

INFORMATION FOR CLIENTS

Contents

I. Introduction	I-3
II. Information on the Authorized bank and the Services it Provides	II-3
1. General information on the Authorized bank	II-3
2. Information on the Services the Bank Provides	II-4
3. Categorization of clients and change of clients' category	II-6
4. Methods of Communication between the Authorized bank and the Client	II-9
5. Assessment of Suitability of the Investment service i.e. financial instrument	II-12
6. Summary of the Conflict of Interests Management Policy	II-13
III. Financial instruments	III-15
1. Transferable securities	III-18
1.1. Shares	III-18
1.1.1. <i>Risks of investing in shares</i>	III-19
1.2. Bonds	III-20
1.2.1. <i>Risk of investing in bonds</i>	III-20
2. Money market Instruments	III-21
2.1. Risks of investing in money market instruments	III-22
3. Derived financial instruments	III-23
IV. Protection of Authorized bank clients' assets	IV-24
V. Protection of Retail clients' Financial instruments and Monetary funds	V-26
VI. Places for Order execution	VI-27
VII. Costs and fees	VII-28

I. Introduction

With the adoption of the Law on the Capital Market (hereinafter: the Law) and referent by-laws by the Securities Commission, Serbia set the standards for the functioning of the financial instruments market equal to those in the European Union, bearing in mind that the local regulations are based on the models established by the European legislation. One of the main goals of the new legislation is the protection of investors, made possible by setting new requirements before the investment companies (broker-dealer companies and authorized banks), with respect to the fulfillment of certain conditions when providing investment services and performing investment activities. One of the most important requirements is the transparency in business operation and the obligation of investment companies to provide all necessary information to their clients for adequate decision making when investing on the capital market.

Authorized bank within the meaning of the Law represents an organizational part of Banca Intesa ad Beograd authorized for the provision of investment services and investment activities prescribed in the permit from the Securities Commission (hereinafter: Authorized bank). The Authorized bank shall perform investment services independently or through other systems of Banca Intesa ad Beograd, i.e. using a combination of these systems.

In accordance with this, the Authorized bank hereby aims to inform its clients of the most important aspects of the investment environment and the part of operation that directly concerns the clients - investors into securities and other financial instruments.

II. Information on the Authorized bank and the Services it provides

1. General information on the Authorized bank

Business name:	Banca Intesa a.d. Beograd Authorized bank
Registered address:	Milentija Popovića 7b, Novi Beograd
Company registration number:	07759231

TIN: 100001159

Internet address: www.bancaintesa.rs

E- mail: broker@bancaintesa.rs

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Date of the decision on giving permit: 11.05.2006. 01.02.2007;19.09.2012;

08.04.2016.; 20.03.2019.

Activity: Providing investment services and activities from Article 2 Paragraph 1 Item 8) sub-items (1), (2), (3), (6) and (7) of the Law on the Capital market and ancillary services from Article 2 Paragraph 1 Item 9) sub-items (1), (2), (4), (5), (6) and (7) of the Law on the Capital market (further described in Item no. 2).

Issuer of permit: Securities Commission
Omladinskih brigada 1, VII sprat, Beograd
www.sec.gov.rs
tel/fax:+381(0) 213 79 24, +381(0) 311 73 36

2. Information on the Services the Bank Provides

Investment services and investment activities imply the following services and activities of the Authorized bank from Article 2 of the Law:

- Reception and transmission of orders in relation to the sale and purchase of financial instruments and order execution on behalf of Client (hereinafter: brokerage services);
- Dealing on own account (hereinafter: dealer operations);
- Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis (hereinafter: underwriting services);
- Placing of financial instruments without a firm commitment basis (hereinafter: agent services).

The ancillary services the Authorized bank is authorized to provide are the following:

- Safekeeping and administration of financial instruments for the account of the Client and related services;
- Administering of the cash funds of the clients and the collateral;
- Credit approval for clients for the purpose of performing financial instrument transactions which include the Authorized bank;
- Foreign exchange services where these are connected to the provision of investment services;
- Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments;
- Services related to underwriting;
- Investment services and activities, as well as additional services related to derivative financial instrument basis under Article 2, Section 1, subparagraphs 5, 6, 7 and 10 of the Law¹, in relation to investment services and activities, as well as additional services.

¹ The following is implied under derived financial instruments in the sense of the aforementioned provisions of the Law:

- options, futures, swaps, interest forwards and other derived financial instruments referring to goods which: (a) must be settled in money or (b) can be settled in money at the choice of one of the contractual parties, for the reasons that are not in connection with the non-performance of obligations or contract termination;
- options, futures, swaps and other derived financial instruments referring to goods can be settled in kind, under the condition that they are traded on the regulated market, i.e. MTP;
- options, futures, swaps, forwards and other derived financial instruments referring to goods can be settled in kind, which have not been included in the previous subitem and: (a) do not have a commercial purpose and (b) have the characteristics of derived financial instruments, bearing in mind, among other things, the fact that the clearing and settlement are made in recognized clearing houses or that they are subject to regular requests for additional payment;
- derivative financial instruments for the transfer of credit risk;
- financial contracts for differences;

Through the course of its existence the Authorized bank may change the type of investment services it provides, in line with the Law.

3. Categorization of clients and change of clients' category

Prior to providing the service to the Client, the authorized bank, organizational units of Banca Intesa ad Beograd performing the reception of clients' orders and third parties via whom the reception is performed, classify the Client into the category of professional and/or retail clients based on information available regarding the Client, especially regarding his/hers:

- Investment goals,
- Knowledge and experience and
- Financial position.

