed from the Registry of Joint Stock Companies with Special Reporting Obligations (hereinafter of this Chapter: Joint Stock Company) within seven (7) business days of receiving a request from the issuer for its removal from the Registry and confirmation from a Depository that the issuer no longer fulfils the criteria for inclusion in the Registry.

(5) The Commission shall provide written notification to the Joint Stock Company within seven (7) business days after such entity is entered into or deleted from the Registry.

(6) The Commission shall prescribe the form, contents and manner for maintaining a Register of the Joint Stock Companies with Special Reporting Obligations.

Annual Reports

Article 154

(1) Joint Stock Company is obliged to prepare and to submit to the Commission its annual report for its financial results, legal status and operation within five months after the end of each calendar year .

(2) The annual report shall include:

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

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

Publication of Annual Report Summary

Article 155

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

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

Semi-Annual Reports

Article 156

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

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

Quarterly Financial Reporting

Article 157

(1) A Reporting Company shall submit to the Commission Quarterly Financial Reports covering the first and the third quarter, respectively, cumulative for the current year, no later than thirty (30) calendar days thereafter.

(2) The Quarterly Financial Report referred to in paragraph (1) of this Article shall contain, at a minimum:

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

(3) If the Joint Stock Company so chooses, it may give an indication in the Reports referred to in paragraph (1) of this Article of the likely future development of the Joint Stock Company (and its affiliates, if any) at least for the remaining calendar year, including any significant uncertainties and risks which may affect the operation of the reporting company.

Current Reports and Proxy Materials

Article 158

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

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

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

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

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

- (a) the Joint Stock Company's acquisition or disposition of a part of its assets;
- (b) a change in the Joint Stock Company's authorized auditor;
- (c) the resignation or dismissal of members of managing bodies;
- (d) the Joint Stock Company's entry into or termination of a material agreement or other legal event not in the ordinary course of business;
- (e) any event that triggers a default or acceleration of a financial obligation of the Joint Stock Company;
- (f) the institution of bankruptcy or liquidation proceedings by the Joint Stock Company;
- (g) failure to maintain required conditions with respect to outstanding Bonds;
- (h) all court procedures in which the Joint Stock Company is involved as a complainant or defendant and whose value is at least 5% of the value of the capital of the company determined on the basis of the latest audited annual financial reports; and
- (i) all changes in the rights attaching to the shares of the same class.

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

Prohibition on Partial Disclosure

Article 159

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

Dissemination of Reports

Article 160

(1) The Joint Stock Company shall file the annual, semi-annual, quarterly and current reports with the Commission.

(2) The Joint Stock Company shall provide a copy of the annual, semi-annual, quarterly and Current Reports to each owner of its Securities, upon their request, at the expense of the Joint Stock Company.

(3) The Joint Stock Company shall provide copies of the annual, semi-annual, quarterly and Current Reports to any member of the general public upon their request and may charge a fee only to cover cost of printing.

(4) A Joint Stock Company shall provide in electronic format the annual, semi-annual, quarterly and Current Reports to any licensed stock exchange on which it's Securities are listed.

Non-Disclosure of Sensitive Information

Article 161

A Joint Stock Company may request the Commission for an exemption from the requirement to disclose certain information in its annual report, semi-annual report, current reports, or as otherwise required by this Chapter if public notification would significantly endanger important business interests of the Joint Stock Company or would be contrary to the public interest and the Joint Stock Company can guarantee the confidentiality of such information.

Reporting Obligations during Bankruptcy or Liquidation Procedure

Article 162

Provisions of Articles 154 and 160 of this Law shall not apply to a Joint Stock Company that is subject to any bankruptcy or liquidation procedure.

Cessation of the Obligation to Report

Article 163

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

Responsibility for Accurate Reporting Information

Article 164

The reports submitted pursuant to Articles 154, 155, 156, 157 and 158 of this Law shall be signed by the Chairman of the Board of Directors; the President of the Management Board as the case may be; and the General Manager of the Joint Stock Company, whose names and functions shall be precisely and clearly indicated. These persons shall verify that the information contained in the report is in accordance with the facts and that the report makes no omission likely to affect its importance.

2. Reporting Obligations of Members of Managing Organs and Directors

Ownership Reports

Article 165

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

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

(3) The Director and every senior management member of a Joint Stock Company shall submit the reports set forth in paragraphs (1) and (2) of this Article within the same deadlines.

3. Reporting Obligations of Certain Shareholders

Initial Ownership Reports

Article 166

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

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

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

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

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

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

- (a) the full name, unique identification number and address of the natural person or legal entity that has acquired or alienated the Securities;
- (b) the legal basis for transfer of the Securities;
- (c) the number of acquired or alienated Securities;
- (d) the date on which the acquisition or disposal of Securities was effected; and

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

3.a. Reporting Requirements of a Joint Stock Company

Ownership Report

Article 166-a

A Joint Stock Company shall, within ten (10) business days from the date of settlement of the trade transaction or execution of the non-trade transfer of securities, by which a legal entity or natural person together with its affiliates directly or indirectly acquires more than 5% of any class of shares issued by the joint stock company or sells them or in any other dispose them, and as a consequence together with its affiliates it does not possess any longer more than 5% of the securities, notify the Commission of the change that occurred.

Secondary Regulations

Article 167

The Commission shall prescribe:

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

4. Reporting obligations of joint stock companies that are not maintained in the Register of Joint Stock Companies with special reporting obligations

Article 166-b

(1) Joint stock companies and other entities - issuers of securities whose securities are not listed on a Stock Exchange and are not maintained in the Register of joint stock companies with special reporting obligations are obliged to publish the following data:

- Revenues(total) from regular operations before tax, profit for the financial year, net cash flow, profit per share for the financial year and dividend per share,
- Changes in ownership structure over 10%
- Status changes of the company,
- Changes in the management and governance,
- New issue of securities
- Other changes in operation which significantly influenced the price of securities.

(2) Joint Stock Companies and other entities - Issuers of securities are obliged to publish data referred to in paragraph (1) of this article, on the web page of authorized Stock Exchange.

(3) Joint Stock Companies and other entities - issuers of securities are obliged to publish

data referred to in paragraph (1) line 1 of this article within 15 days after the adoption of annual accounts, respectively financial statements of the issuer, while data referred to in paragraph (1) lines 2, 3, 4, 5 and 6 of this article as soon as possible, but no later than 10 days from the day of occurrence of change.

(4) Joint Stock Companies and other entities-issuers of securities are obliged to publish audited financial statements and the opinion of the authorized auditor on the web page of authorized Stock Exchange, if the issuer pursuant to the Law, is obliged to audit its financial reports and the opinion of the auditor to published in a daily newspaper, distribute on a territory of the Republic of Macedonia, within 15 days after the adoption.

VII. PROHIBITED CONDUCT WITH RESPECT TO SECURITIES

Unauthorized Offerings of Securities

Article 168

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

Prohibited Activities Regarding Offerings of Securities

Article 169

With regards to the Prospectus it shall be prohibited in the course of offering securities:

- (a) to include in a Prospectus any untrue price sensitive information or
- (b) to omit from a Prospectus any important information or price sensitive data that might mislead the investors.

Price Manipulation

Article 170

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

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

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

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

Spreading False Information

Article 171

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

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

Prohibition of Fraudulent Conduct

Article 172

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

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

Inside Information

Article 173

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

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

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

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

(5) The Commission shall prescribe methods to prevent the misuse of Inside Information.

Reporting Transactions Based on Inside Information

Article 174

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

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

Supervision over Dissemination of Inside Information

Article 175

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

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

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

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

(d) any issuer who's Securities is listed on a licensed exchange in the Republic of Macedonia;

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

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

(2) The persons referred to in paragraph (1) of this Article shall:

(a) be obliged to respond to the Commission's request for information and provide it with relevant information and oral explanations;

(b) be obliged, at the Commission's request, to disclose the identity of a person or entity for whose account a particular transaction in Securities was made; or

(c) be obliged, at the Commission's request, to present any and all documentation regarding a particular transaction in Securities.

False or Misleading Financial Statements

Article 176

(1) It shall be prohibited for any auditor or accountant to certify any false or misleading or materially incomplete Financial Statement which is in violation of International Financial Reporting Standards and International Audit Standards.

(2) In the event of a violation of paragraph (1) of this Article, the auditor or accountant shall be liable for damages to any person suffering financial loss as a result of such false, misleading or materially incomplete Financial Statements negligently.

Confidentiality Obligations

Article 177

(1) The members of the management bodies, the Director, the employees and the certified auditors of a Depository, shall maintain the confidentiality of all data learned in the course of their daily operations, unless such data is otherwise known to the public or is required to be disclosed pursuant to this Law or any other law.

