Pursuant to Article 95 point 3 of the Constitution of Montenegro I hereby enact the

DECREE
ON PROMULGATION OF THE LAW ON CAPITAL MARKET
("Official Gazette of Montenegro", No. 001/18 as of 4.01.2018)

I hereby promulgate the Law on Capital Market, adopted by the 26th convocation of the Parliament of Montenegro at its 9th session of the Second Ordinary (Autumn) session in 2017, on 26th December 2017

Number: 01-1258/2
Podgorica, 29 December 2017
The President of Montenegro
Filip Vujanović, *MP*

Pursuant to Article 82 point 2 and Article 91 paragraph 1 of the Constitution of Montenegro, the 26th convocation of the Parliament of Montenegro at its 9th session of the Second regular (autumn) session in 2017, on 26th December 2017 has adopted

THE LAW ON CAPITAL MARKET

I. BASIC PROVISIONS

Subject Matter

Article 1

This Law shall regulate: conditions for the establishment and operations of the capital market; types of financial instruments; issue of securities; organization and operations of investment firms; regulated capital market; secondary trading in securities; registration of financial instruments, clearing, settlement and registration of transactions in financial instruments; the financial and other information disclosure and reporting of issuers and other capital market participants; prohibition of capital market abuse; and other issues of importance to operations of the capital market.

Capital market

Article 2

Regulated securities market means a multilateral system managed by market operator, which provides conditions for bringing together of multiple third-party buying and selling interests in financial instruments involved in trading in accordance with the rules of that system, which functions continuously and in accordance with this Law.

Multilateral trading facility (hereinafter referred to as: MTF) means a multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with that system rules.

Organised trading facility (hereinafter referred to as: OTF) means a multilateral system which is not a regulated market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract in accordance with this Law.

Over-the-Counter (hereinafter referred to as: OTC) market means a secondary market for trading in financial instruments that is not required to have a market operator and whose trading system requires negotiation between sellers and buyers of financial instruments for the purpose of conclusion of a transaction.

Market operator means a person authorized to manage the business of a regulated market, and may be the regulated market itself.

Multilateral system referred to in paragraphs 1 to 3 of this Article means any system or facility in which multiple third-party buying and selling trading interests in financial instruments are able to interact in the system.

Financial instruments

Article 3

Financial instruments, for the purposes of this Law are:

1) Transferable securities;
2) Money-market instruments;
3) Investment units, in terms of the law governing the establishment and operation of investment funds and investment funds management companies;
4) Derivatives, i.e. commodity derivatives, including:
   a) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
   b) Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event;
   c) Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market and/or MTF and/or OTF except for wholesale energy products traded on an OTF that must be physically settled;
   d) Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in sub-item c) of this item, and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
   e) Derivative instruments for the transfer of credit risk;
   f) Financial contracts for differences;
   g) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates 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 other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures which have the characteristics of other derivative financial instruments, which are traded on a regulated market, OTF, or an MTF; and
   h) Emission allowances.

Transferrable securities

Article 4

Transferable securities are those classes of securities which are negotiable on the capital market, with the exception of instruments of payment, such as:

1) shares in joint stock companies and other securities equivalent to shares in companies, partnerships or other entities, and depositary receipts in respect of shares;

2) bonds or other forms of securitised debt, including depositary receipts in respect of such securities; and
3) 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, currencies, interest rates or yields, commodities or other indices or measures.

Equity securities are shares and other transferable securities equivalent to shares in companies representing holding in the capital, as well as any other type of transferable securities giving the right to acquire any of the aforementioned securities as a consequence of their being converted or the rights conferred by them being exercised, provided that securities of the latter type are issued by the issuer of the underlying shares or by a person belonging to the group of such issuer.

Non-equity securities are all securities that are not equity securities referred to in paragraph 2 of this Article.

Debt securities

Article 5

Debt securities are bonds and other forms of transferable securitized debts, except for securities equivalent to shares and securities which, if converted or the rights conferred by them are exercised, give rise to a right to acquire shares or securities equivalent to shares.

Money-market instruments

Article 6

Money market instruments are financial instruments that are normally traded on the money market such as short-term government bonds, depositary receipts and commercial papers, treasury bills, commodity bills and certificates of deposit, except for payment instruments.

Units in collective investment undertakings

Article 7

Units in collective investment undertakings are securities issued by a collective investment undertaking based on which a unit holder acquires the right over the property of an undertaking.

Derivatives

Article 8

Derivatives are transferrable securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to securities, currencies, interest rates or yields.

Commodity derivatives are securities giving the right to acquire or sell any such securities or giving rise to a cash settlement determined by reference to a commodity or other indices and measures.

Structured deposit

Article 9

Structured deposit is a deposit which is fully repayable at maturity on terms under which interest or a premium will be paid or is at risk taking into account:

1) an index or combination of indices, excluding variable rate deposits whose return is directly linked to an interest rate index such as Euribor or Libor;
2) a financial instrument or combination of financial instruments;
3) a commodity or combination of commodities or other physical or non-physical non-fungible assets; or
4) a foreign exchange rate or combination of foreign exchange rates.

Depositary receipts

Article 10

Depositary receipts in respect of securities mean securities transferable in the capital market of a foreign issuer, which may be admitted to trading on a regulated market and may be traded independently of securities.

Structured finance product

Article 11

Structured finance products are those securities created to securitise and transfer credit risk associated with a pool of financial assets entitling the security holder to receive regular payments that depend on the cash flow from the underlying assets.

Wholesale energy products

Article 12

Wholesale energy products are contracts and derivatives, irrespective of where, when and how they are traded, such as:

1) contracts for the supply of electricity or natural gas;
2) derivative financial instruments relating to electricity or natural gas;
3) contracts relating to the transportation of electricity or natural gas; and
4) derivative financial instruments relating to the transportation of electricity or natural gas.

Contracts for the supply and distribution of electricity or natural gas for the use of final customers are not wholesale energy products referred to in paragraph 1 of this Article, except for contracts for the supply and distribution of electricity or natural gas for the use of final customers that have a consumption capacity of more than 600 GWh per year.

The Capital Market Authority cooperates with the European Securities and Markets Authority and the Agency for the Cooperation of Energy Regulators (ACER) in connection with the transactions in financial instruments related to wholesale energy products.

Agricultural commodity derivatives

Article 13

Agricultural commodity derivatives are derivative contracts relating to agricultural products.

Energy derivative contracts

Article 14

Energy derivative contracts are options, futures, swaps, and any other derivative contracts relating to coal or oil that are traded on an OTF and must be physically settled.

The issuer of government securities

Article 15

The issuer of government securities is the entity which issues debt financial instruments such as:

1) Montenegro and local self-government units;
2) The Central Bank of Montenegro
3) European Union;
4) A Member State;
5) special-purpose entity organized by the European Union Member States;
6) in case of a federal Member State, a federation member;
7) an international financial institution established by two or more Member States, which aims at funding and providing financial assistance to members which may have serious financial difficulties or pass through them; or
8) the European Investment Bank.

Dematerialized securities

Article 16

The issuer is a legal person that issues or intends to issue securities.

Securities are issued, transferred and kept in a dematerialized form.

Registration of dematerialized securities

Article 17

Dematerialized securities issued in accordance with the provision of this Law shall be registered in the Securities Register of the Central Clearing and Depositary Company (hereinafter referred to as: CCDC).

Dematerialized securities are registered as electronic records on the securities account in the Securities Register, based on which the rightful holder of the financial instrument has certain rights in relation to the issuer.

The rights and obligations arising from securities shall begin upon registration at the Securities Register.

Essential elements of dematerialized securities

Article 18

Essential elements of dematerialized securities registered into the Securities Register are as follows:

1) the indication of the type of security;
2) identification data on issuer (e.g. name, registered office, registration number);
3) a total number of issued and registered securities of the issuer;
4) if a security is denominated in a nominal amount, the total nominal amount of issued and subscribed securities;
5) the date of registration of the security;
6) designation of the class;
7) par value of a share or an indication that it is a no-par value share;
8) data on voting rights; and
9) the content of special rights if attached to a share.

In addition to elements referred to in paragraph 1 of this Article, the following shall be particularly entered

into the Securities Register for a dematerialized bond or other dematerialized security based on which the holder has the right to demand from the issuer the payment of principal and possible interests (dematerialized debt securities):

1) nominal amount to which it reads;
2) if the holder is entitled to payment of interest, information on interest rate and details on the method and periods of interest calculation;
3) data on the maturity of the obligations of the issuer arising from securities;
4) whether the issuer has the right of early redemption:
   a) data on the purchase value or the manner of determining the redemption value;
   b) data on the manner of exercising this right; and
   c) other conditions for exercising this right;
5) the date of occurrence of the right to receive a part of principal or interest.

In addition to elements referred to in paragraph 2 items 1 to 5 of this Article, the following shall be particularly entered into the Securities Register for a dematerialized security giving the issuer the conversion right for another security:

1) the right attached to a share acquired by conversion;
2) the relationship enabling the conversion;
3) data on the manner of exercising the conversion right;
4) a deadline within which the conversion right is exercisable if the deadline is associated with the right;
5) and any other conditions relating to exercising the conversion right.

As per dematerialized a security which is not covered by paragraphs 2 and 3 of this Article, the exact content of the right attached shall be entered in the Securities Register.

Transfer of rights attached to financial instruments

Article 19

Financial instruments and rights attached to those financial instruments can be indefinitely transferred in legal transactions, unless otherwise prescribed by the law.

Control

Article 20

Control, for the purpose of this Law, means a relationship between a parent and a subsidiary undertaking where:

1) A parent undertaking has:
   a) a majority of the shareholders' or members' voting rights in a subsidiary undertaking;
   b) the right to appoint or dismiss a majority of the members of the management or supervisory board of a subsidiary undertaking;
   c) the right to exercise a dominant influence over a subsidiary undertaking pursuant to a contract entered into with that undertaking or to Articles of Association in accordance with the law;
2) A parent undertaking as a shareholder in or member of a subsidiary undertaking:
   a) Directly appoints a majority of the m of the management or supervisory board of a subsidiary undertaking as a result of the exercise of its voting rights;
   b) controls alone, pursuant to an agreement with other shareholders in or members of that undertaking, a majority of shareholders' or members' voting rights in a subsidiary undertaking;
3) A parent undertaking has a holding in a subsidiary undertaking, and:
   a) it exercises a dominant influence over it;
   b) manages on a unified basis by the parent undertaking and a subsidiary undertaking;

4) A parent undertaking may, by other means, manage or determine management guidelines and the policy of a subsidiary undertaking.