Should a Client through the course of business operation no longer fulfil the criteria for categorization into the initially determined category, the Authorized bank shall inform the Client thereof.

Professional client is a person or entity having enough experience, knowledge and expertise for individual decision making on investments and accurate risk assessment regarding those investments, and meeting other legal requirements, especially:

- Persons requiring approval for business on the financial market, such as: credit institutions, investment firms, other financial institutions whose business operation is approved or supervised by authorized body, insurance companies, collective investment institutions and their management

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- options, futures, swaps, interest forwards and other derived financial instruments referring to climate variables, transportation costs, inflation rates, issue quotas or other official, economic and statistical data, which is settled or which can be settled in money at the choice of one of the contractual parties for reasons that are not in connection with the failure to settle liabilities or agreement termination, as well as other derived financial instruments referring to property, rights, obligations, indexes and measures not stated in this item, which have the features of other derived financial instruments, bearing in mind, among other things, whether they are traded at a regulated market or MTP, whether clearing and settlement are made in recognized clearing houses and whether they are subject to regular requests for additional payment.
 - commodity derivatives are derived financial instruments relating to commodities, which are settled in cash, and exceptionally physically, provided that they are traded on a regulated market, i.e. MTP;
 - credit derivatives on the basis of credit default swap is a type of credit derivative obliging the provider of credit protection to settle the loss of the beneficiary of protection in the event of debtor's default or any other contracted credit event, for an appropriate fee from the beneficiary of credit protection.

companies, pension funds and their management companies, product stock markets dealers, as well as other persons supervised;

- Legal entities meeting at least two of the following requirements:
 - Total property is at least EUR 20,000,000;
 - Annual business income is at least EUR 40,000,000;
 - Own capital is at least EUR 2,000,000;
- The Republic, autonomous provinces and units of local self-government, as well as other state or national and regional bodies, the National Bank of Serbia and central banks of other countries, international and supranational institutions, such as the International Monetary Fund, European Central Bank, European Investment Bank and other similar international organizations.

Professional client shall inform the Authorized bank in a timely manner of all facts that could influence the change of category into which it had been classified.

A retail client is any entity not classified into the category of professional clients.

The Authorized bank shall categorize all clients – natural persons as retail clients.

All clients that have not been classified as professionals are automatically treated as retail clients by the Authorized bank.

The retail client enjoys a higher level of protection compared to the professional client which particularly relates to the following:

- The Authorized bank evaluates the suitability of the retail client's investment in a particular financial instrument based on his knowledge and experience in the field of investing and, if needed, warns the client of the possibility of not fully understanding all of the risks which it would assume with said investment and that the financial instrument or service are not suitable for the client;
- When the Authorized bank is authorized to hold the financial instruments or monetary funds of the client, it is obligated to provide the retail client with all of the information regarding the protection of the client's financial instruments and cash monetary funds, relating to the reimbursement rights from the Investor's Protection Fund in prescribed cases;

- When the Authorized bank performs the orders of the retail client, the achievement of the most favourable outcome is determined in relation to the total transaction costs

The professional client can demand in written form from the Authorized bank a higher level of protection of its interests regarding all or individual services, transactions or financial instruments. In this case, the Authorized bank concludes with the Client a special contract or contract annex defining those services, transactions and/or financial instruments which the Client has the right to a higher level of interest protection for.

A retail client can demand in written form from the Authorized bank a lower level of protection of its interests, regarding all or individual services, transactions or financial instruments by change of category to professional client.

The Authorized bank shall adopt the retail client's request once it has concluded that the Client possesses sufficient knowledge and experience for independent decision making regarding investments and adequate risk assessment, which implies that the Client fulfils two of the following three conditions:

- That in the last year it has executed transactions on financial markets in the counter-value of at least EUR 50,000 quarterly, with average frequency of at least 10 transactions per quarter;
- That the size of its portfolio of financial instruments exceeds the counter-value of EUR 500,000, including money;
- That it has worked or is working in the financial sector on operations requiring the knowledge of financial instruments investment.

If it adopts the retail client's request, the Authorized bank shall:

- unequivocally in written form warn the Client on the reduction of protection of its interest and loss of reimbursement rights from the Investors Protection Fund;
- request a written statement from the Client that he is aware of the consequences of protection level loss;
- conclude a special contract with the Client, or contract annex, defining the services, transactions and/or financial instruments which the Client is treated as a professional client for, providing that the Client has previously submitted the statement described in previous item.

The Authorized bank, organizational units of Banca Intesa ad Beograd performing the reception of clients' orders and third parties via whom the reception is performed informs the Client of:

- the category it has now been placed into,
- the level of protection which shall be provided, and
- the option of requesting categorization into another category and thereby changing the level of protection.

The above specified notification shall be submitted in paper form, on CD, by electronic mail or other durable medium enabling storage of data in digital form so that the access, processing and entirety of data is provided over the period prescribed for data storage, i.e. 10 years after the expiration of the business year which the contractual relations with the Client expired in.

4. Methods of Communication between the Authorized bank and the Client

Documentation and other information delivered to the Client, as well as all communication of the Client with the Authorized bank, shall be in Serbian language.

If the Client requests for the communication with the Authorized bank to be in a foreign language, a bilingual contract on the provision of investment or ancillary service is prepared in Serbian and English language, with the Serbian version prevailing in the event of discrepancies.

With each document in a foreign language, the Client shall submit to the Authorized bank a Serbian translation verified by a court interpreter.

The Client may deliver a purchase order or sale of financial instruments order to the Authorized bank directly or through entities authorized for the delivering the order.