(2) The members of the management bodies, the Director, the employees and the certified auditors of a licensed stock exchange, shall maintain the confidentiality of all data learned in the course of their daily operations, unless such data is otherwise known to the public or is required to be disclosed pursuant to this Law or any other law.

(3) The members of the management bodies, the Director, the employees and the certified auditors of a brokerage house shall maintain the confidentiality of all information they learn in relation to the operation of the brokerage house, unless such data is otherwise known to the public or is required to be disclosed pursuant to this Law or any other law.

Purchasers of Unauthorized Offer of Securities

Article 178

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

Actions Relating to Fraudulent Offering Prospectus

Article 179

(1) A person who has purchased a Security that has been offered pursuant to a Prospectus that, unbeknownst to such person, contains an untrue statement of material fact or omits

to state a material fact necessary in order to make the statements, in light of the circumstances under which they were made, not misleading, shall be entitled to sue the following persons in an authorized Court to recover the consideration paid for such Security together with interest calculated at deposit interest rate, less the amount of any income received thereon, upon the tender of such Security to the issuer, or for damages if he no longer owns the Security:

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

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

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

- (a) he/she resigned from every office, capacity or relationship in which he/she was described in the Prospectus prior to issuance of the Prospectus and advised the Commission and the issuer in writing of any such actions;
- (b) the Prospectus became effective without his/her knowledge and, upon becoming aware of its issuance, he/she advised the Commission and gave reasonable public notice that the Prospectus had become effective without his/her knowledge; or
- (c) he/she had, after reasonable investigations, reasonable grounds to believe that statements in the Prospectus were true and that there was no omission of any Price Sensitive Information.

(4) The damages that may be recovered pursuant to paragraph (1) of this Article shall be no greater than the price at which the Security was offered to the public and shall represent the difference between the amount paid for the Security and:

- (a) the determined value according to expert opinion of such Security as of the time such lawsuit was brought;
- (b) the price at which such Security was sold in the Secondary Market prior to the lawsuit and
- (c) the price at which such Security is sold at on the Secondary Market after lawsuit.

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

Liability for Manipulation of Securities Prices

Article 180

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

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

(3) No lawsuit shall be maintained to enforce any liability created under paragraph (2) of this Article unless brought within three (3) years after such violation.

Anti- Money Laundering and Financing of Terrorism

Article 180-a

(1) An authorized participant on the securities market is obliged to act in accordance with regulations for anti- money laundering and financing of terrorism.

(2) The Commission is monitoring the implementation of regulations for anti-money laundering and financing of terrorism by the authorized participant on the securities market.

(3) Because of non-compliance in accordance with regulations of anti- money laundering and financing of terrorism, by an authorized participant on the securities market, the Commission could issue a decision to imposed a measure referred to in article 194 of this Law

VIII: THE SECURITIES AND EXCHANGE COMMISSION

1: Status and Organization of the Commission

Independent Regulatory Body

Article 181

(1) In the area of capital market a Securities and Exchange Commission of the Republic of Macedonia shall be established as an independent regulatory body with public authorizations determined by this Law.

(2) The Commission shall regulate and supervise the operation of the securities market on the territory of the Republic of Macedonia.

(3) Within its legal powers and authorizations, the Commission provides the legal and efficient functioning of the securities market, as well as for the protection of investors' rights, with the aim of continual building up public trust in the institutions of the securities market in the Republic of Macedonia.

- (4) The Commission shall have the status of a legal entity.
- (5) The registered office of the Commission shall be in Skopje.

Structure of the Commission

Article 182

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

Election and Dismissal of the Commission President and Commissioners

Article 183

- (1) The President and the other Commissioners shall be elected by the Parliament of the Republic of Macedonia, upon the suggestion of the Government of the Republic of Macedonia.
- (2) Once a Commissioner is designated as President of the Commission, the designation shall not be removed except through his/her resignation or dismissal by the Parliament of the Republic of Macedonia upon proposal of the Government of the Republic of Macedonia as a Commissioner. If the President of the Commission voluntarily resigns from his/her position as President of the Commission, he/she shall remain a Commissioner and the Parliament of the Republic of Macedonia shall designate a new President of the Commission for the rest of the term.
- (3) A person fulfilling the following conditions may be elected as a Commissioner:
 - (a) is a citizen of the Republic of Macedonia;
 - (b) has a university degree;
 - (c) has a reputation of a renowned expert in the field of finance and business law;
 - (d) is not a member of any body of a political party;
 - (e) is not a member of Management Board, Supervisory Board or Board of Directors of a legal entity regulated by the Commission or supervised by the National Bank of the Republic of Macedonia;
 - (f) is not a shareholder owning greater than 5% of the outstanding voting Shares of any Reporting Company and is not a shareholder owning greater than 25% of the outstanding voting Shares of any other Company;
 - (g) is not an official managing a state body;

- (h) has not been irrevocably convicted of a felony within five (5) years preceding the election as a Commissioner; and
- (i) has not been irrevocably adjudicated by a court to have contributed to or caused the bankruptcy or insolvency of a legal entity.

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

(5) The Parliament of the Republic of Macedonia upon proposal of the Government of the Republic of Macedonia dismisses the President or Commissioner (member) if he/she:

- (a) three times is subsequent unjustifiably absent from the meetings of the Commission;
- (b) is imprisoned for felony for more than six (6) months;
- (c) loses his/her ability to perform regular tasks;
- (d) performs its functions in violation of the Commission's Rules of Conduct;
- (e) discloses a business secret learnt in the course of their work in the Commission;
- (f) discloses internal information obtained in the course of their work in the Commission;
- (g) becomes a member of any body of political party;
- (h) becomes a member of the Management Board, Supervisory Board or Board of Directors of a legal entity regulated by the Commission or supervised by the National Bank of the Republic of Macedonia;
- (i) becomes a shareholder owning greater than 5% of the outstanding voting Shares of any Reporting Company or becomes a shareholder owning greater than 25% of the outstanding voting Shares of any other Company;
- (j) becomes an official managing a state body or a body of the state administration, and
- (k) meets the requirements for retirement.

(6) If a duty of a Commissioner (member) ceases before completion of his/her mandate, upon previous proposal of the Government of the Republic of Macedonia, the Parliament of the Republic of Macedonia shall elect a new Commissioner (member) for the rest of the mandate.

Functions of the Commission

Article 184

The Commission performs the following functions:

- (a) undertakes measures to secure the implementation of this Law and other laws within its competence;
- (b) passes acts or rules arising from this Law and other laws within its competence;
- (c) undertakes measures to ensure the implementation of such acts or rules passed in accordance with this Law and other laws within its competence;
- (d) conducts control over the complete documentation of the issuers of Securities, undertakes measures and makes decisions for the protection of interests of persons that

- are owners of or are investing in Securities and prevents dishonest and illegal activities related to trading and operating in Securities;
- (e) issues licenses and approvals arising from this Law and other laws within its competence;
 - (f) regulates the manner of trading in Securities on a licensed stock exchange;
 - (g) can temporarily or permanently suspend trading with specific security because of manipulation and will determine the manner and procedure
 - (h) monitors the operations of licensed market intermediaries.
 - (i) controls the operations of licensed market intermediaries.
 - (j) perform inspection over the operations of Licensed Securities Market Participants;
 - (k) prescribes standards of competition among the licensed market intermediaries in their dealings with Securities, as well as authorized investment management companies (i.e. investment funds, by inspections or in another manner);
 - (l) gives consent as for appointing directors of the legal entities which are market participants, including the directors of the organizational unit in the bank in charge of performing securities – related services, as well as the directors of investment funds management companies from the Law on Investment Funds, as amended;
 - (m) approves the Requests for Approval for issuing Securities.
 - (n) ensures legality, honor and transparency of the securities market;
 - (o) approves the Rules, and changes to the Rules of a Depository and a licensed stock exchange.
 - (p) cooperates with other institutions in and outside the Republic of Macedonia;
 - (q) passes the operating program, financial plan and the final statement of the Commission and adopts the annual report on the operations of the Commission;
 - (r) selects an authorized audit company and adopts the report on audit of the Commission;
 - (s) passes acts or rules for the internal organization of the Commission; and
 - (t) performs other activities related to operations with Securities and in accordance with this Law and other laws within its competence.

Statute of the Commission

Article 185

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

Organization of the Work of the Commission

Article 186

- (1) The Commission shall be managed by the President. In a case of his/her absence the President appoints a Commissioner who shall replace him/her.