In case referred to in paragraph 1 item 1 sub-items a and b and item 2 of this Article, the voting rights and the rights of appointment and removal of any other subsidiary undertaking as well as those of any person acting in his own name but on behalf of the parent undertaking or of another subsidiary undertaking shall be added to those of the parent undertaking, reduced by the rights attaching to shares:

1) held on behalf of a person who is neither the parent undertaking nor a subsidiary of that parent undertaking; or
2) held by way of security provided that the rights in question are exercised in accordance with the instructions received or held in connection with the granting of loans as part of normal business activities, provided that the voting rights are exercised in the interests of the person providing the security.

In case referred to in paragraph 1 item 1 sub-item b and item 2 of this Article, total of the shareholders' or members' voting rights in the subsidiary undertaking shall be reduced by the voting rights attaching to the shares held by that undertaking itself, by a subsidiary undertaking of that undertaking or by a person acting in his own name but on behalf of those undertakings.

Related parties

Articles 21

Related parties, for the purpose of this Law, mean the persons linked by:

1) participation which shall mean the ownership, direct or by way of control, of no less than 20% of the voting rights or capital of an undertaking;
2) control which shall mean the relationship between a parent and a subsidiary undertaking in all cases or a similar relationship between any natural or legal person and an undertaking, provided that any subsidiary undertaking of a subsidiary undertaking is also being considered a subsidiary of the parent undertaking which is at the head of all the above mentioned undertakings;
3) being permanently linked to one and the same person by a control relationship;
4) being family members; or
5) as relatives who were members of the household for at least one year following the date of a certain transaction.

Family members referred to in paragraph 1 item 4 of this Article shall be considered:

1) spouses, i.e. persons living in a common law marriage;
2) direct lineal descendants and lineal ascendants indefinitely;
3) collateral relatives by blood up to the third degree of kinship, in lateral line, including in-laws;
4) adopter and adoptees and descendants of adoptees;
5) foster parent and foster children and foster children's descendants; and
6) other persons living in the same household for at least the past year.

Related undertaking

Article 22

Related undertaking means undertaking where:

1) a natural or legal person has a majority of voting rights;
2) a natural or legal person as a shareholder or member of that undertaking has the right to appoint or dismiss the majority of management bodies' members;

3) a natural or legal person is a shareholder or member and has a majority of shareholders' voting rights or members' voting rights pursuant to contract concluded with other shareholders or members of that undertaking; or
4) a natural or legal person has the power to exercise decisive influence and control.

Definitions

Article 23

For the purposes of this Law the following definitions shall apply:

1) **"offer of securities to the public"** means a communication to persons in any form and by any means, presenting sufficient information on the terms of the offer and the securities to be offered, so as to enable an investor to decide to purchase or subscribe to these securities. This definition shall also be applicable to the placing of securities through an investment firm;

2) **"Credit institution"** means an undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account;

3) **"Authorized credit institution"** means a bank or other credit institution with a registered office in Montenegro, licensed to provide investment services;

4) **"Dealing on own account"** means trading against proprietary capital resulting in the conclusion of transactions in one or more financial instruments;

5) **"Market maker"** means investment firm which holds itself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against its proprietary capital at prices defined by that firm;

6) **"Underwriter"** means an investment firm which performs underwriting services relating to placing of financial instruments on a firm commitment basis;

7) **"Agent"** means an investment firm which performs services relating to placing of financial instruments without a firm commitment basis;

8) **"Portfolio management"** means managing portfolios in accordance with mandates given by clients on a discretionary client-by-client basis where such portfolios include one or more financial instruments;

9) **"Client"** means any natural or legal person to whom an investment firm provides investment or ancillary services;

10) **"Collective investment undertakings"** means open-end investment funds and investment companies:
   a) the object of which is the collective investment of capital provided by the public, and which operate on the principle of risk-spreading; and
   b) the units of which are, at the holder's request, repurchased or redeemed, directly or indirectly, out of the assets of these undertakings;

11) "**Units of a collective investment undertaking**" mean securities issued by a collective investment undertaking as representing the rights of the participants in such an undertaking over its assets;

12) **"Execution of orders on behalf of clients"** means acting to conclude agreements to buy or sell one or

more financial instruments on behalf of clients;

13) **“Qualifying holding”** means a direct or indirect holding in an investment firm , market maker or a joint stock company established for the purpose of registration, clearing and settlement, which represents not less than 10 % of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of the legal person in which that holding subsists;

14) **“Shareholder”** means any legal or natural person who holds, directly or indirectly, shares of the issuer in its own name and on its own account, but on behalf of another natural or legal person;

15) **“Branch”** means:
   a) a place of business other than the head office which is a part of an investment firm, which has no legal personality and which provides investment services and/or activities and which may also perform ancillary services for which the investment firm has been authorised;
   b) all the places of business set up in the same Member State by an investment firm with headquarters in another Member State;

16) **"Manager within the issuer"** means a person who is a member of the management or supervisory body of the issuer or other person who has regular access to information relating, directly or indirectly, to the issuer and has power to take managerial decisions affecting the future developments and business prospects of that issuer;

17) **“Distribution channel”** means a channel through which information is, or is likely to become, publicly available. ‘Likely to become publicly available information’ shall mean information to which a large number of persons have access (e.g. internet, media and the like);

18) **“Durable medium”** means any instrument which enables a client to store information addressed personally to that client in a way accessible for future reference for a period of time adequate for the purposes of the information stored and allows the unchanged reproduction of the information stored;

19) **“Tied agent”** means a natural or legal person who, under the full and unconditional responsibility of only one investment firm on whose behalf it acts, promotes investment and/or ancillary services to clients or prospective clients, receives and transmits instructions or orders from the client in respect of investment services or financial instruments, places financial instruments or provides advice to clients or prospective clients in respect of those financial instruments or services;

20) **“Small and medium-sized enterprises growth market”** means an MTF that is registered as an SME growth market in accordance with provisions of this Law;

21) **“Small and medium-sized enterprises”** means companies that had an average market capitalisation of less than EUR 200 000 000 on the basis of end-year quotes for the previous three calendar years;

22) **"Limit order"** means an order to buy or sell a financial instrument at its specified price limit or better;

23) **"Trading venue"** means any regulated market, multilateral or regulated trading facility;

24) **"Liquid market"** means a market for a financial instrument or a class of financial instruments, where there are ready and willing buyers and sellers on a continuous basis, and where the market is assessed in accordance with the following criteria:

a) the average frequency and size of transactions over a range of market conditions, having regard to the nature and life cycle of products within the class of financial instrument;
b) the number and type of market participants, including the ratio of market participants to traded financial instruments in a particular product; and
c) the average size of spreads;

25) **"Group**" means a parent undertaking and all its subsidiary undertakings;

26) **"Management body"** means the body or bodies of an investment firm, market operator or data reporting services provider, which are appointed in accordance with national law, which are empowered to set the entity's strategy, objectives and overall direction, and which oversee and monitor management decision-making and include persons who effectively direct the business of the entity;

27) **"Senior manager"** means a natural person who exercise executive functions within an investment firm, a market operator or a data reporting services provider and who is responsible, and accountable to the management body, for the day-to-day management of the entity, including for the implementation of the policies concerning the distribution of services and products to clients by the firm;

28) **"Matched principal trading"** means a transaction where the facilitator interposes itself between the buyer and the seller to the transaction in such a way that it is never exposed to market risk throughout the execution of the transaction, with both sides executed simultaneously, and where the transaction is concluded at a price where the facilitator makes no profit or loss, other than a previously disclosed commission, fee or charge for the transaction;

29) **"Algorithmic trading"** means trading in financial instruments where a computer algorithm automatically determines individual parameters of orders such as whether to initiate the order, the timing, price or quantity of the order or how to manage the order after its submission, with limited or no human intervention, and does not include any system that is only used for the purpose of routing orders to one or more trading venues or for the processing of orders involving no determination of any trading parameters or for the confirmation of orders or the post-trade processing of executed transactions;

30) **"High-frequency algorithmic trading technique"** means an algorithmic trading technique characterised by:
a) infrastructure intended to minimise network and other types of latencies, including at least one of the following facilities for algorithmic order entry: co-location, proximity hosting or high-speed direct electronic access;
b) system-determination of order initiation, generation, routing or execution without human intervention for individual trades or orders; and
c) high message intraday rates which constitute orders, quotes or cancellations;

31) **"Direct electronic access"** means an arrangement where a member or participant or client of a trading venue permits a person to use its trading code so the person can electronically transmit orders relating to a financial instrument directly to the trading venue and includes arrangements which involve the use by a person of the infrastructure of the member or participant or client, or any connecting system provided by the member or participant or client, to transmit the orders (direct market access);

32) **“Sponsored electronic access”** means access of the member or participant or client of a legal or natural person which does not involve the use of the infrastructure of the member or participant or client for transmission of orders;

33) **“Cross-selling practice”** means the offering of an investment service together with another service or product as part of a package or as a condition for the same agreement or package;

34) **"Fund whose shares are traded on the stock exchange"** means a fund whose at least one investment unit is traded during the day at, at least, one trading venue, and with at least one market maker which takes measures that the price of its investment fund units at the trading venue does not differ significantly from its net asset value and, where appropriate, from its indicative net asset value;

35) **“Approved publication arrangement” (hereinafter referred to as: APA)** means a person authorised to provide the service of publishing trade reports on behalf of investment firms;

36) **“Consolidated Tape Providers” (hereinafter referred to as: CTP)** means a person authorized to provide the service of collecting trade reports for financial instruments from regulated markets, MTFs, OTFs and APAs and consolidating them into a continuous electronic live data stream providing price and volume data per financial instrument;

37) **“Approved Reporting Mechanism” (hereinafter referred to as: ARM)** means a person authorised to provide the service of reporting details of transactions to supervisory bodies, on behalf of investment firms;

38) **“Data Reporting Services provider”** means APA, CTP or ARM;

39) **"Member State"** means European Union Member State and a signatory state to the Treaty establishing the European Economic Community;

40) **"Home Member State"** means:
   a) in the case of investment firms:
      - the Member State in which its registered office is situated;
      - if the investment firm has, under its national law, no registered office, the Member State in which its head office is situated;
   b) in the case of a regulated market, the Member State in which the regulated market is registered or, if under the law of that Member State it has no registered office, the Member State in which the head office of the regulated market is situated;
   c) in the case of APA, CTP or ARM:
      - if APA, ARM or CTP is a legal person, a Member State where they have a registered office;
      - if APA, ARM or CTP under the law of a state where it was registered has no registered office, the Member State in which its head office is situated.