Client orders are delivered:

- Directly to the Authorized bank,
- To Banca Intesa ad Beograd authorized branches for the order reception of, according to the list published on the internet page www.bancaintesa.rs or
- In business offices of a third party receiving the orders from the clients in the name and for the account of the Authorized bank.

The Client may deliver the order to the Authorized bank in one of the following ways:

- In written form on the order form,
- By telefax, in written form on the order form, if stipulated by the Client and Authorized bank contract or

- By telephone, if the recording of calls is enabled, if stipulated by the Client and Authorized bank contract, or
- By electronic mail (through protected internet service or e-mail) if stipulated by the Client and Authorized bank contract.

Once the Authorized bank has received the Client's order at the authorized branch of Banca Intesa ad Beograd, it shall inform the Client:

- That the authorized branch has no license for order execution;
- Of the deadline for the reception of order by the Authorized bank;
- That the order shall be deemed as having been received once it has been received by the Authorized bank.

The obligation of informing the Client from previous paragraph hereof shall also be applied for the receipt of orders at third party premises performing order reception in the name and on behalf of the Authorized bank.

Order reception via telephone shall be considered equal in all aspects to the direct reception of orders if the following has been provided:

- Determination of precise time of order reception (date, hour and minute),
- Identification of the telephone number which the order was delivered from and
- Correct identification of the Client delivering the order.

For the purpose of delivering the order electronically, the Authorized bank shall provide to the Client necessary technical support and resources (software, CD for identification and similar), so that the correct formation of electronic signature and reliable identification of Client are provided, the integrity of the document (order) is protected and any subsequent denial of responsibility for the contents of the order is disenabled. With a special revocation order, the Client may perform changes or revocation of an already delivered order using any of the methods which are used for delivering the orders to the Authorized bank. Change or revocation of the order need not be executed in the same form as was the order which is being changed, i.e. revoked. The change of order in regards to the price or amount of financial instruments is executed by revocation of previous order and delivery of new order.

The Authorized bank shall immediately, or the next day from the receipt date of order at the latest, send to the Client on a durable medium a confirmation of reception and acceptance of order or it's change or revocation, i.e. the reception and denial in the event of circumstances from Article 61 of the Operating Rules when Providing Investment Services. The confirmation shall contain all elements of the order from Article 57 of the Operating Rules when Providing Investment Services.

If the Client delivers the order in paper form directly at the premises of the Authorized bank, the organizational units of Banca Intesa ad Beograd authorized for the reception of orders and third parties through which the reception of orders is performed, the copy of the order retained by the Client shall be considered confirmation of order reception.

If the Client delivers the order via e-mail or by phone, the reception of order is confirmed immediately upon reception by delivery of electronic notification.

After the execution of the order on behalf of the Client, the Authorized bank shall submit, directly or through the organizational units of Banca Intesa ad Beograd where the reception of orders is being performed, on durable medium:

- A notification of important information for order execution to the Client;
- Confirmation of order execution to the retail client, as soon as possible, and at the latest:
 - The first business day on execution,
 - The first working day on receipt of the confirmation, in case it has received the confirmation on execution from the third party.

The Client cannot waive the right to be informed on order execution, but can request that the notifications be sent using one of the methods specified in the Client Statement on accepting confirmations of performed order execution which is an integral part of the Contract.

It will be considered that the Client has received the aforementioned notification if the Bank delivers it: directly (by courier or on the counter), via e-banking channel, e-mail, SMS, telefax or letter.

It shall be considered that in signing the Statement on accepting confirmations of performed order execution which is an integral part of the Contract the Client has agreed that the confirmations on order execution be accepted at the registered office of Banca Intesa ad Beograd and/or organizational part of Banca Intesa ad Beograd where the reception of Client's orders is being performed upon receiving the notification from the Authorized bank specified in the previous paragraph hereof.

The Authorized bank delivers to the Client notifications, reports and other data and documentation in written form to the address of the headquarters, residence i.e. inhabitation or by electronic mail, SMS or telefax message or in some other appropriate way in accordance with the regulations, responding to the content of the act or data delivered and which completely meets all necessary conditions of providing whole and clear information, privacy and confidentiality and personal data protection of the Client – natural person. This delivery is made in accordance with the latest data the Client delivered to the Authorized bank. In case the Client does not notify the Authorized bank in due time on change of the stated data, as well as on other circumstances that can influence regular delivery, it will be considered that the regular delivery was performed in accordance with the data available to the Authorized bank. The Authorized bank has the right to use information on client's address, telephone numbers, fax and telefax devices and the electronic mail address for the delivery of notifications to the Client on its activities, products and services, as well as for delivery of data referring to business with the Client.

All complaints regarding the operation of the Authorized bank can be submitted in written form, with stating personal data and the complaint reason.

The complaint is submitted using one of the following methods:

- e-mail to the address: kontakt@bancaintesa.rs or
- by post to the address:
Banca Intesa a.d. Beograd
Customer Satisfaction Office
Milentija Popovića 7b
11070 Belgrade - Novi Beograd
Republic of Serbia.
- via contact form on the website of Banca Intesa ad Beograd (www.bancaintesa.rs)
- personal contact, when the Client is submitting a written complaint personally at the Authorized bank and at organizational parts of Banca Intesa ad Beograd, where the reception of orders is being performed.

The Authorized bank shall act on complaints in line with the legal provisions relating to the processing of complaints.

Acting on clients' complaints is prescribed in chapter 7 of Section II of the Operating Rules when Providing Investment Services.