- (2) The President of the Commission shall:
- (a) ensure that meetings of the Commission are called regularly, propose the agenda to be considered at every meeting, submit reports on the activities of the Commission and, in the period between meetings, give instructions to Commissioners and employees and control their implementation;
 - (b) organize and manage the administration of the Commission, including professional improvement of the staff of the Commission, appoint and dismiss the employees of the Commission administration with the approval of a majority of Commission members.
 - (c) sign the decisions and the acts of the Commission;
 - (d) serve as a representative of the Commission with third parties;
 - (e) control the implementation of the decisions of the Commission.
- (3) The Commission brings decisions with majority votes of the total number of Commissioners. The Commission may decide to hold open meetings.
- (4) The Commission's meetings shall be closed when the meeting addresses: violations of this Law, or other laws within the Commission's competence, surveillance (investigations) and inspections, Requests for Approval, discussions regarding a Private Offering and decisions regarding confidential treatment of information at the request of a Reporting Company.
- (5) The Commission shall publish its executive decisions in the Official Gazette of the Republic of Macedonia. Explanations of Commission decisions shall be posted on the Commission's website after such decisions are final.
- (6) The operation of the department of qualified personnel of the Commission shall be managed and coordinated by the Head of Staff. The Head of Staff shall be appointed and dismissed by the Commission upon proposal by the President of the Commission.
- (7) A Head of the Staff of the Department of Qualified Personnel may be a person who is a citizen of the Republic of Macedonia, has obtained a university degree in the area of economics and law and has at least three years of prior working experience in the fields of finance and business law.

Avoidance of Conflict of Interest

Article 187

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

(2) The President or the Commissioner under paragraph (1) shall not be present during the deliberation or decision of the Commission with regard to that matter.

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

Rules of Conduct

Article 188

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

(2) All present and former Commissioners, present and former employees and present and former consultants employed by the Commission must not use for their own benefit or disclose business secrets or insider information they acquire during the operations in the Commission..

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

(a) employees of the Commission and Commissioners for the purpose of carrying out their official duties;

(b) SRO officials in connection with enforcement of this Law;

(c) other organs for supervision of financial institutions within Macedonia provided that a Memorandum of Understanding allows for the disclosure of such information;

(d) Law enforcement bodies;

(e) competent courts, and.

(f) Securities regulatory bodies in foreign countries in accordance with Memoranda of Understanding or international agreements.

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

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

Liability of the Commission

Article 189

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

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

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

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

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

Silence of the Commission

Article 189-a

(1) Should Commission, upon requests for approvals, consents, prior consents, licenses and renewal of licenses not adopt a decision within the deadline set with this law, in paragraph 6 of this Article, the applicant shall have the right to submit, within three business days following the expiry of such deadline, a request to the archive office of the President of the Commission for adoption a decision.

(2) Form and contents of the request form referred to in paragraph 1 of this Article shall be stipulated by the Commission.

(3) President of the Commission shall be obliged, within five business days from the day of submission of the request referred to in paragraph 1 of this Article to the archive office of the Commission, to appoint a meeting of the Commission on which an act for rejecting or accepting the request shall be adopt. Should the President have no archive office, such request shall be submitted to the archive office at the seat of the Commission.

(4)The applicant shall attach copy of the request referred to in paragraph 1 of this Article to the request for approval, consent, prior consent, license and/or renewal of licenses.

(5) Should the Commission not adopt decision upon the request within the deadline referred to in paragraph (3) of this Article, the applicant may inform the State Administrative Inspectorate thereof within five business days.

(6) State Administrative Inspectorate shall be obliged, within ten days from the day of receiving the notification referred to in paragraph (5) of this Article, to carry out administrative inspection at the Commission so as to determine whether the procedure is carried out pursuant to law, and shall, within three business days from the conducted administrative inspection, inform the applicant on the measures undertaken.

(7) Inspector from the State Administrative Inspectorate referred to in paragraph (6) of this Article shall, following the conducted administrative inspection pursuant to law, adopt decision obliging the Commission to decide, within ten days, upon the submitted request, i.e. to accept or reject the request and, within the same deadline, to inform the inspector on the measures undertaken and to submit the inspector a copy of the act upon which such decision is made.

(8) Should the Commission not reach decision within the deadline referred to in paragraph (7) of this Article, the inspector shall submit request for initiating misdemeanor procedure for misdemeanor stipulated in the Law on Administrative Inspection, and shall set additional deadline of five business days within which the Commission shall decide upon the submitted request, and inform the inspector, within the same deadline, on the adopted act. Copy of the act upon which such decision is made shall be attached to the notification. The inspector shall, within three business days, inform the applicant on the measures undertaken.

(9) Should the Commission not reach a decision in the additional deadline referred to in paragraph (8) of this Article, the inspector shall, within three business days, file charges to the competent public prosecution office and inform the applicant, within the same deadline, on the measures undertaken.

(10) Should the inspector fail to act upon the notification referred to in paragraph (6) of this Article, the applicant of the notification shall, within five business days, have the right to file an objection to the archive office of the Director of the State Administrative Inspectorate. Should the Director have no archive office, such notification shall be filed to the archive office at the seat of the State Administrative Inspectorate.

(11) Director of the State Administrative Inspectorate shall be obliged, within three days from the day of receipt, to consider the objection referred to in paragraph (10) of this Article and, should he/she determine that the inspector failed to act upon the notification of the applicant pursuant to paragraphs (6) and (7) of this Article or/and failed to file charges pursuant to paragraphs (8) and (9) of this Article, he/she shall submit request for initiating misdemeanor procedure for misdemeanor stipulated in the Law on Administrative Inspection against the inspector and shall set additional deadline of five business days for the inspector to conduct administrative inspection at the Commission so as to determine whether the procedure is carried out pursuant to law and shall, within three business days from the day of the conducted administrative inspection, inform the applicant on the measures undertaken.

(12) Should the inspector fail to act in the additional deadline referred to in paragraph (11) of this Article, Director of the State Administrative Inspectorate shall file charges to the competent public prosecution office against the inspector and shall, within three business days, inform the applicant on the measures undertaken.

(13) In the case referred to in paragraph (12) of this Article, Director of the State Administrative Inspectorate shall forthwith, and within one business day at the latest, authorize another inspector to conduct the administrative inspection.

(14) In the case referred to in paragraph (13) of this Article, Director of the State Administrative Inspectorate shall, within three business days, inform the applicant on the measures undertaken.

(15) Should the Director of the State Administrative Inspectorate fail to act pursuant to paragraph (11) of this Article, the applicant may file charges to the competent public prosecution office within eight business days.

(16) Should the Commission not reach decision within the deadline referred to in paragraph (9) of this Article, the applicant may initiate administrative dispute before the competent court.

(17) Procedure before the Administrative Court shall be urgent.

2: Rulemaking

Adoption, Amendment and Rescission of Commission Regulations

Article 190

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

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

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

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

(a) protect the interests of investors, market participants and/or the integrity of the securities market system;

(b) maintain or restore a fair, orderly and transparent public securities market; or

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

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

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

Article 191

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

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

**3. Inspection
General Provisions**

Inspection of Licensed Securities Market Participants

Article 192

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

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

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

Manner of Performing Inspection

Article 193

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

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

(3) Persons authorized by the Commission for inspection have official identification

(4) The Commission shall prescribe the manner and the procedure for inspection referred to in paragraph (1) of this article, as well as form, content, method of issuance and withdrawal of official ID.

Measures
Article 194

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

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

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

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

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

Inspection Authority for performing on-site Inspection

Article 195

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

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

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

- (a) review all books and written records relating to the business of the Licensed Securities Market Participants;

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

(4) Refusal of a Licensed Securities Market Participant to comply with paragraphs (1) (2) and (3) from this Article, or obstruction of an inspection, shall be grounds for temporary or permanent revocation of its license for operation by the Commission.

Off- site Inspection

Article 196

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

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

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

Results of Inspection

Article 197

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

- (a) publicly disclose information about such irregularities in its operations;
- (b) issue a decision requiring the Licensed Securities Market Participant to eliminate such illegalities and irregularities within a certain deadline and, in furtherance thereof, and to be informed of the manner in which the violation has been eliminated.;
- (c) impose a temporary prohibition not to exceed thirty (30) working days on all or some of the services related to Securities for which the Licensed Securities Market Participant has been granted a license;

- (d) issue an order to any bank or financial institution to temporarily freeze the account(s) of the Licensed Securities Market Participant for a period not to exceed fifteen (15) working days;
- (e) conduct surveillance under the Commission's established Rules;
- (f) issue a decision on revocation of consent to the director of the licensed market participant;
- (g) issue a decision on imposition of public reprimand;
- (h) issue a decision on permanent prohibition on performing a part or all services related to securities for which the licensed market participant has received a license;
- (i) impose a fine to the licensed market participant;
- (j) require the Licensed Securities Market Participant to make amendments to its rules or Statute; and/or
- (k) Require other measures to improve the financial discipline of the Licensed Securities Market Participant's operations.