41) **"Host Member State"** means the Member State, other than the home Member State, in which an investment firm has a branch or performs services and/or activities or the Member State in which a regulated market provides appropriate arrangements so as to facilitate access to trading on its system by remote members or participants established in that same Member State;

42) **‘Third-country firm’** means a firm that would be a credit institution providing investment services or performing investment activities, or an investment firm if its registered office is not in EU Member State;

43) **“ESMA”** means European Securities Markets Agency;

44) **"Commodity"** means any goods of a fungible nature that are capable of being delivered, including metals and their ores and alloys, agricultural products, and energy;

45) **"Repurchase program"** means planned purchase of own shares;

46) **"Securities financing transaction"** means borrowing shares or other financial instruments to the counterparty or from the counterparty, repurchase agreement or reverse repurchase agreement or other transactions involving the purchase of a financial instrument and its re-sale or other transactions involving the sale of a financial instrument and its re-purchase;

47) **"Securitization"** means creation of a financial instrument by combining other financial assets;

48) **"Offeror"** means a legal or natural person that offers securities or other financial instruments to the public.

II. CAPITAL MARKET AUTHORITY

Status of the Capital Market Authority

Article 24

Public powers in the area of capital market shall be exercised by the Capital Market Authority of Montenegro (hereinafter referred to as: the CMA) as an autonomous and independent regulatory body.

In performing its duties the CMA is accountable to the Parliament of Montenegro (hereinafter referred to as: the Parliament).

The rights and duties of the founders of the CMA shall be exercised by the Parliament.

Name and registered office of the Capital Market Authority

Article 25

The CMA shall operate under the name: " the Capital Market Authority of Montenegro ".

Capital Market Authority’s registered office shall be in Podgorica.

The CMA shall not be registered into the Tax Administration Central Register of Commercial Entities (hereinafter referred to as: CRCE).

The CMA shall have a stamp containing the following words: " the Capital Market Authority of Montenegro, Podgorica" and a coat-of-arms of Montenegro.

Public powers of the CMA

Article 26

In exercising public powers the CMA shall:

1) encourage, organize and undertake measures for the effective functioning of financial markets;
2) issue and revoke authorizations, licences, permits and approvals for which it is authorized in accordance with the law;
3) supervise business operations of supervised entities and impose measures to eliminate irregularities;
4) perform control and impose measures to prevent market abuse;
5) keep books, records and registers in accordance with authorizations determined by the law;
6) inform the competent national authorities and organizations on matters related to capital markets in connection with proceedings before these bodies;
7) provide expert opinions on the implementation of the law; and
8) also perform other activities stipulated by the law.

For the issuance of authorizations, permits, licenses, approvals and supervising a legal, i.e. a natural person shall pay fees to the CMA, in accordance with the price list.

The CMA may initiate, before the competent court, a proceeding against a natural or legal person to protect the interests of investors which invest in financial instruments and other persons for which it determines that their particular right or legal interest have been violated, in relation to transactions involving financial instruments.

Powers of the Capital Market Authority in exercising supervision

Article 27

In exercising supervision by the CMA, the supervised entity shall provide:

1) access to all documents and records of supervised entities;
2) provision of information and submission of data from persons involved in transactions in financial instruments;
3) information from the participants on related spot markets relating to commodity derivatives;
4) undisturbed direct control in business premises of natural and legal persons authorized by the CMA, with the possibility of temporary seizure of documents and data when suspects that these documents or data relate to the subject of supervision;
5) access to existing recordings of telephone conversations or electronic communications or other data traffic records held by an investment firm, an authorized credit institution and a financial institution in accordance with the law;
6) all relevant documents regarding the size and purpose of the position or risk exposure resulting through commodity derivatives, as well as other assets and liabilities in the capital market; and
7) undisturbed exercise of other CMA's powers in accordance with this Law.

If, in the course of supervision, the CMA finds that a violation of the provisions of this Law occurred, the CMA will issue a decision ordering the entity to remove the irregularities within the term given, and may, depending on the violation:

1) order the regulated market, i.e. a market operator and investment firm, to suspend trading in financial instruments, i.e. to amend the decision on the suspension in order to remove or prevent detrimental effects on the regulated market or an MTF;
2) order temporary suspension of clearing and settlement to authorized firm;
3) prohibit and/or impose a public reprimand to a legal or natural person for acting contrary to the provisions of this Law;

4) revoke or temporarily suspend the authorization to natural and legal persons that have been issued the authorization;
5) order the issuer or other person that published or disseminated false information that may be misleading to publish correction of information. The CMA may also publish correction of information at the expense of the issuer or that other person;
6) permanently or temporarily prohibit a person discharging managerial responsibilities in investment firm to carry out activities in investment firms, i.e. to trade for its own account;
7) permanently or temporarily prohibit a member of the Board of Directors of the investment firm to perform these activities in investment firms;
8) if the person who is obliged to publish inside information fails to publish this information or publish false publication, the CMA will publish them at the expense of that person;
9) temporary suspend trading or permanently remove from trading on the regulated market a financial instrument and order an MTF operator to admit such financial instrument on an MTF if information about the issuer of financial instrument have not been published in accordance with the law;
10) impose a temporary ban on the disposal of funds from the account of the market operator, i.e. the regulated market in case of violation of the provisions of this Law;
11) impose a temporary ban on voting rights on the basis of qualifying holding;
12) order the modification, amendment or adoption of general acts for giving its consent;
13) monitor the implementation of the measures imposed and ensure that supervised entities execute its orders;
14) temporarily suspend marketing or sale of financial instruments or structured deposits;
15) order cessation of advertising or sale of financial instruments or structured deposits if the investment firm has not established or applied the functional process of products approval;
16) order the dismissal of a member of the Board of Directors to legal persons which it authorized;
17) prohibit an investment firm, i.e. other person to receive client orders;
18) conditionally revoke authorization to an investment firm, i.e. another authorized person and an employee in investment firm that violates this Law, if within a period of not less than one nor more than three years, it does not repeat the violation for which revocation of authorization is prescribed;
19) order an investment firm a temporary ban on the disposal of funds from payment account and securities account and on other assets;
20) require managers of the issuer and owner of shares or other financial instruments to disclose certain information in accordance with this Law or to provide additional information and documents;
21) require the auditor of the supervised entity to perform additional control and inform the CMA on the findings;
22) order reduction of the size of the position or exposure in case of deviation from the prescribed threshold;
23) limit the right to conclude contracts on commodity derivatives, including restrictions on the size of positions which the supervised entity may hold in accordance with the provisions of this Law ; and
24) undertake other measures in accordance with this Law.

The CMA, when imposing measures, shall in particular take into account:
1) the severity, duration and repetition of violations of the provisions of this Law;
2) the degree of responsibility of the person responsible for violation of the provisions of this Law;
3) financial strength of the person responsible for the violation of the provisions of this Law (total income of a legal person or the annual income of a natural person);
4) the significance of the profit gained or loss avoided by violating the provisions of this Law;
5) the level of cooperation of a supervised entity with the CMA; and
6) measures that the person responsible for the violation of the provisions of this Law has undertaken to prevent repetition of the offense.

Reporting acting contrary to the provisions of this Law

Article 28

The CMA shall provide conditions for reporting of acting contrary to this Law as follows:

1) establishing and ensuring the implementation of the procedure for the receipt of charges, including the establishment of secure means of communication for the receipt of charges;
2) protection from discrimination of persons who report acting contrary to this Law; and
3) protection of identity of persons who report acting contrary to this Law, i.e. a natural person who is suspected of acting contrary to this Law, except in proceeding before the competent state authority.

Investment firms that provide financial services shall have in place adequate internal procedures through which employees may report acting contrary to this Law.

An investment firm or other person shall not impeach a person who discloses to the CMA information on acting contrary to this Law, i.e. apply other forms of discrimination, or otherwise restrict or prevent the exercise of rights.

Publication of decisions on imposed measures

Article 29

The CMA shall publish the decision on imposing the measures in accordance with this Law on its website without delay after notification to the person to which the measures apply.

The notification referred to in paragraph 1 of this Article shall contain data on the type, nature of the violation and the identity of the person to which the measures have been imposed.

When the CMA estimates that publication of the identity of the person to which the measures relate would be disproportionate to committed violation or publication would undermine the control that is in progress, i.e. stability of the financial markets, the CMA may:

1) postpone the publication of measures until the moment of termination of the reasons for postponement;
2) publish the decision without specifying personal data; or
3) does not publish the decision.

In case of complaint against the decision referred to in paragraph 1 of this Article, the CMA shall publish on its website information thereof.

The CMA shall ensure that decisions published in accordance with paragraphs 1, 2 and 3 of this Article are available on the website of the CMA for at least five years following the date of publication.

Method of making and publication of secondary legislation

Article 30

The CMA is responsible for the adoption of bylaws for implementation of this Law.

The CMA shall publish on its website drafts of secondary legislation no later than 14 days before its adoption, with an invitation to interested parties to provide comments, proposals or suggestions.

General acts of the CMA shall be published in the "Official Gazette of Montenegro".

The CMA may issue instructions, bulletins, opinions and other communications required for the implementation of this Law.

Rules of Procedure of the CMA

Article 31

The CMA shall adopt its Rules of Procedure, which shall determine in detail the method, manner of convening and holding sessions of the CMA, the manner of decision-making and other issues of importance for the CMA.

Composition and the appointment of CMA members

Article 32

The CMA shall have five members as follows: the Chairmen, Vice Chairman and three members.

The Chairman, Vice Chairman and one CMA member shall exercise their function professionally, while two members shall exercise their function part-time.

The CMA shall be appointed by the Parliament, at the proposal of the Government of Montenegro (hereinafter referred to as: the Government).

The CMA members shall be appointed for a five-year period and may be reappointed.