5. Assessment of Suitability of the Investment service i.e. financial instrument

Prior to the conclusion of the contract for investment services with the Authorized bank, the retail client fills out a questionnaire on his/hers knowledge and experience in operation with financial instruments on the financial market.

Based on the results of the assessment from previous paragraph, the Authorized bank shall check the suitability of the investment service, i.e. financial instrument for the Client.

Should it conclude that the investment transaction is inappropriate, even when it has been requested by the Client himself, the Authorized bank informs the Client of those circumstances and reasons, including the delivery of warning that it is not probable that the Client understands the risks associated with the requested product. In signing the Contract with the Authorized bank, the Client confirms that he has been informed of all the circumstances.

In the event specified in previous paragraph hereof the Client may perform the transaction if he explicitly confirms his intention to carry through with the performance despite the Authorized bank's warning.

The document containing the suitability test is signed by the Client and the responsible employee.

When providing services to a professional Client, the Authorized bank shall consider that the Client has sufficient knowledge and experience in the field of investing into certain types of financial instruments or services, and/or knowledge and experience necessary to understand risks connected with the transaction, i.e. those services, transactions and types of transactions or instruments for which the Client has been classified as a professional client.

6. Summary of the Conflict of Interests Management Policy

The Authorized bank has regulated the conflict of interests management in the area of investment services in accordance with its legal obligations by the internal document governing the policy of conflict of interests management when providing investment services (hereinafter: the Policy).

The Policy prescribes the basic principles and measures which the Authorized bank and relevant persons must take with the aim of conflict of interests prevention, whose existence when providing investment services may harm the clients, i.e. the Authorized bank's interests.

The basic goals of the Policy are the following:

- the establishment of high standards of business behavior of relevant entities and the transparency of business operation,
- identification of potential and/or existing conflicts of interests that may arise when providing investment services,
- establishment of preventive measures and procedures of conflict of interests prevention and removal,
- regulation of the process of resolving conflict of interests in the situations in which the application of preventive measures is not possible.

The Policy establishes that the conflict of interests means any situation in which the Authorized bank or relevant entities are not neutral and objective with relation to the object of business operation, i.e. by using their specific position when providing and performing investment services they have professional and/or personal interests which are not in accordance with the clients' interests, which may affect the impartiality in providing and performing services and activities and harm clients' interests. In such situations the Authorized bank and the relevant entities must take care so as not to harm the clients' interests.

The conflict of interests may arise between:

- the Authorized bank's interests, the relevant person and all persons closely connected with them, on one hand, and the interests of the Authorized bank's clients, on the other hand;
- the Authorized bank's clients' interests mutually.

The Authorized bank shall consider that the conflict of interests exists in the situations in which the Authorized bank, the relevant entities and/or entities closely related to them, due to the provision of services or for other reasons:

- may achieve financial gain or may avoid financial loss of the Client;
- have an interest or benefit from the result of the service provided to the Client or transactions performed on behalf of the Client, which differ from the interests of the Client;
- have a financial or some other motive that corresponds to the interests of another Client or a group of clients which harms the Client's interests;
- perform the same activity as the Client.

The following situations shall be considered as typical situations that represent a conflict of interests:

- the Authorized bank trades in its name and on its behalf with certain financial instruments, and at the same time the Authorized bank and/or a relevant entity has inside information in connection with the subject financial instruments;
- Concerning the public offer of equity securities the Authorized bank participates as an agent or underwriter of the issue, if it owns the securities issued by the Authorized bank's Client.

In order to ensure transparent and efficient prevention and management of situations from which potential conflicts of interests may arise, the Authorized bank shall ensure the following:

- That the Authorized bank shall perform the provision of investment services independently from other organizational parts of the Authorized bank and from the organizational part responsible for market research;
- Independence and a continuous strengthening of the internal control system and taking measures for the identification and prevention of the conflict of interests;
- Efficient control of information exchange between the relevant entities that are included into the operations carrying a conflict of interests, if the exchange of information may cause damage for one or more clients;

- Maintaining the relevant entities' personal transactions record;
- Equal legal protection of the interests of all clients, in accordance with good business practice and the principle of equal treatment of clients from the same category (retail and professional clients), in order to avoid the abuse of clients' lack of expertise and lack of knowledge of the business practice for the purpose of obtaining benefit for other entities, above all by the application of the following measures:
 - By giving a discretionary right to a direct superior of the relevant person to exclude this person from the execution of the transaction containing a (potential) conflict of interests;
 - By the application of organizational measures preventing and limiting inadequate influence of any person to the relevant person concerning the provision of investment services and the business operation with financial instruments;
 - By the establishment of the system of monitoring and recording the performed operations with financial instruments in the situations where a conflict of interests has been established;
 - By maintaining record on conflict of interests prevention measures that have been taken;
 - Periodical evaluation of adequacy and the improvement of the internal controls system with respect to the conflict of interests.

As a measure for the discovery of conflict of interests, the obligation of every relevant entity has been defined to immediately inform his/her direct superior on the situation that may represent a conflict of interests.

The Authorized bank acquaints each client prior to the provision of the service with the possible types and sources of conflict of interests, whereby this explanation is given to the Client on a durable medium and must contain sufficient information on the basis of which the Client will be able to reach decisions concerning the services within which the conflict of interests arises.

III. Financial instruments

Financial instruments are as follows:

- a) transferrable securities (e.g. shares, bonds);
- b) money market instruments (eg. treasury, bills, commercial bills, certificates of deposit, except for payment instruments);
- c) units of collective investment institutions (e.g. investment units in open investment funds);
- d) derived financial instruments (financial derivatives, e.g. options, futures, credit derivatives, commodity derivatives).