(2) If the Commission finds, that a director, employee, member of the Management Board and member of the Supervisory Board or member of the Board of Directors of a Licensed Securities Market Participant or the holder of an individual license for operating with securities to engage in securities market activities: (a) has violated any provisions of this Law or the pertinent secondary legislation, or any other Laws within its competence, and (b) has caused their Licensed Securities Market Participant to violate its Rules, this Law, or the regulations issued pursuant hereto, the Commission may:

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

Inspection Costs

Article 198

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

4: Surveillance

Surveillance Authority

Article 199

- (1) The Commission is authorized to conduct surveillance determining whether an authorized participant on the securities market, funds operator or other natural person or

legal entity has violated this law, regulations adopted on the basis of this law, other laws in its jurisdiction and rules of the authorized market participants..

(2) The surveillance is performed by the authorized persons employed in the Commission.

Call in persons

Article 200

(1) During supervision, the Commission may call in persons requiring submission of oral testimony, either in the form of a statement or in response to questioning.

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

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

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

Orders Requiring Submission of Documents

Article 201

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

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

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

(d) other persons at request of the Commission.

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

Compliance with Commission Orders

Article 202

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

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

Conducting of Supervision

Article 203

The Commission shall issue regulations further specifying the procedures for conducting its supervision.

5. Taking Measures

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

Article 204

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

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

(2) An issuer shall remove any such irregularities within the set deadline and shall submit a report to the Commission, describing the measures undertaken.

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

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

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

5.2 Authorization for Taking Measures against Brokerage Houses Decision on Elimination of Identified Irregularities

Article 205

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

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

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

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

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

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

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

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

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

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

Temporary Prohibition for Performing Services

Article 206

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

- (a) the brokerage house has inadequately organized its operation, i.e. does not keep the books and records, and other administrative and business files in an appropriate manner, and may not be made available for inspection of the manner, in which the provisions of this Law are enforced, especially those related to risk management;
- (b) the brokerage house fails to proceed pursuant to the decision of the Commission for elimination of identified irregularities and illegalities or the same may not be able to eliminate, i.e. it is not possible to determine that the determined irregularities or illegalities have been removed from the submitted report where the taken measures are described for removing the irregularities and illegalities or from the submitted documents and other evidence;
- (c) the brokerage house fails to submit reports and notifications to the Commission timely and appropriately or obstructs the inspection in any other way.
- (d) the brokerage house has performed prohibited activities related to operation with securities pursuant to this Law or other laws, or the rules of self-regulatory organizations;
- (e) the brokerage firm fails to refuse a request related to operation with securities if it was, or should have been aware that the request is in conflict with this Law, other laws within the competence of the Commission and the rules of self-regulatory organizations;
- (f) the brokerage house has violated the responsibility for keeping confidential data, prohibition for manipulation or prohibition for use of price sensitive information pursuant to this Law;
- (g) the brokerage house acts contrary to the responsibilities and the deadlines determined by a decision of the Commission;
- (h) the brokerage house acts contrary to the provisions of this Law and the regulations deriving from this Law in a way that obstructs or disables the operation of the self-regulatory organizations.

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

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

Revocation of a License Article 207

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

- (a) the brokerage house can not proceed according to the decision of the Commission for elimination of the irregularities, i.e. the submitted report explaining the measures taken for elimination of the irregularities does not provide proof that elimination has been performed, in severe cases of violation of this Law or other law within the competence of the Commission, and the rules of self-regulatory organizations;

- (b) the brokerage house has performed serious violations of the securities operation rules pursuant to this Law or other laws within the competence of the Commission, or the rules of self-regulatory organizations;
- (c) the brokerage house fails to initiate operation 6 months after the license has been issued or terminates its operation for a period exceeding 6 months;
- (d) the brokerage house has acquired the license based on untrue information;
- (e) the brokerage house performs other activities which are not related to securities pursuant to this Law or other laws;
- (f) responsible body of the brokerage house has made a decision on changes in the business activities according to which the brokerage house may no longer performs services related to operation with securities;
- (g) the brokerage house no longer satisfies the personnel, technical and organizational conditions regulated by this Law or sub-laws and the rules of the self-regulatory organizations;
- (h) the brokerage house does not satisfy the conditions with respect to capital appropriateness and other conditions pursuant to the risk management rules and other conditions and responsibilities pursuant to the laws within the competence of the Commission;
- (i) the brokerage house fails to proceed pursuant to the decision for temporary prohibition for performing services; and
- (j) the Commission, after the license has been issued, obtains information which, if obtained timely, would have been a reason for non-issuance, or if the circumstances have changed to the extent that the Commission would not issue the license, or if both situations occur.

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

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

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

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

Public Reprimand

Article 208

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

Taking Over the Function of Performing Services from another Brokerage House

Article 209

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

5.3 Authorization for Taking Measures against Brokers

Measures of Inspection

Article 210

If during the inspection the Commission identifies irregularities in brokers operations and non-compliance with the responsibilities regulated by this Law, by-laws deriving from this Law and the rules of self-regulatory organizations, it may decide to take the following measures:

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

Revocation of License

Article 211

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

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

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

Measures of Inspection over Investment Advising Companies and Investment Advisors

Article 212

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

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

Revocation of License of Investment Advising Companies and Investment Advisors

Article 213

The Commission shall make a decision on revocation of license of an investment advising companies and investment advisors in the following cases:

- (a) the information referred to in Article 148 and 150 of this Law is untrue;
- (b) perform prohibited activities related to the operation with securities;

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

5.5 Authorization for Taking Measures against a Stock Exchange

Subject of Inspection at the Stock Exchange

Article 214

At inspection of the stock exchange pursuant to this Law the Commission shall inspect the following:

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

Measures of Inspection of a Stock Exchange

Article 215

If during the inspection of the stock exchange operation the Commission identifies irregularities the Commission may take the following measures:

- (a) issue a decision on elimination of the identified irregularities and illegalities at operation with securities;
- (b) issue a decision on temporary interruption of the operation of the Stock Exchange;
- (c) disclose information on the irregularities at operation of the brokerage houses –stock exchange members and the stock exchange itself;
- (d) revoke the stock exchange license, temporarily or permanently;
- (e) take other measures to improve the stock exchange operation;
- (f) make a decision on revocation of the consent for appointment of a director of the stock exchange.

(2) In case irregularities and illegalities are identified the inspection costs shall be charged up to the account of the stock exchange.

Public Reprimand

Article 216

(1) The Commission may issue a decision on pronouncing a public reprimand to the stock exchange and its director.

(2) When deciding on the public reprimand the Commission shall take into consideration the severity of the violation and the fact that the brokerage house and its director have/ have not received such penalty before.

(3) The Commission shall publicly announce the ruling of the decision after it goes into effect in at least one daily newspaper published on the territory of the Republic of Macedonia.

5.6. Authorization for Taking Measures against a Depositary

Subject of Inspection at a Depositary

Article 217

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

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

Measures of Inspection of a Depositary

Article 218

(1) If during the inspection of the depositary operation the Commission identifies irregularities the Commission may take the following measures:

- (a) issue a decision on elimination of the identified irregularities at operation with securities;
- (b) issue a decision on temporary interruption of the operation of the depositary;
- (c) disclose information on the irregularities at operation of the depositary;
- (d) revoke the depositary license;
- (e) take other measures to improve the depositary operation;
- (f) make a decision on revocation of the consent for appointment of a director of the depositary.

(2) In case irregularities are identified the inspection costs shall be charged up to the account of the depositary.

Public Reprimand

Article 219

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

5.7 Authority on Taking Measures against Joint Stock Companies with Reporting Requirements Inspection Measures

Article 220

- (1) In case the Commission finds out that the Joint Stock Company with Reporting Requirements has violated the provisions of this Law and the regulations deriving from this Law the Commission may perform the following:
 - (a) publicly disclose information about such irregularities or violations;
 - (b) issue a decision requiring the Joint Stock Company with Reporting Requirements and/or any of its directors, employees to eliminate such irregularities and to inform the Commission as to such elimination;
 - (c) impose a temporary suspension not to exceed 30 working days in the trading in the Joint Stock Company with Reporting Requirements' Securities;
 - (d) impose a temporary ban not to exceed 30 working days on Non-Trade Transfers of the Reporting Company's Securities and
 - (e) impose a fine on the Joint Stock Company with Reporting Requirements.
- (2) If, the Commission finds, that the Director, any employee, member of the Management Board, member of the Supervisory Board and/or member of the Board of Directors of a Joint Stock Company with Reporting Requirements has violated, or is violating, any provisions of this Law, any other law within its competence or the regulations issued pursuant hereto; and/or has caused their Joint Stock Company with Reporting Requirements to violate this Law, or the regulations issued pursuant hereto, the Commission may:
 - (a) impose a fine on the Director, employee, member of the Management Board, member of the Supervisory Board and/or member of the Board of Directors of the Joint Stock Company with Reporting Requirements; and/or
 - (b) issue a decision permanently or temporarily barring the individual from purchasing, selling or engaging in Non-Trade Transfers of Securities that are issued by the Joint Stock Company with Reporting Requirements.