Procedure for the appointment of a CMA member shall be initiated 90 days prior to the expiration of the term of office of the Capital Market Authority.

Until the appointment of a CMA member in accordance with paragraphs 3, 4 and 5 of this Article, the CMA member shall perform its duties until the appointment of a new CMA member.

The Chairman of the CMA shall direct the work of the CMA and represent the CMA.

The conditions for the appointment of a CMA member

Article 33

A Montenegrin citizen with a general work ability, VII1 level of professional qualification and at least five-year experience in the financial sector may be appointed for the Chairman, Vice Chairman and a member of the CMA.

The CMA members may not be:

1) a member of the Parliament, a committee member, nor persons elected, appointed or employed in a state authority, i.e. local self-government authority;
2) members of management bodies, executive bodies and a secretary of the issuer of securities;
3) shareholders and employees in the market operator, an investment firm in the capital market and the CCDC; and
4) family members of the Chairman, Vice Chairman and member of the CMA.

Inability to work related to the Chairman

Article 34

In case of absence of the Chairman or termination of his term of office, the Vice Chairman shall act as the Chairman until the return to work or the appointment of the Chairman of the CMA.

Termination of the term of office in the CMA

Article 35

The terms of office of the Chairman, Vice Chairman and a CMA member shall cease:

1) by expiry of the term to which he is appointed;
2) at the request; or
3) by dismissal.

The Chairman, Vice Chairman and a CMA member shall be discharged form office when:

1) by a final court decision he was sentenced for a criminal offense to unconditional imprisonment of at least six months or convicted of a crime that makes him unworthy for his position;
2) he was declared incapacitated by a final court decision;
3) performs other public function or professionally performs another activity;
4) is absent from three consecutive meetings of the CMA;
5) is unable to perform his duties for a period longer than six months; or
6) consciously and inefficiently performs his duties as a CMA member.

Exceptionally, two CMA members who work part-time may perform some other activity, in accordance with this Law.

The Capital Market Authority shall without delay, inform the Parliament on the fulfilment of conditions for the termination of the term of office of the Chairman, Vice Chairman and member of the CMA.

Sessions of the CMA

Article 36

The CMA shall decide at its sessions, chaired by the Chairman of the CMA.

The CMA shall hold its sessions as needed, and at least once a month.

The sessions of the CMA may be held if attended by at least three CMA members.

Decisions of the CMA shall be taken by majority vote of all CMA members.

Sessions of the CMA shall be convened and held in accordance with Rules of Procedure of the CMA.

Conflict of interest

Article 37

The Chairman, Vice Chairman and a CMA member, as well as employees in Administrative and Professional Service of the CMA are required to adhere to the highest professional standards and to comply with the Law and the Code of Ethics established by the CMA in order to avoid the possible conflict of interest.

The Chairman, Vice Chairman and a CMA member are not allowed to use their positions in the CMA and the reputation of the CMA to pursue their personal interests.

Administrative tasks

Article 38

The CMA shall establish appropriate administrative and professional service for provision of administrative and professional services.

Articles of Association of the CMA shall regulate powers, rights and duties of the CMA.

General labour regulations shall apply to rights and obligations of employees in administrative and professional service of the CMA, unless otherwise specified in the Law.

Confidentiality

Article 39

The Chairman, Vice Chairman a CMA member and employees in the CMA shall keep secret all information obtained in the performance of their duties.

The obligation referred to in paragraph 1 of this Article shall continue after termination of term of office of the Chairman, Vice Chairman and a CMA member, i.e. by termination of employment relationship in the CMA.

The persons referred to in paragraph 1 of this Article, are prohibited, in any circumstances, to give advice as regards investing in securities or provide opinion on advantages and disadvantages of buying or selling securities.

Information referred to in paragraph 1 of this Article ceases to be confidential on the date of disclosure of such information.

Data protection

Article 40

The CMA shall treat personal data in accordance with the law governing the protection of personal data.

Personal data shall be kept for at least five years.

Cooperation with the Member States of the European Union

Article 41

The CMA may, at the request of the competent regulatory authority of the Member State, submit information and data necessary for the performance of duties and tasks of that authority, provided that:

1) provided protection of submitted data and information is equivalent to the protection established by this Law;
2) submitted data and information shall be used only:
   a) in the performance of duties and tasks of the competent regulatory authority of the Member State; and
   b) in administrative and judicial proceedings.

At the request of the competent regulatory authority of the Member State in relation to the direct control, the CMA, within its powers, shall:

1) exercise the direct control;
2) enable the regulatory authority that submitted the request to participate in or exercise direct control independently; or
3) enable auditors and experts authorized by the regulatory authority of the Member State to exercise direct control.

The CMA may refuse to act upon the request, referred to in paragraphs 1 and 2 of this Article, if:

1) disclosure of the requested information could jeopardize the security of Montenegro;
2) disclosure of data and information could have negative effects on the control exercised by the CMA;
3) proceedings were initiated before the competent authorities in Montenegro against a person to which the request relates; or
4) the final judgment in respect of persons to whom the request relates for the same actions in Montenegro has been reached.

The CMA shall inform the applicant and the ESMA on the existence of reasons referred to in paragraph 3 of this Article.

Dealing with data obtained from the regulatory authority of the Member State

Article 42

The CMA may forward to other authorities or natural or legal persons data and information acquired from a regulatory authority of the Member State, only with the written consent of that authority and for the purposes for which the approval was granted.

The CMA may forward information and data to other authorities, natural or legal persons referred to in paragraph 1 of this Article, only for the performance of their tasks for:

1) verification of the fulfilment of conditions for conducting activities of investment firms and for monitoring the performance of these firms, especially in relation to capital adequacy, administrative and accounting procedures and internal control;
2) monitoring the orderly functioning of the trading venue;
3) imposition of adequate measures; or
4) administrative and judicial proceedings.

Delivery of data and information to the relevant regulatory authorities of third countries

Article 43

The CMA may, at the request of the competent regulatory authority of a third country, provide information and data necessary to prevent abuse in the capital market.

Prior to the submission of data and information referred to in paragraph 1 of this Article, the CMA shall determine that the data and information are used only for the purposes for which it will be delivered and that the level of protection provided is equivalent to the level of protection of data and information determined by this Law.

The CMA may forward personal information provided by the competent regulatory authority of another Member State to the competent regulatory authority of a third country only with the express consent of the regulatory authority which has submitted such information.

Signing the Memorandum of Understanding with the competent authorities of third countries

Article 44

The CMA may conclude Memorandum of Understanding with competent authorities of third countries competent for:

1) supervision over authorized credit institutions, other financial institutions, insurance companies and financial markets;
2) liquidation and bankruptcy of investment firms;
3) conduct of audits of investment firms, financial institutions, credit institutions and insurance companies and the institutions managing compensation schemes;
4) control of persons referred to in item 3 of this paragraph; or
5) control of persons active in the emissions allowances markets, and agricultural commodity derivatives in order to provide consolidated control of the financial and spot markets.

The CMA may conclude an agreement referred to in paragraph 1 of this Article, only if the information exchange is done for performance of activities of regulatory authorities and if the level of protection of data and information is equivalent to the level of protection of data and information stipulated by this Law.

The provision of Article 42 paragraph 1 of this Law shall also apply to exchange of data and information in accordance with the agreement referred to in paragraph 1 of this Article.

Cooperation and exchange of information with ESMA

Article 45

The CMA shall cooperate with ESMA through filing and exchange of data and information under this Law.

The CMA shall report to ESMA annually on the aggregate data and measures taken in accordance with this Law, within the terms and in the manner specified by ESMA.

Articles of Association of the Capital Market Authority

Article 46

The CMA shall adopt its Articles of Association which shall regulate the specific organization and the manner of work of the CMA, the rights, obligations and responsibilities of the CMA members, the organization of the professional service of the CMA, detailed manner of the adoption of general and individual acts, transparency of work of the CMA and other issues of importance for the work of the CMA.

Articles of Association of the CMA shall be published in the "Official Gazette of Montenegro".

Funding

Article 47

Funds for the work of the CMA shall be provided from:

1) fee for the issuance of authorizations, licenses and approvals stipulated by the law;
2) fee for supervision, i.e. fees paid by the capital market participants, in accordance with the law;
3) fees for control and publication of the reports paid by issuers in accordance with the law; and
4) other sources in accordance with the law.

The amount of fees referred to in paragraph 1 of this Article shall be determined by the CMA.

Price list of fees referred to in paragraph 1 of this Article shall be published in the "Official Gazette of Montenegro" and on the CMA ‘s website.

Reporting of the CMA

Article 48

The financial year of the CMA begins on 1st January and ends on 31st December of the current year.

The CMA shall draw up the work plan and financial plan not later than 30th September of the current year for the following year.

The CMA is required to submit a report on its work of the CMA and the situation in the capital market and the financial report to the Government for familiarization and to the Parliament for the adoption, no later than 30 April of the current year for the previous year.

The CMA is required to submit a certified auditor's report on financial operations to the Government for familiarization and to the Parliament for the adoption, no later than 30th April of the current year for the previous year.

The CMA may only use excess of revenues over expenditures to fulfil legal obligations related to exercise the function of the regulatory and supervisory authority in the field of capital market.

Audit of financial statements

Article 49

The audit of accounts, records and financial statements of the CMA shall be conducted by an independent auditor appointed by the CMA.

The CMA shall, at the request of the independent auditor, provide access to registers, accounts and other records of the CMA and provide the auditor with requested information and explanations.

III. SECURITIES OFFERED TO THE PUBLIC OR ADMITTED TO TRADING

Obligation to draw up and publish the prospectus

Article 50

Prior to admission of securities to trading on a regulated market the issuer is required to draw up and publish the prospectus.

The prospectus referred to in paragraph 1 of this Article shall be approved by the CMA prior its publication.

The public offer of securities made without prior publication of the prospectus shall be null and void.

Publication of the prospectus without the approval of the CMA in accordance with this Law, is prohibited.

The CMA shall register and issue a decision on the issue of securities which are not issued through a public offering and/or which are not admitted to trading.

The CMA shall prescribe in detail a manner of issuing securities in cases where securities are not issued through a public offering and/or are not admitted to trading.

Content of the prospectus

Article 51

The prospectus shall contain all information which, according to the particular nature of the issuer and of the securities offered to the public or admitted to trading on a regulated market, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses, and prospects of the issuer and of any guarantor, and of the rights attaching to such securities.