Investing into financial instruments is inseparable from taking certain risks. In general, investment risk on the capital market is the probability or possibility for the profit from investment to be dissatisfactory or negative. These are the circumstances the Client has to pay attention to when deciding on the sale or purchase of financial instruments. In accordance with the provisions of the Law it cannot be assumed that a retail client, unlike the professional one, has knowledge and experience necessary for the assessment of risks concerning those investment services, transactions or financial instruments for which he/she has been classified as a retail client. General risks of investments into financial instruments are the following:

- country risk;
- issuer risk;
- financial instrument risk.

Country risk arises from the rating and position of the country internationally and comprises the following risks:

- sovereignty risk – risk of absence of ability and/or desire to repay the due debt of the country;
- political risk – risk of unexpected political changes or uncertainty in the country risk;
- economic or conjuncture risk – risk of loss of value of financial instrument due to global, regional or local recession;
- FX risk – risk of change of foreign currency exchange, which may affect the income from investment in a foreign currency;
- inflation risk – risk of drop of value of the financial instrument due to the increase of a general level of prices (inflation);
- risk of change of legal and/or tax regulations – risk of significant change of legal and/or tax regulations and/or framework of operation in the manner that negatively affects the profitability of investment in financial instruments and the position of the investor;
- capital transfer risk – risk of prohibition to take the capital outside the country borders.

Issuer's risk has been caused by the factors that are directly linked to a certain legal entity that issues financial instruments, and it comprises the following risks:

- Credit risk – risk of drop or complete loss of value of the financial instrument due to the worsening of the creditworthiness, credit rating or the opening of bankruptcy procedures over the issuer;
- Industry risk – risk of significant negative change of business operation framework of the issuer with respect to competition, technology, standard and similar;
- Managerial risk – risk of inefficient and destructive management structure of the issuer which negatively impacts their success;

- Operational risk – risk of loss arising from inadequate or wrong business processes of the business subject, human error and internal systems in the performance of business activities as well as external events. It includes the risk of breakage on information systems, the risk of interruption of communication links between the service provider (e.g. the Authorized bank), the Central Register, Clearing and Securities Depository House and/or the stock exchange, natural disaster, fraud, etc.;
- Risk of non-payment of dividend- risk that the shareholding company will not pay the dividend which depends on the decision of the shareholders' assembly and of the business operation of the shareholding company;
- Risk of the other contractual party- risk of one contractual party (client) that the other contractual party (the issuer) will not be able to fulfill their contractual obligations (e.g. that bankruptcy proceedings have been initiated over it- risk from bankruptcy).

The risk of financial instrument has been caused by the characteristics of a certain financial instrument and comprises the following risks:

- Liquidity risk – risk of inability to quickly sell the financial instrument on the secondary capital market without a significant loss of value due to a decrease in demand or lack of efficiency of the market;
- Market risk (volatility risk) – risk of the decrease in the value of the financial instrument due to the usual periodic price movements on the market;
- Market psychology risk – risk of the change of value of the financial instrument due to speculative activities of large investors, i.e. big transactions on the capital market;
- Risk of interest rate change- the risk of the drop of value of the financial instrument due to the change of ratio of interest rates on the market compared to the interest rate/yield on the subject instrument;
- „Timing“ risk – risk of missing the more favorable movements of the price of a financial instrument due to a wrong choice of the moment for purchase or sale of the financial instrument;
- Reinvestment risk – risk that the future monetary income from certain financial instruments shall be invested at a lower yield or lower interest rate than the one of the financial instrument;
- Financial level risk – risk of financing the purchase of financial instruments via loans. The investment whose source of funds for investment has been obtained by indebtedness contains higher risk of loss. Namely, the profitability of the investment itself does not influence the obligation of debt repayment, whereas the costs of such financing affect the investment in such a way so as to reduce the realized profit.

1. Transferable securities

Transferable securities are all types of securities which are negotiable on the capital market, with the exception of payment instruments, including in particular:

- Shares in companies or other securities equivalent to shares in companies, which represent a holding in capital or voting rights of the company, and depositary receipts in respect of shares;
- Bonds and other forms of securitized debt, including deposit receipts in respect of such securities;
- Any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currency, interest rate, yield, commodity, index and other definable values.

1.1. Shares

Shares means equity securities by which purchase (possession) is acquired property over a part of the joint stock capital of a company. According to the contents of the right, shares can be divided to:

- Ordinary shares, which provide a holder with the following rights:
 - The right to vote at the Shareholders Assembly meeting,
 - The right to payout of dividend (part of the profit of the company),
 - The right to payout a remaining portion of liquidation, i.e. bankruptcy estate of the company,
 - Pre-emptive rights to acquire ordinary shares, and other financial instruments exchangeable for ordinary shares, from new issues,
 - Other rights in compliance with the law and articles of association.
- Preference shares, which can give one or more preferential rights to the holder as established by articles of association or the decision on issue, such as:
 - the right to a dividend according to the previously established pecuniary amount or percent of its nominal value, which is paid-out with priority with regard to holders of ordinary shares,
 - the right to have the non-paid dividend accumulated and to have it paid-out before the pay-out of dividends to holders of ordinary shares (cumulative preference share),
 - the right to participate in a dividend belonging to holders of ordinary shares, in all cases of pay-out of dividends to holders of ordinary shares or after meeting specific conditions (participating preference shares),

- the pre-emptive right to collection from the liquidation remaining part or bankruptcy estate with regard to holders of ordinary shares,
- the right to convert such shares into ordinary shares or other class of preference shares (exchangeable preference shares),
- the right to sell such shares to joint stock companies according to previously established price or under other conditions.