**5.8 Authority on Taking Measures against Shareholders Possessing more than 5%
of the Securities of a Joint Stock Company with Reporting Requirements**
**Measures of Supervision of Shareholders who Possess more than 5% of the
Securities of a Joint Stock Company with Reporting Requirements**
Article 221

(1) If the Commission finds that a legal or physical person has violated, or is violating the provisions from Article 166 Article 167 of this Law, the Commission may:

- (a) publicly disclose information about such irregularities or violations;
- (b) issue a decision requiring the person or legal entity to eliminate such violation and to inform the Commission as to such eliminations within set period of time;
- (c) issue a decision suspending the person's or entity's voting rights with respect to the applicable Securities until the violation has been cured; and/or
- (d) impose a fine on the person or legal entity.

6: Additional Authorities
Initiation of Procedure before a Competent Court
Article 222

In case the Commission decides that there is a grounded suspicion that a natural person has broken the provisions of this Law or the regulations deriving from it the Commission may initiate a court procedure before a competent organ in the Republic of Macedonia

Authority to Exchange Information with Other Authorized Organs
Article 223

The Commission may exchange information with other authorized law enforcement organs.

Authorization for collection and processing of personal data
Article 223-a

- (1) The Commission collects, processes, analysis, uses, assess, transfers, keeps and deletes the data for legal entities and personal data for natural persons from its own evidence in accordance with the law.
- (2) Personal data may be used only for the purposes of the Commission according to the regulations for protection of personal data.
- (3) The Commission collects personal and other required data directly from person to whom they relate, from other persons or from existing collected data which, according to the law, are disposed and manage by competent state authorities, public institutions and other legal entities.

Authority to Join in Lawsuits

Article 224

The Commission shall have the authority to join in lawsuits involving alleged violations of this Law or the regulations issued pursuant hereto and other laws within its competence. The Commission may join in such lawsuits only as a third party and in order to advise the court of its positions, opinions and interpretations.

Authority for International Cooperation

Article 225

(1) The Commission shall have the authority to enter into Memoranda of Understanding or other types of acts with regulators of securities markets from other countries and other financial regulators for the purposes of coordinating and cooperating with regard to enforcement of this Law, other laws and regulations deriving from them.

(2) The Commission may share information under the agreements entered into under paragraph (1) of this Article. The exchange of confidential information shall be performed on the principle of reciprocity with the countries with which such memoranda have been concluded.

Authorized access to bank accounts

Article 225-a

(1) In the procedure of inspection and supervision the Commission can obtain documents, data and information for the current situation of the bank accounts of natural persons or legal entities connected with the trading with securities, according to the law.

Agreements with other Macedonian Financial Regulators and Supervisory Bodies

Article 226

(1) The Commission shall have the authority to enter into Memoranda of Understanding and other acts with other domestic financial regulatory and supervisory bodies or other state institutions for the purpose of effective enforcement of this Law and the other laws within its competence.

(2) The Commission may share information under the memoranda and other acts entered into under paragraph (1) of this Article.

7. Finances, Record-keeping and reporting

Operational Funds

Article 227

(1) Funds necessary for the work of the Commission shall be provided from fees collected by the Commission for covering the costs for the provided services.

(2) Fees charged by the Commission shall be the following:

- (a) Fees for approvals for issuing securities;
- (b) fees for approvals of operating licenses for all Licensed Securities Market Participants i.e brokerage houses, stock exchanges, banks, brokers, depositories and investment advisors),
- (c) fees determined by the Law on Investment Funds;
- (d) fees determined by the Company Takeover Law;
- (e) fees paid by associations of Licensed Securities Market Participants when seeking approval of their acts;
- (f) fees paid for giving consents to the appointment of directors of Licensed Securities Market Participants;
- (g) fees for surveillance of stock exchanges;
- (h) fees for surveillance of brokerage houses;
- (i) fees for surveillance of depositories;
- (j) fees for performing on-site control over licensed securities market participants; and
- (k) fees for reviewing reports submitted to the Commission by Joint Stock Companies with Reporting Requirements and
- (l) other revenue that the Commission generates during its operations.

(3) The amount of the fees referred to in paragraph (2) of this Article shall be proportionate to the costs of the Commission as defined by the annual financial plan, operating program, as well as the development need of the Securities and Exchange Commission.

(4) The Commission shall define the amount of fees referred to in paragraph (2) of this Article with a separate Tariff Book.

(5) The Tariff Book of paragraph (4) of this Article shall be approved by the Government of the Republic of Macedonia.

Reserve Fund of the Commission

Article 228

(1) The net income surplus of the operation of the Commission shall be allocated to the reserve fund.

(2) The reserve fund is used for compensating the deficits of the Commission, overcoming of the temporary discrepancy of the Commission's revenues over the expenditures and for development and improvement of the Commission's operations.

Maintenance of Records

Article 229

(1) The Commission shall maintain the following records for a period of three (3) years from receipt:

- (a) documents and data filed by an issuer in connection with a Request for Approval, for issuing Securities;

(b) documents and data filed by Joint Stock Companies with Reporting Requirements with respect to disclosure obligations, according to the provisions of this Law.

(c) documents and data filed by Licensed Securities Market Participants according to the provisions of this Law.

(2) The records and data referred to in items (a) and (b) of paragraph (1) of this Article shall be made available to the public in a manner and according to procedures prescribed by the Commission.

(3) The Commission shall publish a list of all final sanctions issued under this Law pursuant to procedures set forth in Commission regulations on a quarterly basis.

Annual Report

Article 230

(1) The Commission shall submit to the Government of the Republic of Macedonia and to the Parliament of the Republic of Macedonia each year, no later than May 31st an annual report on its work with its Financial Statements prepared in accordance with International Financial Reporting Standards audited by an independent certified auditor in accordance with International Standards of Auditing and a financial plan for the upcoming year. The Commission shall submit the annual report to the Assembly of the Republic of Macedonia for adoption.

(2) The Commission shall publish a summary of the annual report with an opinion by the certified auditor in at least one daily newspaper in the Republic of Macedonia, and shall publish the entire annual report on the website of the Commission within fifteen (15) calendar days from the day it was adopted by the Commission.

Right to Appeal

Article 231

(1) Against the decisions adopted by the Commission, the interested parties may claim an appeal to the Commission for Dealing with Appeals in the Area of Securities market (hereinafter: the Appeal Commission), within 15 working days from the day of reception.

(2) Against the final decisions of the Commission for appeals, the appeal for an administrative dispute in front of competent court can be submit.

'Members of the Appeals Commission

Article 231-a

(1) Appeals Commission is composed of a president and four members.

(2) The President and members of the Appeals Commission are appointed and dismissed by the Parliament of the Republic of Macedonia, upon the proposal of the Commission on election and appointment issues of the Parliament of the Republic of Macedonia.

(3) The mandate of the president and members of Appeals Commission is five years with the right of re-election.

(4) On its first constitutive session, the Appeals Commission, elects deputy president.

(5) The Appeals Commission is financed from the budget of the Parliament of the Republic of Macedonia.

Selection and dismissal of members of the Appeals Commission

Article 231-b

(1) For a member of the Appeals Commission, can be appointed person, who beside the conditions of Article 183 paragraph (3) of this law, meets the following conditions:
a) has an experience in the area of finance and business law more than five years and
b) he is not employed or didn't have other contractual relationship with entity over which the Commission performs inspections or supervision exercise the National Bank of the Republic of Macedonia.

(2) The function of the President of the Appeals Commission ends with the resignation of the president or its dismissal by the Parliament of Republic of Macedonia. In a case of resignation by the President, his function as a member of the Appeals Commission continues and the Parliament upon the proposal of the Commission on election and appointment issues, for the rest of the mandate, elects new president from the existing members.

(3) The members of the Appeals Commission may resign by submitting a written statement to the Parliament. Parliament of the Republic of Macedonia at the first next session without hearing, note that the mandate of the President or a member of the Commission, ends from the day of the session.