The prospectus shall be comprehensible and understandable.

Information contained in the prospectus must be accurate and completed.

The CMA shall determine the detailed content of the prospectus.

Exemptions from the obligation to publish the prospectus for certain issues

Article 52

The obligation to publish the prospectus shall not apply to securities:

1) addressed solely to qualified investors;
2) addressed to fewer than 150 natural or legal persons in Montenegro, other than qualified investors;
3) to investors who acquire securities for a total consideration of at least EUR 100 000 per investor, for each separate offer;
4) whose denomination per unit amounts to at least EUR 100 000;
5) with a total consideration of less than EUR 100 000, which shall be calculated over a period of 12 months.

Any subsequent offer of securities which were previously the subject of one or more of the types of offers referred to in paragraph 1 of this Article shall be regarded as a separate offer and the offeror is obliged to obtain the approval from the CMA for publication of the prospectus, if this Law stipulates obligation to publish the prospectus for such an offer.

The placement of securities through financial intermediaries shall be subject to publication of the prospectus if none of the conditions referred to in paragraph 1 of this Article are met for the final placement.

A new prospectus shall not be required in any subsequent resale of securities or final placement of securities through financial intermediaries as long as a valid prospectus is available in accordance with Article 69 of this Law and if the issuer or the person responsible for drawing up such prospectus consents to its use.

Qualified investor

Article 53

Qualified investor referred to in Article 52 paragraph 1 of this Law means:

1) an authorized entity or a supervised entity operating in the financial markets such as:
   a) authorized credit institution;
   b) investment firms;
   c) other authorized financial institutions or institutions subject to supervision;
   d) insurance companies;

e) collective investment undertakings and their management companies;
f) pension funds and their management companies;
g) commodity and commodity derivatives dealers;
h) other institutional investors.

2) Large undertaking means undertaking that meets two of the following criteria:
   a) balance sheet total of no less than EUR 20.000.000;
   b) annual net turnover of no less than EUR 40.000.000;
   c) own funds of no less than EUR 2.000.000.
3) The Government, the Central Bank, international institutions such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organisations;
4) Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

If a firm referred to in paragraph 1 item 1 of this Article is the client of an investment firm, the investment firm is obliged, prior providing services, to notify the client that he is considered a qualified investor according to the available data, unless otherwise agreed.

Investment firm shall inform the client of a possibility to request amending of agreed conditions in order to achieve a higher level of protection.

The client referred to in paragraph 2 of this Article shall ask for a higher level of protection if it considers that he cannot properly assess or manage the risks involved.

A higher level of protection is provided when a client who is considered a qualified investor enters into the agreement in writing with the investment firm not to be treated as a qualified investor for one or more services, products or transactions.

A client who is not a qualified investor shall be considered a small investor in terms of this Law.

Exemptions from the obligation to publish the prospectus according to type of securities

Article 54

The obligation to publish the prospectus shall not apply to offers of securities to the public of the following types of securities:

1) shares issued in substitution for shares of the same class, if the issuing of such new shares does not involve any increase in the issued capital;
2) securities offered in connection with a takeover by means of an exchange offer, provided that a document is available containing information which is regarded by the CMA as being equivalent to that of the prospectus in accordance with the law governing takeover of joint stock companies;
3) securities offered, allotted or to be allotted in connection with a merger or division of issuers, provided that a document is available containing information which is regarded by the CMA as being equivalent to that of the prospectus in accordance with the law governing business organizations;
4) dividends paid out to existing shareholders in the form of shares of the same class as the shares in respect of which such dividends are paid, provided that a document is made available containing information on the number and nature of the shares and the reasons for and details of dividend payment;
5) securities offered, allotted or to be allotted to director or employees by their employer or a related company, provided that a document is made available containing information on the number and nature of the securities and the reasons for and details of the offer.

Exemptions from the obligation to publish the prospectus for the admission to trading of securities on a regulated market

Article 55

The obligation to publish the prospectus shall not apply to the admission to trading on a regulated market of the following types of securities:

1) shares representing, over a period of 12 months, less than 10 per cent of the number of shares of the same class already admitted to trading on the same regulated market;
2) shares issued in substitution for shares of the same class already admitted to trading on the same regulated market, if the issuing of such shares does not involve any increase in the issued capital;
3) securities offered in connection with a takeover by means of an exchange offer, provided that a document is available containing information which is regarded by the CMA as being equivalent to that of the prospectus, taking into account the law governing joint stock companies;
4) securities offered, allotted or to be allotted in connection with any restructuring operation, provided that a document is available containing information which is regarded by the CMA as being equivalent to that of the prospectus, taking into account the law governing business organizations;
5) shares offered, allotted or to be allotted free of charge to existing shareholders, and dividends paid out in the form of shares of the same class as the shares in respect of which such dividends are paid, provided that:
   a) the said shares are of the same class as the shares already admitted to trading on the same regulated market; and
   b) a document is made available containing information on the number and nature of the shares and the reasons for and details of the offer;
6) securities offered, allotted or to be allotted to director or employees by their employer or a related company, provided that:
   a) the said securities are of the same class as the securities already admitted to trading on the same regulated market; and
   b) a document is made available containing information on the number and nature of the securities and the reasons for and detail of the offer;
7) shares resulting from the conversion or exchange of other securities or from the exercise of the rights conferred by other securities, provided that the said shares are of the same class as the shares already admitted to trading on the same regulated market;
8) securities already admitted to trading on another regulated market, on the following conditions:
   a) that these securities, or securities of the same class, have been admitted to trading on that other regulated market for more than 18 months;
   b) that, for securities first admitted to trading on a regulated market , the admission to trading on that other regulated market was associated with an approved prospectus made available to the public in conformity with the provisions of this Law governing publication of the prospectus;
   c) that the ongoing obligations for trading on that other regulated market have been fulfilled;
   d) that the person seeking the admission of a security to trading on a regulated market makes a Simplified prospectus available to the public in a language accepted by the CMA;
   e) that the Simplified prospectus referred to in sub-item d) of this item, is made available to the public in accordance with this Law;
   f) that the contents of the Simplified prospectus shall comply with Article 56 paragraphs 2 and 3 of this Law and that the Simplified prospectus contains references to the place where the most recent prospectus can be obtained and the financial information published by the issuer in accordance with the law.

Simplified prospectus

Article 56

The prospectus shall also contain a Simplified prospectus in the language in which the prospectus was originally drawn up.

The simplified prospectus shall, in a brief manner and in non-technical language, convey the essential characteristics and risks associated with the issuer, any guarantor and the securities.

The simplified prospectus shall also contain a warning that:

1) it should be read as an introduction to the prospectus;
2) any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor;
3) where a claim relating to the information contained in the prospectus is brought before a court, the plaintiff shall bear the costs of translating the prospectus;
4) civil liability attaches to those persons who have tabled the simplified prospectus if the simplified prospectus is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus.

Where the prospectus relates to the admission to trading on a regulated market of non- equity securities having a denomination of at least EUR 100 000, there shall be no requirement to provide a simplified prospectus.

Single and separate prospectus

Article 57

The issuer, offeror or person asking for the admission to trading on a regulated market may draw up the prospectus as a single document (hereinafter referred to as: a single document) or more separate documents (hereinafter referred to as: separate documents).

Mandatory elements of the prospectus composed of separate documents are:

1) a registration document shall contain the information relating to the issuer;
2) a securities note shall contain the information concerning the securities offered to the public or to be admitted to trading on a regulated market; and
3) a simplified prospectus.

An issuer which already has a registration document approved by the CMA shall be required to draw up the securities note and the simplified prospectus when securities are offered to the public or admitted to trading on a regulated market.

The securities note referred to in paragraph 3 of this Article shall provide information that would normally be provided in the registration document if there has been a material change or recent development which could affect investors' assessments since the latest updated registration document, unless such information is provided in accordance with the Article 77 of this Law.

In cases referred to in paragraph 3 of this Article, the securities note and a simplified prospectus shall be subject to a separate approval by the CMA in accordance with Articles 70 to 78 of this Law.

Base prospectus

Article 58

The issuer, the offeror or the person asking for admission to trading on a regulated market shall draw up a base prospectus for:

1) non-equity securities, including warrants in any form, issued under an offering programme; and
2) non-equity securities issued in a continuous or repeated manner by credit institutions provided that:
   a) the sums deriving from the issue of the said securities are placed in assets which provide sufficient coverage for the liability deriving from securities until their maturity date; and
   b) in the event of the insolvency of the related credit institution, the sums referred to in item a) of this item are intended, as a priority, to repay the capital and interest falling due, in accordance with the law governing insolvency, winding-up and liquidation of a credit institution.

Base prospectus shall contain all relevant information referred to in Articles 51 and 56 of this Law and may also contain the final terms of the offer.

In the case of change in information on the issuer and securities offered to the public or are to be admitted to trading on a regulated market, the issuer, the offeror or a person asking for admission to trading on a regulated market, shall amend the prospectus in accordance with Article 77 of this Law.

If the final terms of the offer are not included in either the base prospectus or a supplement, the final terms shall be provided to the public in accordance with Articles 83 to 89 of this Law filed with the CMA and notified by the issuer to the competent authority of the host Member State when each public offer is made, as soon as practicable and if possible in advance of the beginning of the offer or admission to trading.

Final terms referred to in paragraph 2 of this Article, shall contain only information in accordance with Article 65 paragraph 1 of this Law and may not be used as a supplement to the base prospectus.

Base prospectus may not be drawn up as a separate document.

Offering programme referred to in paragraph 1 item 1 of this Article shall be considered a plan based on which the securities are issued in tranches or in at least two issuance of securities of the same type, i.e. a class, over a period of 12 months, including guarantees in any form, of a similar type, i.e. a class.

Key information in the prospectus

Article 59

In addition to the warning referred to in Article 56, paragraph 3, item 2 of this Law the issuer, offeror or person asking for the admission to trading on a regulated market shall be required to include the relevant information into the prospectus which includes:

1) a short description of the risks associated with and essential characteristics of the issuer and any guarantor, including their assets, liabilities and financial position;
2) essential characteristics of the investment in the relevant security, including any rights attaching to the securities;
3) general terms of the offer, including estimated expenses charged to the investor;
4) more specified data and information on the market to which they are to be admitted, the start of trading and other required information on the admission to trading;
5) conditions of the offer and intended purpose of collected funds.