1.1.1. Risks of investing in shares

The level of risk at investing in shares depends on rights which shares ensure to the holder, on quality (creditworthiness/solvency) of the issuer, and on general situation on the capital market.

Except for the above stated general risks, risks especially related to shares are the following:

- Credit risk –in case of bankruptcy or liquidation of a joint stock company, ordinary shareholders are the last on the list when it comes to distribution of remaining assets (after all creditors have been settled from the bankruptcy /liquidation estate). Consequently, the value of shares of the concerned joint stock company can be significantly reduced or shares may lose value which might result in total loss of the investment for the investor;
- Market risk – the price of a share (its market value) established on a stock exchange (regulated market) depending on the supply and demand may fluctuate significantly, especially in short-term, as the set price may be influenced by a series of domestic and international factors, such as results from business operations of the joint stock company, expectation related to future business, and general economic and/or political conditions;
- Liquidity risk – shares are by rule traded on organized markets (stock exchanges), and their price is established based on supply and demand. If supply or demand for specific share considerably decreases or fully disappears (this occurs by rule in case of market disturbance, crises etc.) the marketability of such a share (sale option) decreases respectively, and in extreme cases it can become totally unmarketable;
- Non-payment-of-dividend risk – a risk that a joint stock company will not pay-out dividends, depending on the decision of the shareholders' assembly and company's operations.

1.2. Bonds

Bonds are debt securities which are issued by the government, local self-governments, banks and companies in order to finance their needs. These securities are mainly issued in the long run, which means, unlike shares, they have the maturity and grant fixed yield to investor in the form of contracted interest. In other words, by purchasing bonds, the investor lends money to the issuer for a specific period of time, expecting in turn the regular (monthly, quarter, semiannual or annual) interest income, and return of the invested money (principal) upon the maturity.

Bonds can be divided according to different criteria, with regard to:

- Maturity:
 - Short-term (with maturity up to one year);
 - Long-term (with maturity longer than one year).
- Issuer:
 - Government bonds – issued by the government;
 - Municipal – issued by the body of local self-government (e.g. Municipality);
 - Corporate – issued by the company, business company.
- Yield:
 - Bonds with fixed interest;
 - Bonds with variable interest.
- With regard to manner of exercising right to interest:
 - Bonds free of interest payment;
 - Zero-coupon bonds;
 - Coupon bonds.
- With regard to manner of exercising right to the return of principal:
 - Bonds with flat maturity of principal;
 - Bonds with obligation to repay principal in installments (annuities).

Bonds may include special rights, such as participating bonds, which grant right to the holder to interest and to a part of a dividend, or exchangeable bonds which grant right to the holder to their conversion to shares or preemption right of shares of the company. Bonds are usually traded on organized markets, and directly between certain participants in the market (so called OTC trading).

1.2.1. Risk of investing in bonds

Some of the most common forms of risks to be considered when contemplating investing into bonds are the following:

- Credit risk – an issuer might not be in capacity to honor its due liabilities based on the bond issued. The risk occurs in case of insolvency i.e. bankruptcy of the issuer. Therefore, it is up to the investor to assess the solvency of the issuer and adjust thereon its yield expectations. Generally speaking, the worse the solvency of the issuer is, the higher the demanded yield is and vice versa. Hence, the bonds of the highest solvency respectively the highest safety (and the lowest yield) are by rule the government bonds, followed by municipality bonds and finally, corporate bonds. This type of risk is most often overcome by purchasing bonds of higher rating or purchasing bonds of different issuers.
- Interest rate risk – probability of change of interest rate on the market relative to the interest rate on bonds. Interest rates volatility on the market is inversely proportional to the change of the price of bonds. Thus, if the interest rate on the market exceeds the interest rate on bonds, the price of a bond will drop and vice versa. The more and the longer the interest rate on the bond deviates from the market interest rate, the more pronounced is the influence on the bond price.
- Foreign currency risk – probability to decrease the value of bonds which are denominated in one currency or with the currency clause, and expressed in another currency, due to change of the exchange rate of these two currencies. For instance, RSD counter value of investment in bonds in EUR with the currency clause will decrease if EUR to RSD decreases (i.e. RSD appreciated) and vice versa.
- Market risk – the risk of loss of market value (price) of a bond (in case it is sold before maturity) due to regular period movements of supply and demand on the capital market. Supply and demand, consequently the price of bonds can be influenced by change of creditworthiness (solvency) of the issuer, change of interest rates, likelihood of early bond redemption by issuer etc.
- Liquidity risk – likelihood that the investor will be able to sell a bonds promptly i.e. with no significant loss to the value. The liquidity of bonds depends on total amount of issue, time left till maturity, diversity and number of holders of bonds, general market conditions and the like. As the supply and demand influence liquidity, there is no guarantee that the investor could sell a bond, when desired, at desired price (or in general, in case of its total non-marketability).

2. Money market Instruments

Money market instruments are those classes of financial instruments that are normally dealt on the money market. The money market instruments include the following:

- T-bills – financial instruments issued by the Serbian Ministry of Finance. The Ministry of Finance announces a public invitation to all interested investors in which it states all relevant features of the bond issue, such as: volume of issue, date of auction, maturity date, and particulars related to the very auction sale procedure. Only authorized members can participate on the auction, which are at the same time members of the Central Registry (banks and broker-dealer agencies).
- Bills – transferable short-term financial instruments issued by the state treasuries (ministries of finance), state agencies and central banks. In the Republic of Serbia they are issued by the National Bank of Serbia. Main characteristics of these instruments are moderate yield and low risk.
- Commercial Bills - transferable short-term financial instruments issued by business companies, in order to provide liquidity in terms of seasonal imbalances in inflow and outflow of money assets, for the purpose of funding operations of companies. They belong to instruments which are most often not guaranteed or insured with any asset. They are issued by companies of different solvency so they present less secure instrument than T-bills and Bills.
- Certificates of deposit – transferable financial instruments issued by banks to provide short-term money assets.