(4) The Parliament upon the proposal of the Commission on election and appointment issues dismissed the President or a member of the Appeals Commission if:
a) three consecutive times unjustified absent from the sessions of the Appeals Commission;

b) Serve a prison sentence for criminal act, longer than six months;

c) lose the ability for work for regular tasks;

d) during the execution of his work, violates the provisions of the Rules and procedures of the Appeals Commission;

e) disclose business secret acquired during his work in the Appeals Commission;

f) disclose insider information acquired during his work in the Appeals Commission;

g) becomes a member of a body of a political party;

h) becomes a member of the Management Board, Supervisory Board or board of directors of the entity over which the Commission performs inspection or National Bank of the Republic of Macedonia execute supervision;

i) becomes a shareholder with more than 5% of shares with voting rights in a Joint Stock Company with special reporting obligations and 25% of the shares with voting rights in any joint stock company;

j) becomes an official governing state authority or authority of state administration and

s) works or has other relationships with legal entity over which the Commission performs inspection or National Bank of the Republic of Macedonia execute supervision.

(5) If the membership in the Appeals Commission of a member, expiry before ending of his mandate, upon the proposal of the Commission on election and appointment issues, the Parliament of the Republic of Macedonia elects new member for the rest of the mandate

Method of working and decision making of the Appeals Commission

Article 231-c

- (1) The Appeals Commission adopts its decisions by majority votes of all members.
- (2) The method of working and decision making of the Appeals Commission is closely regulated by Rules and procedure.
- (3) The President and members cannot decide for authorized securities market participants market and other legal entities over which Commission performs inspection, in which their spouses, other members of their families in the first degree relationship are employed or have other contractual relationship, or they are shareholders or members of the Management Board or supervisory Board or Board of Directors in authorized securities market participants and other legal entities over which the Commission performs inspection.

Implementation of the Law on Administrative Procedure

Article 232

Unless otherwise prescribed by this Law, in a procedure of decision making by the Commission and the Appeals Commission the Law on General Administrative Procedure shall applied.

Misdemeanor Organ

Article 232-a

- (1) The Securities and Exchange Commission (hereinafter: Misdemeanor Organ) shall administer misdemeanor procedures and shall pronounce a misdemeanor sanctions for the misdemeanors as defined in Article 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244 and 245 of this Law,
- (2) The misdemeanor procedure under paragraph (1) of this Article shall be administered by the Commission Deciding Upon a Misdemeanor (hereinafter: Misdemeanor Commission) before the Misdemeanor Organ, consisting of employees in the Securities and Exchange Commission, who are appointed by the president of the Securities and Exchange Commission.
- (3) The Misdemeanor Commission shall consist of three persons who are employed in the Securities and Exchange Commission, of whom one person performs the function of a President of the Misdemeanor Commission.
- (4) Members of the Misdemeanor Commission shall be elected to a term of office of five
- (5) years, with the right to re-election

(5) Members of the Misdemeanor Commission shall have a university education, while the President of the Commission may be only a person possessing a university degree in Law and having passed the bar examination.

(6) The Misdemeanor Commission shall make decisions concerning the misdemeanors covered by this Law and for pronouncing misdemeanor sanctions.

(7) The Misdemeanor Commission shall adopt its Rules of Procedures which has to be previously approved by the Securities and Exchange Commission.

(8) An appeal may be filed for initiation of an administrative dispute before the competent court against the decisions of the Misdemeanor Organ by which misdemeanor sanctions are pronounced.

Operation of the Misdemeanor Commission

Article 232-b

(1) A member of the Misdemeanor Commission may be resolved:

- 1) upon expiration of the period of his/her term of office;
- 2) upon his/her request;
- 3) upon fulfilling the requirements for retirement in accordance with a law;
- 4) if convicted by a final court verdict for a criminal act;
- 5) in case of determination of permanent working inability;
- 6) in case of violation of regulations for administering a misdemeanor procedure by a final verdict;
- 7) in case of not fulfilling his/her obligations arising from the operation of the Misdemeanor Commission; and
- 8) in case of failing to report the existence of conflict of interests concerning a case for which the Misdemeanor Commission decides upon.

(2) The proposal for resolving a member of the Misdemeanor Commission for the cases under paragraph (1) items 3) through 8) of this Article shall be filed by the President of the misdemeanor Commission to the President of the Securities and Exchange Commission.

(3) The Misdemeanor Commission shall have the right to present evidence and collect data that are necessary for determine the misdemeanor, as well as to perform other activities and undertake actions as defined by this Law, the Law on Misdemeanors and/or other law.

(7) Members of the Misdemeanor Commission shall be independent and autonomous in their work in the Misdemeanor Commission and shall decide on the basis of their professional knowledge and their own will.

(8) The Misdemeanor Commission shall work in its full membership and shall make the decisions by a majority of votes of the total number of members.

(9) The Misdemeanor Commission keeps unique records of misdemeanors, pronounces misdemeanor sanctions and adopted decisions in the manner as prescribed by the Securities and Exchange Commission.

(10) The method of access to information contained in the records is prescribed by the act under paragraph (6) of this Article.

(11) Members of the Misdemeanor Commission shall have the right to remuneration for their work in the Misdemeanor Commission which is determined by the President of the Securities and Exchange Commission, and which has to be reasonable and relevant to the importance, scope of work and complexity of misdemeanors.

Mediation Article 232-c

(1) For the misdemeanors defined by this Law, authorized persons by the Securities and Exchange Commission for conducting supervision within the scope of their authorizations, may offer to the performer of the misdemeanor mediation and reaching an agreements by which the performer of the misdemeanor shall have to pay a fine, other fees or remove the consequences from the performed misdemeanor.

(2) Authorized persons by the Securities and Exchange Commission for the purposes of conducting supervision referred to in paragraph (1) of this Article shall prepare minutes where the consent by both parties is concluded for initiation of a mediation procedure, on which the performer of the misdemeanor shall put his/her signature, as well.

(3) The mediation procedure shall be initiated with a request by authorized persons from the Securities and Exchange Commission for conducting supervisions within eight (8) days from the date when the misdemeanor was concluded.

(4) The consent concerning the mediation should be reached within 8 business days from the date when the mediation procedure commenced.

(5) The mediation procedure is administered before the Mediation Commission consisting of three persons who are employees in the Securities and Exchange Commission, and who are appointed by the President of the Securities and Exchange Commission.

(6) Member of the Mediation Commission should have completed at least university degree.

(7) The Mediation Commission shall work on meeting in its full membership at which the presence of representatives from the performer of the misdemeanor is mandatory, as well an authorized person from the Securities and Exchange Commission for conducting supervision, who concluded that a misdemeanor was performed.

(8) The Mediation Commission shall commence the procedure within 24 hours from the day when the request under paragraph (3) of this Article was received.

(9) For the reached consent concerning the mediation an agreement is prepared where the consent of both parties is concluded.

(10) The agreement contains the obligations of the performer of the misdemeanor, particularly the following:

- 1) the amount and manner of payment of the fine;
- 2) the amount and manner of payment of other fees and costs;
- 3) the measures to be undertaken by the performer of the misdemeanor with the aim of removing the consequences from the misdemeanor.

(11) In the case where consent is reached concerning the mediation, the fine to be paid by the performer of the misdemeanor may be reduced for one half of the maximum prescribed fine for that particular misdemeanor.

(12) The agreement under paragraph (10) of this Article shall have a deed of enforcement.

(13) The Securities and Exchange Commission shall adopt a Rules of Procedure and a Tariff Book for the Operation of the Mediation Commission. The amount and the type of costs defined in the Tariff Book shall be determined on the basis of real costs of the Securities and Exchange Commission for ensuring proper operation of the Mediation Commission.

(14) Members of the Mediation Commission shall have the right to remuneration for their work in the Commission, which has to be reasonable and relevant to the importance, scope of work of the members and the complexity of misdemeanors.

(15) The Mediation Commission shall keep records for initiated procedures for mediation and for their result.