Responsibility attaching to the prospectus

Article 60

The responsibility for the accuracy and completeness of the data and information contained in the prospectus shall be attached to:

1) the issuer, director and Board of Director's member of the issuer, unless the executive director has voted against approval of public offer;
2) the offeror or the person asking for admission to trading on a regulated market;
3) guarantor with respect to securities issue;
4) investment firm offering underwriting or agency services in relation to public offer;
5) independent auditor of the issuer, exclusively in relation to financial statements included into prospectus, and covered by their audit report;
6) another person who takes responsibility for the accuracy and completeness of information contained in the part of prospectus for which it assumed responsibility, exclusively in respect of such information.

The prospectus shall contain name and surname, i.e. a business name and a registered office of the persons responsible for the accuracy and completeness of information contained in the prospectus, as well as declarations by them that, to the best of their knowledge, the information contained in the prospectus is in accordance with the actual facts and that the prospectus makes no omission which could affect the accuracy and completeness of the prospectus.

Civil liability shall be attached to any person solely on the basis of the simplified prospectus, including any translation thereof, if it:

1) is misleading;
2) is inaccurate;
3) is inconsistent with the other parts of the prospectus; or
4) does not provide, together with the other parts of the prospectus, key information that help the investor in considering the decision whether to invest in such securities.

A Simplified prospectus shall contain a clear warning about the responsibility referred to in paragraph 3 of this Article.

The CMA shall not be liable for truthfulness and completeness of information contained in any part of the approved prospectus or a simplified prospectus for public offer or admission to trading on a regulated market.

Incorporation by reference

Article 61

Information shall be incorporated in the prospectus by reference to one or more previously or simultaneously published documents that have been approved by the CMA or filed with the CMA in accordance with the provisions of this Law.

Provision referred to in paragraph 1 of this Article also relates to the data and information contained in the document approved by the competent authority of a home Member State.

Information that are included in the prospectus in a manner referred to in paragraphs 1 and 2 of this Article must be the latest available to the issuer, and a cross-reference list must be provided in order to enable investors to identify easily specific items of information.

The simplified prospectus shall not incorporate information by reference.

Home Member State

Article 62

Home Member State referred to in Articles 63 to 72 of this Law means a Member State:

1) where the issuer has its registered office, or where securities are admitted to trading on a regulated market, or are offered to the public at the choice of the issuer, the offeror or the person asking for admission to trading on a regulated market, for any issues of non-equity securities whose denomination per unit amounts to at least EUR 1000 or nearly equivalent to EUR 1000 in a currency other than euro, as well as for any issues of non-equity securities giving the right to acquire any transferrable securities or to receive a cash amount as a consequence of their being converted or the rights conferred by them being exercised, provided that the issuer of the non-equity securities is not the issuer of the underlying securities or an entity belonging to the group of the latter issuer;
2) where the issuer has its registered office – for all EU securities issuers not included in item 1 of this paragraph;
3) where securities are offered to the public for the first time after 31st December 2003 or the application for the admission to trading on a regulated market is made for the first time at the choice of the issuer, the offeror or the person asking for admission to trading – for all third-country securities issuers not included in item 1 of this paragraph.

The issuer referred to in paragraph 1 item 3 of this Article may change a home Member State if the home Member State was not determined by its choice.

Host Member State

Article 63

Host Member State referred to in Articles 68, 81, 82 and 94 to 124 of this Law, means the State where an offer to the public is made or admission to trading is sought, when different from the home Member State.

Omission of information from the prospectus

Article 64

The CMA may authorise the omission from the prospectus of certain information and data provided for in the prospectus, at the request of the issuer, the offeror or the person asking for admission to trading on a regulated market if it considers that:

1) disclosure of such information would be contrary to the public interest;
2) disclosure of such information would be seriously detrimental to the issuer, provided that the omission would not be likely to mislead the public with regard to facts and circumstances essential for an informed assessment of the issuer, offeror or guarantor, if any, and of the rights attached to the securities to which the prospectus relates;
3) such information is of minor importance only for a specific offer or admission to trading on a regulated market and is not such as will influence the assessment of the financial position and prospects of the issuer, offeror or guarantor, if any.

The CMA shall decide upon the request referred to in paragraph 1 of this Article within seven working days following the date of the receipt of the request.

The CMA shall prescribe in detail the criteria, the manner of delivery of documents and determining of the fulfilment of the requirements for omission of data from the prospectus.

Omission of information on the price and amount of securities

Article 65

The issuer, i.e. offeror shall , where the final offer price and amount of securities which will be offered to the public cannot be included in the prospectus, ensure that:

1) the criteria, that is the conditions in accordance with which the above elements will be determined or, in the case of price, the maximum price, are disclosed in the prospectus; or
2) the acceptances of the purchase or subscription of securities may be withdrawn for not less than two working days after the final offer price and amount of securities which will be offered to the public have been filed.

The issuer, i.e. the offeror shall, without delay, submit information regarding the final offer price and amount of securities to the CMA and publish them in the same manner in which the prospectus was published.

Omission of inappropriate information

Article 66

Where certain information required to be included in the prospectus in accordance with the this Law, is inappropriate to the issuer's sphere of activity , the legal form of the issuer or to the securities to which the prospectus relates, the prospectus shall contain information equivalent to the required information.

Omission of information relating to guarantor

Article 67

When securities are guaranteed by Montenegro or a Member State, the issuer, the offeror or the person asking for admission to trading on a regulated market, may omit information related to this guarantor when drawing-up the prospectus.

Language of the prospectus

Article 68

Where a request for an offer to the public is submitted or admission to trading on a regulated market is sought, the prospectus shall be drawn up in the Montenegrin language.

If Montenegro is a home Member State of the issuer and securities have been offered to the public in one or more Member States or admission to trading on a regulated market only relates to a regulated market in a Member State the prospectus shall be drawn up either in a language accepted by the competent authorities of those Member States or in a language customary in the sphere of international finance, at the choice of the issuer, offeror or person asking for admission on a regulated market, as the case may be.

In the case referred to in paragraph 2 of this Article, the issuer, offeror or person asking for admission to trading on a regulated market shall, in the CMA’s decision-making process on approval of the prospectus, draw up the prospectus in the Montenegrin language and/or in a language customary in the sphere of international finance, at the choice of the issuer, offeror or person asking for admission on a regulated market, as the case may be.

If Montenegro is a home Member State of the issuer and securities have been offered to the public or the application for admission to trading on a regulated market relates to a regulated market in Montenegro and in a Member State, the issuer, offeror or person asking for admission shall draw up and publish the prospectus in the Montenegrin language, as well as in a language determined by the competent authorities of a Member State or in a language customary in the sphere of international finance, at the choice of the issuer, offeror or person asking for admission, as the case may be.

If Montenegro is a host Member State, and the prospectus was not drawn up in the Montenegrin language the issuer, offeror or person asking for admission shall submit to the CMA the translation of a Simplified prospectus in the Montenegrin language.

Where admission to trading on a regulated market of non-equity securities whose denomination per unit amounts to at least EUR 100000 is sought in one or more Member States, the prospectus shall be drawn up either in a language accepted by the competent authorities of the home and host Member States or in a language customary in the sphere of international finance, at its choice.

If, in the case referred to in paragraph 6 of this Article, the prospectus was not drawn up in the Montenegrin language, the issuer, offeror or person asking for admission to trading on a regulated market in Montenegro shall draw up the simplified prospectus in the Montenegrin language.

Validity of the prospectus and parts of the prospectus

Article 69

The prospectus for public offer or for the admission to trading on a regulated market shall be valid for 12 months after its approval, provided that the prospectus is completed by information on the issuer and securities in accordance with Article 77 of this Law.

A registration document, as a part of separate prospectus approved by the CMA, shall be valid for no longer than 12 months following the date of its approval.

A registration document, updated in accordance with Article 57 paragraphs 3 and 4 and Article 85 of this Law, accompanied by the securities note and the simplified prospectus shall be considered to constitute a valid prospectus.

In the case of non-equity securities referred to in Article 58 paragraph 1 item 1 of this Law, a previously submitted base prospectus shall be valid for no longer than 12 months following the date of its approval.

In the case of non-equity securities referred to in Article 58 paragraph 1 item 2 of this Law, the base prospectus shall be valid until no more of the securities concerned are issued in a continuous or repeated manner.

Securities issued in a continuous or repeated manner shall be considered debt securities of the same issuer issued in a continuity or two separate issues of securities of the same type and/or class.

Application for approval of the prospectus

Article 70

Application for approval of the prospectus for the purpose of public offering of securities may be submitted to the CMA by the issuer, offeror or person asking for admission to trading on a regulated market.

In addition to Application for approval of the prospectus the applicant shall submit the following:

1) decision of applicant's competent authority to issue securities or to ask for admission of securities to trading accompanied by all additional information submitted to a regulated market;
2) the prospectus consisting of one or more documents;
3) the applicant's articles of association and articles of incorporation;
4) other documents stipulated by the CMA.

The content of application and the documents submitted along with the application referred to in paragraphs 1 and 2 of this Article shall be prescribed by the CMA.

Approval period

Article 71

The CMA shall decide as regards the applicationfor approval of the prospectus within ten working days following the date of submission of the application.

Notwithstanding paragraph 1 of this Article, when the issuer who has not previously offered securities to the public offers securities to the public or applies for admission to trading on a regulated market for the first time, the CMA shall decide on the application within 20 working days following the date of submission of the application.

The approval period begins on the first working day after the date on which the application is received, that is on the first working day after the date of acting in accordance with notification referred to in Article 76 paragraph 3 of this Law.

If the CMA does not decide on application for approval of the prospectus within the time limits referred to in paragraphs 1, 2 and 3 of this Article, the application shall not be considered approved.

Where the competent authority of the home Member State considers, on reasonable grounds, that the documents submitted to it are incomplete or that supplementary information is required, the time limits shall apply only following the date on which such information is provided by the issuer.

In the case referred to in paragraph 5 of this Article, the CMA shall, within ten working days following the date of submission of the application notify the issuer of the need for supplementary information and the reasons therefore.

Approving the prospectus

Article 72

The CMA shall approve the prospectus for securities to be offered to the public or admitted to trading on a regulated market by a decision.