2.1. Risks of investing in money market instruments

Risks which required additional attention when investing in money market instruments are the following:

- Credit risk – an issuer of the money market instrument might not be in capacity to honor its due liabilities arising from the instrument. The risk is more likely to occur, the worse the credit rating i.e. solvency of the bond issuer is. The higher the credit risk is, the higher the premium of the risk should be, and thus the yield which the investor is expecting on the financial instrument.
- Liquidity risk – by rule, there are no organized secondary markets for money-market instruments so they are most often held until maturity. If the investor wants to sell such an instrument, there is no guarantee that it will happen soon and without significant loss of value.
- FX risk – possibility that the value of the financial instrument denominated in one currency or with an FX clause, and expressed in the other currency due to change of the exchange rate between those two currencies. For instance, RSD counter value of investment into commercial notes in EUR with the currency clause will diminish if the EUR to RSD exchange rate decreases (i.e. RSD depreciation) and vice versa.

3. Derived financial instruments

Financial derivatives are financial instruments whose value is derived from the value of other underlying assets. As underlying assets can be used financial and non-financial instruments of all types and size: securities, currencies, market indices, commodities, interest rates, other derived financial instruments. Derived financial instruments (financial derivatives) include the following:

- Options, futures, swaps, forward rate agreements and other derivatives relating to securities, currencies, interest rates, yields, and other derivative instruments, financial indices or financial measures which may be settled physically or in cash;
- Options, futures, forward rate agreements and other derivatives relating to commodities and which must be settled in cash or can be settled in cash at the option of one of the party, otherwise than by the reason of a default or termination of the agreement;
- Options, futures, swaps and other derivatives relating to commodities and may be settled physically, provided that they are traded on a regulated market, i.e. MTP;
- Options, futures, swaps, forwards and other derivative financial instruments relating to commodities and may be settled physically, provided they are not mentioned in the previous point, which do not have commercial purposes, and which have the characteristics of derivative financial instruments having regard to, inter alia, if they are cleared and settled through recognized clearing houses or are subject to regular margin calls;
- Derivative financial instruments for the transfer of credit risk;
- Financial contracts for differences;
- Options, futures, swaps, forward rate agreements and any other derived financial instruments relating to climatic variables, freight rates, inflation rates, emission allowances or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event) as well as any other derivative financial instruments relating to assets, rights, obligations, indices and measures not otherwise mentioned in this point, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTP, are cleared and settled through recognized clearing houses or are subject to regular margin calls;
- Commodity derivatives are derived financial instruments relating to commodities, which are settled in cash, and exceptionally physically, provided that they are traded on a regulated market, i.e. MTP;

- Credit derivatives on the basis of credit default swap is a type of credit derivative obliging the provider of credit protection to settle the loss of the beneficiary of protection in the event of debtor's default or any other contracted credit event, for an appropriate fee from the beneficiary of credit protection. Risks of investing in derivative financial instruments.

Besides general risks of investing into financial instruments, investors are in particular exposed to the following risks:

- Position risk (type of market risk) – probability of loss due to a price change (increase or decrease) of derivative or underlying financial instrument i.e. due to price change of variable (interest risk, indices and the like):
 - General position risk – risk of loss due to a price change in the financial instrument concerned due to a change in the level of interest rates or to a broad equity-market movement unrelated to any specific attributes of the derivative or underlying financial instrument;
 - Specific position risk – risk of loss due to a price change in the instrument concerned due to factors related to its issuer, or, in the case of the underlying instrument, the issuer of the underlying instrument.
- Counterparty risk – the risk of loss due to the counterparty's default to meet the obligations, considering in specific that trading with financial derivatives is often performed directly between participants on the market (OTC trading);
- Credit risk – a risk of loss due to incapacity to settle financial liabilities if the other party is not financially stable enough;
- Foreign – exchange risk – a risk of loss due to exchange rate fluctuation;
- Commodities risk – a risk of changes to prices of commodities which is in the basis of derivative financial instrument;
- Liquidity risk – a risk of loss due to inability to sell the financial instrument promptly and with no greater loss in value, which is in particular the case with derivatives which are not standardized (e.g. forward agreements) and not traded on organized markets.

IV. Protection of Authorized bank clients' assets

The Authorized bank implements adequate measures of protection of clients' ownership rights to prevent utilization of Clients' financial instruments for the account of the Authorized bank, i.e. Banca Intesa A.D. Beograd, or for the account of other clients, except in case of clients' special consent.

The Authorized bank:



- shall not pledge or sell financial instruments owned by the Client without the Client's prior written authorization;
- shall not execute the orders from clients in a manner not in accordance with the Law and the acts of the Commission or acts of the regulated market;
- shall not purchase, sell or borrow on own account the same financial instruments being the subject of the Client's account before acting on the Client's order;
- shall not encourage the Client to frequent transactions exclusively for the commission charge.