IX. PENALTY PROVISIONS

Article 233

(1) The legal entity (joint stock company or limited partnership by shares) issuer of securities shall be fined 4,000 to 5.000 euro in denar counter value for misdemeanor should:

- 1) it fails to meet the liabilities arising from Article 5 of this Law;
- 2) it issue Securities without nominal value in accordance to Article 6, paragraph (4) of this Law;
- 3) it fail to submit an act of issuance of Securities in a form and contents prescribed by the Commission in accordance with Article 7 of this Law;
- 4) it acts contrary to Article 11 of this law;
- 5) it issue, offer and sell Securities by means of a public offer without prior approval by the Commission in accordance with Article 12 of this Law;
- 6) it fails to commence a procedure for subscription and payment of the offered Securities in accordance with Article 17 of this Law;
- 7) it fails to publish the invitation for subscription and payment of securities in accordance with Article 18, paragraph (1) of this Law;
- 8) it fails to publish the prospectus and invitation for subscription and payment of securities in accordance with Article 18, paragraph (3) of this Law;
- 9) it change during the public offer the statute and other acts which refer to the rights of the owners of securities described in the prospectus in accordance to Article 19, paragraph (1) of this Law;
- 10) it acts contrary to Article 19, paragraph (2) of this Law in case of changing the conditions in the course of the public offer;
- 11) it advertise the public offer of securities contrary to Article 20, paragraph (2) and (3) of his Law;
- 12) the licensed securities market participant fail to ensure the subscription of securities to be made in compliance with this Law, the issuance act and the prospectus pursuant to Article 21 paragraph (2) of this Law;
- 13) it realizes the public offer within a deadline longer than 12 months in accordance with Article 22 of this Law;
- 14) it fail to notify the Commission about the quantity of the subscribed and paid Securities and fail to announce them in accordance with Article 24, paragraphs (1) and (3) of this Law;
- 15) the joint stock company and limited partnership by shares fail to notify the Commission for selling treasury shares and fail to submit the decision for selling of treasury shares in accordance to Article 25, paragraph (1) of this Law;
- 16) it fail to notify the Commission about an offer whose amount is less than 25.000 euro and fail to make a public announcement about such offer pursuant to Article 26, paragraph (2) of this Law;
- 17) it fail to notify the Commission and the public within five (5) business days about the completion of the Private Offering about the quantity of the subscribed and paid Securities in accordance with Article 27, paragraph (5) of this Law;

18) it fail to deliver the securities to the Depository to be registered within three (3) business days of the date of subscription of the basic capital in the Trade Register in accordance with Article 49, paragraph (3) of this Law.

(2) The responsible person within the legal entity – company pursuant to paragraph (1) of this Article shall be fined 1.000 to 2.000 euro in denar counter value for the misdemeanor referred to in paragraph (1).

Article 234

(1) The legal entity - depository shall be fined 4.000 to 5.000 euro in denar counter value for misdemeanor should:

- 1) it fail to allow a legal entity that satisfies the conditions determined by the Membership Rules to become a member of the Depository in accordance with Article 38, paragraph (4) of this Law;
- 2) it purchase or in any other way acquire or possess securities for own account that have been registered in its own system pursuant to Article 45 paragraph (1) of this Law;
- 3) it fails to ask for consent from the Commission in accordance with Article 46 of this Law;
- 4) it fails to meet the liabilities referred to in Article 48 of this Law.

(2) The responsible person within the legal entity - depository shall be fined 1.000 to 2.000 euro in denar counter value for the misdemeanor referred to in paragraph (1) of this Article.

Article 235

An owner of securities shall be fined 500 to 1.000 euro in denar counter value for misdemeanor should:

- 1) it have more than 1 securities account at the same depository, contrary to Article 52, paragraph (5) of this Law;
- 2) it pass and make available to other persons the data referred to in Article 68, paragraph (1) and paragraph (3) of this Law;

Article 235-a

(1) Fine in the amount of 2,500 to 5,000 Euros in denar counter value shall be imposed for misdemeanor by a legal entity which performs the service of keeping securities, if he doesn't maintain special evidence for the status of the securities for each individual client and fails to submit full details of all individual clients and the number of securities in their possession at the request of the Commission pursuant to Article 52-b paragraph (5) of this Law.

(2) The responsible person within the legal entity shall be fined 1.000 to 2.000 euro in denar counter value for the misdemeanor referred to in paragraph (1) of this Article

Article 236

(1) The legal entity – stock exchange shall be fined 4.000 to 5.000 euro in denar counter value for misdemeanor should:

- 1) it fail to submit data to the Commission that refer to the entry of the changes in the trade registry within 5 business days in accordance with Article 74, paragraph (3) of this Law;
- 2) it fail to allow a legal entity to become a member of the Stock Exchange if it satisfies the conditions determined by its Membership Rules in accordance with Article 79, paragraph (3) of this Law;
- 3) it fails to undertake measures for protection of the computer system and it act contrary to Article 84 of this Law;
- 4) it buy, acquire or own any Securities for its own account via trade transaction performed through the Stock Exchange in accordance with Article 87, paragraph (1) of this Law;
- 5) it fails to ask for consent from the Commission for the issues referred to in Article 88 of this Law.

(2) The responsible person within the legal entity – stock exchange shall be fined 1.000 to 2.000 euro in denar counter value for the misdemeanor referred to in paragraph (1) of this Article.

Article 237

An employee of the depository and exchange shall be fined 500 to 1.000 euro in denar counter value for misdemeanor if he/she is a member of Supervisory board, Managing board and the Board of Directors of a shareholder or a depository and exchange member and if he/she performs services or other activities on their behalf, in accordance to Article 45, paragraph (3) and Article 87, paragraph (3) of this Law.

Article 238

(1) The brokerage house shall be fined with 4.000 to 5.000 euro in denar counter value for misdemeanor should:

- 1) unauthorized persons provide services with securities contrary to Article 96 of this Law;
- 2) it fails to maintain the value of the basic capital in any time of its operation in accordance with Article 99 of this Law;
- 3) it fails to dispose with personal assets at any time of its operation pursuant to Article 100, paragraph (1) of this Law;
- 4) in a case when the amount of personal assets falls below the minimum amount and with order of the Commission, does not comply with the law in the period according to Article 100, paragraph (2) of this Law;
- 5) it allocates the profit as a dividend contrary to Article 103 of this Law;

- 6) it fails to notify the Commission about the changes referred to in Article 104, paragraph (2) of this Law;
- 7) it fails to notify the Commission in accordance with Article 108, paragraph (3) of this Law;
- 8) it fails to notify the Commission in accordance with Article 109, paragraph (2) of this Law;
- 9) the operations referred to in Article 112, paragraph (1) be performed by unauthorized persons for operation with securities, the license for whom is to be issued by the Commission;
- 10) it fails to comply with the liabilities referred to in Article 116 of this Law;
- 11) it acts contrary to Article 117, paragraph (2) of this Law;
- 12) it fails to notify the client pursuant to Article 118, paragraph (1) of this Law;
- 13) it fails to keep the book of orders pursuant to Article 121 paragraph (1) of this Law;
- 14) it buy or sell Securities for its own account or for the accounts of a person employed in a brokerage house contrary to Article 122 of this Law;
- 15) it fail to keep the assets of the client on a separate account pursuant to Article 123, paragraph (1) of this Law;
- 16) it fails to pay in the assets of the client pursuant to Article 123, paragraph (2) of this Law;
- 17) it makes payments form clients' assets contrary to Article 123, paragraph (4) of this Law;
- 18) it uses one client's assets for the benefit of any other client contrary to Article 123, paragraph (5) of this Law;
- 19) it fail to submit to the client a confirmation for conclusion and settlement of every transaction in accordance with Article 124, paragraph (1) of this Law;
- 20) it fails to keep records and keep all documents in accordance with Article 125 of this Law;
- 21) it fails to conclude a written contract with the client in accordance Article 126 of this Law;
- 22) it fail to submit to the Commission a text of any draft – advertisement before it is published in accordance with Article 128, paragraph (3) of this Law;
- 23) it fail to conclude an agreement for portfolio and fail to satisfy the conditions referred to in Article 129 of this Law;
- 24) it fails to submit a monthly report to the Commission every 15 of the month pursuant to Article 131, paragraph (1) of this Law.
- 25) it fail to notify the Commission about changes in data stated in the application for operation license pursuant to Article 131, paragraph (3) of this Law;
- 26) it fails to submit an annual report for its operation to the Commission pursuant to Article 131, paragraph (4) of this Law;

(2) The responsible person in the brokerage house shall be fined with 1.000 to 2.000 euro in denar counter value for the misdemeanor referred to in paragraph (1) of this Article.

(3) A broker in the brokerage house shall be fined with 500 to 1.000 euro in denar counter value for the misdemeanor referred to in paragraph (1) of this Article.

Article 239

(1) A natural person acting contrary to the prohibition for performing services related to securities referred to in Article 96 of this Law shall be fined 5.000 to 1.000 euro in denar counter value for misdemeanor.

(2) Legal entity acting contrary to the prohibition for performing services related to securities referred to in Article 96 of this Law shall be fined 4.000 to 5.000 euro in denar counter value for misdemeanor.

Article 240

(1) A natural person acting contrary to Article 105 paragraph (1) of this Law shall be fined 500 to 1.000 euro in denar counter value.

Article 241

(1) An investment advising company shall be fined 4.000 to 5.000 euro in denar counter value for misdemeanor should:

- 1) it fail to maintain the value of the basic principal in any time of its operation as referred to in Article 149, paragraph (1) of this Law
- 2) it fails to possess liquid assets on disposal as referred to in Article 149, paragraph (3) of this Law

(2) The responsible person in the investment advising company shall be fined 1.000 to 2.000 euro in denar conservable for the misdemeanor referred to in paragraph (1) of this Article.