The CMA shall issue a decision on approval of the prospectus for the securities of the issuer for which Montenegro is a home Member State, in accordance with Article 62 paragraph 1 of this Law.

The CMA shall issue a decision referred to in paragraphs 1 and 2 of this Article when:

1) the prospectus contains the necessary information referred to in Articles 51 and 56 of this Law; and
2) all of the other requirements referred to in Articles 50 to 71 and Articles 73 to 93 of this Law have been complied with.

The CMA will approve the prospectus when it determines that the information contained in the prospectus and the documents submitted with the application are complete and in accordance with this Law.

Deciding upon the application for approval of the prospectus

Article 73

The CMA shall submit the decision on approving or refusing the prospectus to the applicant.

The CMA shall when informing the applicant of approval of the prospectus notify ESMA and provide a copy of the prospectus and the accompanying documents.

Refusing the application for approval to publish the prospectus

Article 74

The CMA shall refuse the application for approval to publish the prospectus when:

1) the application was submitted by an unauthorized person;
2) the application is incomplete, i.e. the prospectus or information submitted along with the prospectus do not meet the requirements set by this Law and the applicant failed to amend the application, i.e. remove the irregularities within the time limits;
3) the approval of the competent authority was not obtained in accordance with the law;
4) the certificate that a regulated market is ready to admit securities to trading was not obtained;
5) the prospectus contains incorrect, incomplete and misleading information or the essential facts are excluded causing incorrect, inaccurate or misleading information of investors, and the applicant did not remove the irregularities within the set time limits;
6) the applicant is the issuer who failed to act in accordance with the measures imposed during the supervision by the CMA;
7) data and information contained in the prospectus do not comply with the decision of the issuer to issue securities, their admission to trading or are not in accordance with other data required to be submitted along with the application;
8) the prospectus relates to public offer of securities and the decision of the competent authority of the issuer on issuance of securities is null and void;
9) a bankruptcy proceeding has been initiated over the issuer;
10) the fee for issuance of the approval determined by this Law was not paid.

Supplements and delivery of information

Article 75

In the approval procedure the CMA may require:

1) the issuer, the offeror or the person asking for the admission to trading on a regulated market, to include in the prospectus supplementary information if necessary for investor protection;
2) the issuer, the offeror or the person asking for the admission to trading on a regulated market and the persons that control them or are controlled by them, to provide certain information and documents
3) auditors and managers of the issuer, the offeror or the person asking for the admission to trading on a regulated market, as well as a financial intermediary entrusted with execution of public offer or admission to trading, to provide certain information and documents.

Entrusting approval of the prospectus

Article 76

The CMA may, due to the nature of the issuer and securities offered or due to peculiarity of the public offer, entrust the approval of the prospectus or supplement to the prospectus to the competent authority of a Member State, provided that it previously informs ESMA thereof and obtain its approval.

The CMA may decide on the approval of the prospectus for whose approval the competent is the competent authority of the Member States, with the approval of that authority.

The CMA shall inform the applicant for the approval of the prospectus on the competent authority which shall decide upon the application referred to in paragraphs 1 and 2 of this Article, within three working days of receipt of the approval from ESMA, i.e. the approval of the competent authority of that Member State.

The date of notification of the applicant shall be considered the date of submission of application for approval of the prospectus in accordance with paragraph 3 of this Article.

Supplement to the prospectus

Article 77

If between the time when the prospectus is approved and the definitive closure of the offer or, if applicable, the time when trading on the market begins new factors arise or if it is determined that the prospectus was published on the basis of inaccurate or incomplete data or information capable of affecting assessment of the securities, the issuer, the offeror or the person asking for the admission to trading on a regulated market, shall supplement the prospectus with accurate and complete information.

The person referred to in paragraph 1 of this Article, shall submit to the CMA the applicationfor approval of supplements to the prospectus without delay, following the occurrence of or awareness of new circumstances or irregularities contained in the prospectus.

The CMA shall decide on application for approval of supplements to the prospectus in accordance with Article 73 of this Law, within seven working days following the date of submission of the application.

A supplement to the prospectus shall be published according to the same arrangements as provided for the original prospectus.

Provisions of paragraphs 1, 2 and 3 of this Article, shall also apply to the simplified prospectus, if required, taking into account the content of supplements to the prospectus.

Approval of the supplements to the prospectus by the competent authority of the home Member State of the issuer

Article 78

The application for approval of supplements to the prospectus shall be submitted to the competent authority of the home Member State of the issuer, if Montenegro is not the home Member State of the issuer;

In the case referred to in paragraph 1 of this Article, it shall be considered that the CMA approved supplements to the prospectus.

The right to withdraw from purchase and subscription

Article 79

Investors who have already agreed to purchase or subscribe for the securities before the supplement is published shall have the right, exercisable within a time limit which shall not be shorter than two working days after the publication of the supplement, to withdraw their acceptances or subscription of securities.

The issuer or the offeror may extend the time limits referred to in paragraph 1 of this Article.

Time limits referred to in paragraph 1 of this Article shall be stated in the supplement to the prospectus.

Prospectus approved in another Member State

Article 80

The prospectus and the supplement to the prospectus approved by the competent authority of the home Member State may be used for the public offer or the admission to trading in Montenegro, provided that the competent authority of that home Member State submitted to the CMA:

1) certificate on approval of the prospectus;
2) a copy of the prospectus approved by the competent authority of the home Member State; and
3) translation of a simplified prospectus into the Montenegrin language.

Certificate on approval of the prospectus referred to in paragraph 1 item 1 of this Article, shall be considered valid, if contains a note that the prospectus was approved by the competent authority referred to in paragraph 1 of this Article, and in case that prescribed information were not included into the prospectus, the note that the competent authority approved their omission along with reasons for their omission.

The CMA shall publish on its website and keep within the period of 12 months following the date of their publication the approved prospectus with supplements referred to in paragraph 1 of this Article, with the address of the website of the competent authority of the home Member State, the issuer or the regulated market where these documents were published.

If the CMA finds about new circumstances or inaccuracies of information included in the prospectus that may influence the assessment of securities, it shall notify the competent authority of the home Member States of the need to supplement the prospectus.

When the CMA finds that irregularities have been committed by the issuer or by the financial institution in charge of the public offer procedures or breaches of the issuer's obligations, resulting from the fact that the securities are admitted to trading, it shall refer these findings to the competent authority of the home Member State and ESMA.

If, despite the measures taken by the competent authority of the home Member State or because such measures prove inadequate, the issuer or the financial institution in charge of the public offer procedures referred to in paragraph 5 of this Article, persist in violating the relevant provisions of this Law and other regulations, the CMA shall, after informing the competent authority of the home Member State and ESMA take all the appropriate measures in order to protect investors.

Prospectus approved in Montenegro

Article 81

Where Montenegro is the home Member State the CMA shall, if requested to do so by the issuer, the offeror or person asking for admission to trading on a regulated market in a Member State shall submit the following documents to the competent authority of the host Member State:

1) decision on approval of the prospectus;

2) a copy of the prospectus and any supplements thereto; and
3) a translation of the Simplified prospectus in a language required by the competent authority of the host Member State.

The CMA shall provide the competent authority of the host Member State with documents and information referred to in paragraph 1 of this Article, within the period of three working days after submission of the application, if the prospectus had been approved before the request was submitted or, if the application was submitted along with the applicationfor approval of the prospectus, within the period of one working day after the date of prospectus approval.

In the case referred to in paragraph 3 of this Article the CMA shall notify ESMA on the issuance of a certificate of the approval of the prospectus, as well as on the person who submitted the application referred to in paragraph 1 of this Article.

The CMA shall execute the measures referred to in Articles 76, 91 and 92 of this Law, if notified by the competent authority of the host Member State that irregularities have been committed by the issuer or by the financial institutions in charge of the public offer or that breaches have been committed of the obligations attaching to the issuer by reason of the fact that the securities are admitted to trading on a regulated market, and it shall refer these findings to the competent authority of the home Member State.

Issuer incorporated in third countries

Article 82

Where Montenegro is the home Member State, the CMA approve the prospectus for public offer drawn up in accordance with legislation of that state to the issuer, provided that:

1) the prospectus has been drawn up in accordance with international standards set by the International Organization of Securities Commissions (IOSCO) including IOSCO standards relating to information disclosure; and
2) information requirements, including information of a financial nature, are equivalent to the requirements specified in the provisions referred to in Articles 50 to 81 and Articles 83 to 93 of this Law.

Where Montenegro is the host Member State of the issuer incorporated in a third country, the provisions of Articles the provisions of Articles 68, 80 and 81 of this Law shall apply to a public offer or admission to trading on a regulated market in Montenegro.

In the case referred to in paragraph 2 of this Article, the issuer, that is the offeror who offers securities to the public in Montenegro or submits the application for admission to trading on a regulated market in Montenegro, shall enforce all the activities related to public offer or to admission to trading on a regulated market through investment firms which are, in accordance with the provisions of this Law, authorized in Montenegro to provide investment services.

Submission and publication of the prospectus

Article 83

The issuer, offeror or person asking for admission to trading on a regulated market shall submit the prospectus to the CMA in an electronic form, publish it in accordance with Article 84 of this Law and to notify the CMA on the manner of publication of the prospectus at the latest at the beginning of the offer to the public or the admission to trading of the securities involved.

The CMA shall make available the prospectus published referred to in paragraph 1 of this Article to ESMA.

The issuer, offeror or person asking for admission to trading on a regulated market shall publish, i.e. submit the prospectus in accordance with paragraph 1 of this Article, at the latest six working days prior the expiry of time limits for acceptance of the offer, if the prospectus relates to the first public offer of shares which are not admitted to trading on a regulated market.

Manner of publication of the prospectus

Article 84

The issuer, offeror or person asking for admission to trading on a regulated market shall ensure availability of prospectus to the public:

1) by insertion in one or more newspapers circulated throughout, or widely circulated in the territory of Montenegro,
2) by insertion in one or more newspapers circulated throughout, or widely circulated in the territory of Member States in which the offer to the public is made or the admission to trading is sough,
3) in a printed form to be made available, free of charge, to the public at the offices of the regulated market on which transferable securities are being admitted to trading, or at the registered office of the issuer and at the offices of the financial intermediaries placing or selling transferable securities, including paying agents,
4) in an electronic form on the issuer's website and, if applicable, on the website of the financial intermediaries placing or selling transferable securities, including paying agents,
5) in an electronic form on the website of the regulated market where the admission to trading is sought,
6) on the CMA's website.