In order to protect the rights of its clients, the Authorized bank shall:

- keep records and accounts in a way that enables in any moment and without delay to separate the funds of one Client and the funds of another Client, and from own funds;
- precisely and accurately keep records, accounts and correspondence regarding the financial instruments and monetary funds of the Client on the accounts it manages;
- take necessary steps to secure that all financial instruments of one Client registered in the Central Registry records can be differentiated from the financial instruments of Banca Intesa ad Beograd;
- take necessary steps to secure that all monetary funds of the Client deposited in Banca Intesa ad Beograd are kept on the account or accounts which are different from the accounts used for depositing Banca Intesa ad Beograd funds;
- apply appropriate measures to reduce risk from loss or clients property shrinkage, or the rights regarding that property, which can occur as the consequence of misuse of that property, fraud, bad management, inadequate records keeping or negligence.

Clients' funds (monetary funds and financial instruments) are not the property of Banca Intesa ad Beograd, and cannot be part of its liquidation or bankruptcy estate, nor the subject of execution for the purpose of collection of receivables towards Banca Intesa ad Beograd.

V. Protection of Retail clients' Financial instruments and Monetary funds

The Law has introduced investors' protection system on the Serbian investment services and financial instruments market, based on certain liabilities of investment companies when doing business operation with clients and the establishment of the Investor Protection Fund, whose organizer is the Deposits Insurance Agency.

The Authorized bank is a member of the Investors Protection Fund (hereinafter: Fund) and payer of contributions to the Fund defined by the Law. The Fund performs its activity with the aim of protection of clients - Fund members whose funds or financial instruments are exposed to risk when a Fund member is not able to fulfill the due liabilities to the Client, in the following cases:

- when bankruptcy proceedings have been opened over a Fund member or
- when the Securities Commission (hereinafter: the Commission) establishes that a Fund member is unable to fulfill its due liabilities towards clients, including the monetary funds he/she owes to clients and the financial instruments he/she has for the account of clients, and there is no possibility of a significant change of circumstances in the near future.

The Fund insures the monetary receivables of clients for the return of financial instruments the Fund member owes to the Client on the basis of the performance of the following services:

- portfolio management,
- safekeeping and administration of financial instruments on behalf of the Client, including keeping instruments and related services, such as monetary funds and collaterals administration.

The stated receivables are insured up to the amount of EUR 20,000 in RSD counter-value, whereby the insured amount refers to total receivables of the Client towards one Fund member, regardless of the number and place of the account, on the condition that such refund refers to funds in RSD and financial instruments. Interests calculated exclusively up to the day of opening the bankruptcy proceedings, i.e. until the day of reaching the decision of the Commission establishing the insured case are calculated in the insured amount.

The following receivables are exempted from the receivables protected by the Law:

- receivables of clients - credit institutions insured by the law regulating the protection of deposits in credit institutions for the purpose of protection of these entities in cases of unavailability of deposits and
- receivables of clients of Fund members arising from transactions in connection with which the Client has been convicted of a crime by valid court decision, economic offence, or violation, money-laundering, and terrorism financing.

Client of a Fund member is an individual or a legal entity whose receivables fulfill the stated conditions, and it shall not be considered as a client regardless of the head office country:

- certain qualified investors (investment firms, credit institutions, insurance companies, investment and pension funds and their management companies, financial institutions, supra-national institutions, government and central government, as well as the territory, regional and local governance bodies, etc.);
- legal entity or an individual who owns more than 5 % shares with the voting right or capital of a Fund member who is unable to fulfill their liabilities, i.e. 5% or more of shares with the right to vote or the capital of the company closely connected to this Fund member;
- the member of board of directors and the supervisory board of the Fund who is unable to fulfill its liabilities, if that person has the stated function or is employed in the Fund member on the day of initiation of bankruptcy proceedings over the Fund member, i.e. on the day of publication of the Commission's decision on the establishment of the receivable, or if that person has been employed on this position during the current or previous year;
- family members and third parties acting on behalf of the entities from items two and three hereof;
- clients, auditors or employees of a Fund member of the who are responsible for the occurrence of the receivable or who have used certain facts in connection with the Fund member, which lead to financial difficulties of the Fund member, i.e. to the deterioration of its financial situations.

VI. Places for Order execution

Information on the Places for order execution are available as part of the Order Execution Policy and Order Execution Assignment, which are in the form of an appendix to the Operating Rules when Providing Investment Services.

The list of places for execution includes all of the places for execution where the Authorized bank executes orders for each specific type of financial instrument. The list of places for execution is available on the Bank's webpage and at the premises where the receipt of clients' orders is performed, and is also available for retail clients via a durable medium.

VII. Costs and fees

The data on costs and fees to be borne by the Client are laid down in the Tariff of fees for services of authorized bank, available to each Client or potential Client in the business premises of the Authorized bank where the Authorized bank provides services to clients, and on the webpage of Banca Intesa ad Beograd (www.bancaintesa.rs).

The Client undertakes to pay to Banca Intesa ad Beograd the brokerage fee or any other fee for investment services that the Authorized bank provides, according to the Tariff, unless otherwise established by the contract concluded between the Client and the Authorized bank.

When contracting the amount of fees and provisions, the Authorized bank considers the type of operation, other contractual relation between the Client and the Authorized bank, the value of the transaction performed at the Client's order, costs to which the Authorized bank is exposed when performing such operation and complexity and volume of operation, whereby its level cannot exceed maximum rates and/or amounts stipulated by the Tariff.

As for the purchase/sale of financial instruments for the Client's account, the amount of fee shall be specified in the acknowledgement of the order receipt, in accordance with the maximum amount of fee stipulated by the basic agreement concluded with the Client.

For any further information about fees and charges for investment and additional services please contact the Authorized bank.

The information for retail clients are an integral part of the Operating Rules when Providing Investment Services. They shall come into effect on the 01 April 2019.