Article 241-a

(1) Fine in the amount of 2,500 to 5,000 Euros in denar counter value shall be imposed for misdemeanor by a member of the Investor compensation scheme if:

- 1) does not act in accordance with Article 152-v and
- 2) uses membership in the Investor compensation scheme for their advertising under Article 152-z, paragraph (3) of this Law.

(2) The responsible person of the member of the scheme shall be fined 1.000 to 2.000 euro in denar counter value for the misdemeanor referred to in paragraph (1) of this Article

Article 242

(1) The Joint Stock Company with Reporting Requirements shall be fined 4.000 to 5.000 euro in denar counter value for misdemeanor should:

- 1) it fail to submit to the Commission an audited annual report in accordance with Article 154, paragraph (1) of this Law;

- 2) it fails to publish a summary of the annual report in accordance with Article 155, paragraph (1) of this Law;
 - 3) it fail to submit to the Commission a semi – annual report in accordance with Article 156 of this Law;
 - 4) it fails to submit to the Commission quarterly financial statements in accordance with Article 157, paragraph (1) of this Law;
 - 5) it fail to submit to the Commission the reports prepared by the executive members of the Board of Directors and the Managing Board in accordance with Article 158 of this Law;
 - 6) it fail to submit to the Commission a copy of its annual, semi-annual, quarterly and current report pursuant to Article 160, paragraph (1) of this Law;
 - 7) the person appointed for a member of the Supervisory, Managing Board or Board of Directors of the joint stock company fail to notify the Commission and the joint stock company in accordance with Article 165 of this Law.
- (2) Fine in the amount of 2,500 to 5,000 Euros in denar counter value will be imposed for a misdemeanor by a Joint Stock Companies and other entities-issuers of securities, which securities are not listed on the stock exchange and are not maintained in the register of joint stock companies with special reporting obligation, if they didn't act in accordance with Article 166-b of this Law.

(3) The responsible person within the legal entity shall be fined 1.000 to 2.000 euro in denar counter value for the misdemeanor referred to in paragraph (1) of this Article.

Article 243

(1) The legal entity or a licensed securities market participant or another physical person shall be fined 4.000 to 5.000 euro in denar counter value for misdemeanor in the operation with Securities should:

- 1) it create a false image about certain securities on the market contrary Article 170 of this Law;
- 2) it spread false information via the media including the Internet envisaged in Article 171, paragraph (1) of this Law;
- 3) while buying or selling securities it perform manipulative and deceptive acts in accordance with Article 172 of this Law;
- 4) on the basis of insider information, it buys or sells securities contrary to Article 173, paragraph (3) of this Law.

(2) The responsible person within the legal entity shall be fined 1.000 to 2.000 euro in denar counter value for the misdemeanor referred to in paragraph (1) of this Article.

Article 244

Legal entities shareholders, members of Managing Board, Supervisory Board and members of Board of Directors, employees or external collaborators which, during performance of the professional tasks, have access to insider information, shall be fined

for violation with 1.000 to 2.000 euro in denar counter value should they act contrary to Article 173 of this Law;

Article 245

The members of the managing bodies, director, the employees and licensed auditors, should they fail to act in accordance with Article 177 of this Law shall be fined for violation with 1.000 to 2.000 euro in denar counter value.

Article 245-a

Fine in the amount of 7,500 to 15,000 Euros in denar counter value will be imposed for misdemeanor of legal entity which:

- 1) obtained a qualified holding in brokerage house, Stock Exchange or Depository contrary to Article 152 and paragraphs (a) and (3) of this Law to and
- 2) doesn't acted in accordance with Article 152-d, paragraph(3) of this law.

Article 245-b

Fine in the amount to 2,500 to 5,000 Euros in denar counter value will be imposed for misdemeanor by a legal entity if it fails to inform the Commission according to Article 152-a paragraph (6) of this Law.

Article 245-c

Fine in the amount of 3.500 to 7.000 Euros in denar counter value will be imposed for misdemeanor of natural person who:

- 1) obtained a qualifying holding in brokerage house, Stock Exchange or Depository contrary to Article 152-a, paragraphs (1) and (3) of this Law and
- 2) doesn't acted in accordance with Article 152-d, paragraph (3) of this law.

Article 245-d

Fine in the amount from 750 to 1,500 Euros in denar counter value will be imposed for misdemeanor by natural person, if he fails to inform the Commission according to Article 152-a, paragraph (6) of this Law.

Article 245-e

Fine in the amount of 7,500 to 15,000 Euros in denar counter value will be imposed for misdemeanor by brokerage house, a branch office of a foreign brokerage house and authorized Bank if they violate the provisions of Article 152-a, paragraph (7) of this Law.

Article 245-f

(1) Fine in amount of 500 to 1,000 Euros in denar counter value will be imposed for misdemeanor by the person from Article 200 of this law, if the person is called in, but he

did not come, but he didn't justified the absence or if he came, and warned about the consequences, without legal reasons he refuse to give a statement.
(2) Fine of up to tenth times of the amount stipulated in paragraph (1) of this Article shall be imposed on a person, which beside the fine according to paragraph 1, refuses to give a statement. “

CHAPTER X: TRANSITIONAL AND FINAL PROVISIONS

Further Commission Regulations

Article 246

- (1) The Commission shall issue all secondary regulations and other acts in accordance with this Law no later than one (1) year after the date this Law comes into effect.
- (2) The existing regulations shall be in force until the regulations referred to in paragraph (1) of this Article are adopted.

Compliance of the Operation of the Central Securities Depository

JSC Skopje

Article 247

The Central Securities Depository JSC Skopje shall harmonize its operation in accordance with this Law no later than one (1) year after this Law comes into effect with regard to: the Minimum Basic Capital requirement set forth in Article 34 of this Law; the structure of its Management Supervisory Board and its Board of Directors; all necessary Rules required by this Law as well as to divest itself of any Securities, the ownership of which would violate the Article 45, paragraph (1) of this Law.

Compliance of the Operation of the Macedonian Stock Exchange

JSC Skopje

Article 248

The Macedonian Stock Exchange JSC Skopje shall harmonize its operation in accordance with this Law no later than one (1) year after this Law comes into effect with regard to: the Minimum Basic Capital requirement set forth in the Article 75 of this Law; the structure of its Management Board, Supervisory Board and its Board of Directors; all necessary Rules required by this Law as well as to divest itself of any Securities, the ownership of which would violate the Article 87 paragraph (1) of this Law.

Compliance of the Operation of Brokerage Houses

Article 249

Each brokerage house is obligated within one (1) year after this Law comes into effect to submit to the Commission a statement of its current ownership structure and to harmonize its operation with the provisions of this Law with regard to the Minimum Basic Capital requirement and the operation of its branch offices.

Licenses for Operating with Securities
Article 250

Individuals that have obtained the certificate for operation with Securities before the date this Law goes into effect shall, within 180 calendar days after the date this Law comes into effect, apply to the Commission for a license for operation with securities in accordance with this Law.

Initial Ownership Reports
Article 251

The persons obligated to submit Initial Ownership Reports pursuant to this Law shall submit them to the Commission within sixty (60) calendar days after this Law comes into effect.

Securities and Exchange Commission
Article 252

(1) The terms of office of the existing Commission members shall terminate after the expiry of the period for which they are elected.

(2) The Government of the Republic of Macedonia within a one (1) year after this Law comes into effect shall propose to the Parliament of the Republic of Macedonia to elect two members (Commissioners) from the current membership of the Commission that are full – time professionally engaged in the Commission and cannot hold other position and be employed anywhere else or receive other remuneration, except for the salary as Commissioners and occasional fees for educational activity and royalties.

Article 253

The procedures initiated but not completed by the time this Law goes into effect shall be continued in accordance with the regulations that have been in force before this Law goes into effect.

Article 254

Transactions with securities where an international financial institution is involved as purchaser or seller as an exception from Article 63 of this Law, by 31 December 2006 may be settled in a manner and procedure prescribed by the Securities and Exchange Commission.

Termination Date
Article 255

On the date this Law goes into effect the Law on Securities (Official Gazette of the RM no. 63/00, 103/00, 34/01, 4/02, 37/02, 31/03, 85/03 and 96/04), ceases to be in effect

except the provisions of Chapter V Subchapter 1 – Trade with Money and Short-Term Securities.

Enforcement date

Article 256

The provisions from the Article 197, paragraph (1), item i) and paragraph (2), item 1), the Article 220, paragraph (1), item e), the Article 220, paragraph (2) item a) and Article 221, paragraph (1), item d) shall come into effect on January 1, 2007.

Article 257

This Law shall go into effect on the eighth day following its publication in the “Official Gazette of the Republic of Macedonia.”