When the prospectus is published in accordance with paragraph 1, items 3, 4, 5 or 6 of this Article, a notification as regards the manner in which the prospectus is made available to the public shall be published in one daily newspapers circulated throughout in the territory of Montenegro.

The prospectus is published in accordance with paragraph 1, items 1, 2 3 or 4 of this Article, it shall be also published on the regulated market's website where admission to trading is sought.

Conformity of the approved prospectus

Article 85

The text and the format of the prospectus, and/or the supplements to the prospectus, published or made available to the public, shall at all times be identical to the source document approved by the CMA.

Paper copy of the prospectus

Article 86

Where the prospectus is made available by publication in electronic form, a paper copy must nevertheless be delivered to the investor, upon his request and free of charge, by the issuer, the offeror or the person asking for admission to trading on a regulated market.

If the public offering is done through a financial intermediary, the provision of paragraph 1 of this Article shall also apply to financial intermediary concerned.

Publication on the CMA's website

Article 87

The CMA shall publish all the prospectuses approved over a period of previous 12 months on its website.

Publication of the prospectus comprising separate documents

Article 88

The issuer, the offeror or the person asking for admission to trading on a regulated market shall publish the prospectus comprising separate documents and all documents making up that prospectus, in accordance with Article 84 of this Law.

The place where the documents incorporated by reference by the prospectus are available shall be stated in documents referred to in paragraph 1 of this Article.

Advertisements

Article 89

Advertising shall mean publication if the prospectus:

1) relating either to an offer to the public of securities or to an admission to trading on a regulated market, and
2) whose aim is to specifically promote a possible subscription or acquisition of securities.

Announcement referred to in paragraph 1 of this Article, shall state that the prospectus has been or will be published and indicate where investors are or will be able to obtain it.

Advertisements shall be clearly recognisable as such. The information contained in an advertisement shall not be inaccurate, or misleading and shall be consistent with the information contained in the prospectus.

All information concerning the offer to the public or the admission to trading on a regulated market communicated by the issuer, the offeror or the person asking for admission to trading on a regulated market, even if not for advertising purposes, shall be consistent with that contained in the prospectus.

Provisions of paragraphs 2, 3 and 4 of this Article, shall not apply to public offer or to admission to trading on a regulated market for which in accordance with this Law the obligation to publish the prospectus was not determined.

When according to this Law no prospectus is required, material information provided by an issuer or an offeror and addressed to qualified investors or special categories of investors shall be disclosed to all qualified investors or special categories of investors to whom the offer is exclusively addressed.

Control over the publication and advertising

Article 90

The CMA shall have the power to exercise control over the publication and advertising of the prospectus in accordance with this Law.

Prohibition or suspension of public offer or admission to trading

Article 91

Where the CMA, as regards offer of securities to the public or admission to trading on a regulated market, finds that the provisions of this Law have been infringed, it shall be empowered to:

1) suspend a public offer or admission to trading for a maximum of 10 consecutive working days;
2) prohibit or suspend advertisements for a maximum of 10 consecutive working days;
3) prohibit or suspend announcements for a maximum of 10 working days;
4) prohibit a public offer of transferable securities;
5) suspend trading in securities on a regulated market.

The CMA may make public the fact that the issuer, the offeror or the person asking for the admission to trading on a regulated market fails to comply with the provisions of this Law.

The CMA shall adopt measures referred to in paragraph 1 of this Article, taking into account the seriousness of the infringement and the purpose to be achieved by adoption of such measures.

Powers of the CMA after securities are admitted to trading on a regulated market

Article 92

The CMA, once the securities have been admitted to trading on a regulated market, shall be empowered to:

1) require the issuer to disclose all material information which may have an effect on the assessment of the securities admitted to trading on regulated markets in order to ensure investor protection or the smooth operation of the market;
2) suspend or ask the relevant regulated market to suspend the securities from trading if the issuer's situation is such that trading would be detrimental to investors' interests;
3) ensure that issuers whose securities are traded on regulated markets comply with the obligations referred to in Articles 94 to 149 of this Law and that equivalent information is provided to investors and equivalent treatment is granted by the issuer to all securities holders who are in the same position;
4) initiate the procedure before the competent court in accordance with the Law.

Exemptions from application

Article 93

Provision of Articles 50 do 92 of this Law shall not apply to:

1) units issued by collective investment undertakings other than the closed-end type;
2) non-equity securities issued by Montenegro, a Member State, public international bodies of which Montenegro is a member or a Member State, the European Central Bank or the central banks of the Member States;
3) shares in the capital of central banks of the Member States;
4) securities issued by associations with legal status or non-profit-making bodies with a view to their obtaining the means necessary to achieve their non-profit-making objectives;
5) company's shares or bonds issued in favour of directors, employees, or their family members;
6) securities unconditionally and irrevocably guaranteed by a Member State or by one of a Member State's competent authority;
7) non-equity securities issued in a continuous or repeated manner by credit institutions provided that these securities:
   a) are not exchangeable;
   b) do not give a right to subscribe to or acquire other types of securities and that they are not linked to a derivative instrument;

c) materialise reception of repayable deposits:
d) are covered by a deposit guarantee scheme;

8) securities where the total consideration of the offer in the European Union is less than EUR 5.000.000, for a period of 12 months;

9) debt securities issued in a continuous or repeated manner by credit institutions where the total consideration of the offer is less than EUR 75.000.000, which limit shall be calculated over a period of 12 months, provided that these securities:
   a) are not exchangeable;
   b) do not give a right to subscribe to or acquire other types of securities and that they are not linked to a derivative instrument.

In cases referred to in paragraph 1 items 2, 6, 8 and 9 of this Article, the issuer, the offeror or the person asking for the admission to trading on a regulated market may, at its own choice, draw up the prospectus in accordance with this Law, if securities are offered to the public or are admitted to trading on a regulated market.

IV. TRANSPARENCY

The issuer

Article 94

The issuer, in terms of Articles 98 to 124 of this Law, means both natural and legal person whose securities are represented by depository receipts.

The shareholder

Article 95

The shareholder, in terms of Articles 98 to 124 of this Law, means a natural or a legal person who, directly or indirectly also holds a depository receipt, in which case the holder of the depository receipt shall be considered as the shareholder of the underlying shares based on which depository receipts have been issued.

Securities

Article 96

Securities, in terms of Articles 98 to 124 of this Law, means all types of transferrable securities referred to in Article 4 of this Law, except for money market instruments with a maturity date shorter than 12 months.

Home Member State

Article 97

Home Member State, in terms of Articles 98 to 124 of this Law means:

1) in the case of the issuer of debt securities whose denomination amounts in no less than EUR 1 000 per unit or the issuer of shares if the issuer is incorporated in:
   a) the European Union, the Member State in which the issuer has its registered office;
   b) a third country, the Member State where its securities are admitted to trading on a regulated market;
2) for any issuer not covered by item 1 of this paragraph, the Member State chosen by the issuer from among the Member State in which the issuer has its registered office, where applicable, and a Member State where its securities are admitted to trading on a regulated market, where the issuer may choose only one Member State as its home Member State;

3) for an issuer whose securities are no longer admitted to trading on a regulated market in its home Member State referred to in item 1 sub-item b or item 2 of this paragraph, but instead are admitted to trading in one or more other Member States, such new home Member State as the issuer may choose from amongst the Member States where its securities are admitted to trading on a regulated market and, where applicable, the Member State where the issuer has its registered office.

The issuer's choice of a home Member State referred to in paragraph 1 item 2 of this Article shall remain valid for three years, unless its securities are no longer admitted to trading on any regulated market in the Union or unless the issuer becomes covered by paragraph 1 items 1 or 3 of this Article, during the three-year period following the choice of a home Member State.

An issuer shall disclose its home Member State to the competent authority of the Member State where it has its registered office, where applicable, to the competent authority of the home Member State and to the competent authorities of all host Member States.

In the absence of disclosure by the issuer of its home Member State as defined by paragraph 1 of this Article, within a period of three months following the date the issuers' securities are first admitted to trading on a regulated market, the home Member State shall be the Member State where the issuer's securities are admitted to trading on a regulated market.

Where the issuer's securities are admitted to trading on regulated markets situated or operating within more than one Member State, those Member States shall be the issuer's home Member States until a subsequent choice of a single home Member State has been made and disclosed by the issuer as defined by paragraph 1 of this Article.

The provision of paragraph 1 of this Article, shall apply to all debt securities in a currency other than euro, provided that the denomination per unit at the date of the issue is less than EUR 1.000, except nearly equivalent to EUR 1.000.

Issuer's annual financial reports

Article 98

The issuer shall make public on its website its annual financial report and shall submit the same to the CMA at the latest three months after the end of each financial year and shall ensure that it remains publicly available for at least 10 years following the date of its publication.

Issuer's annual financial report shall contain:

1) audited financial statements along with auditor's report;
2) management report;
3) statements of responsible persons in the issuer that:
   a) the financial statement was prepared in accordance with the relevant accounting standards and gives a true and fair view of assets, liabilities, financial position and profit or loss of the issuer, as well as its subsidiary undertaking included in the consolidated report;
   b) the management report includes a fair review of the development and performance, as well as the issuer and subsidiary undertakings' position included in the consolidated report, together with a description of the principal risks and uncertainties that it faces.

The statement referred to in paragraph 2 item 3 of this Article, shall contain names, surnames and positions of responsible persons.

Where the issuer is required to prepare consolidated accounts in accordance with the law, the financial statements shall comprise:

1) consolidated accounts, drawn up in accordance with the international accounting standards;
2) annual accounts of the parent company drawn up in accordance with the law.

Where the issuer is not required to prepare consolidated accounts, financial statements shall include balance sheet made in accordance with the law governing accounting.

The auditor's report, signed by the person responsible for auditing the financial statements, shall be disclosed with the annual financial report.

At the request of the CMA, the auditor is required to submit to the CMA the required information and data in accordance with the provisions of this Law.

Delivery of information by the auditor at the CMA's request shall not constitute a breach of any contractual or legal restriction on disclosure of information by the auditor.

Issuer's half-yearly financial reports

Article 99

The issuer shall make public a half-yearly financial report covering the first six months of the financial year on its website and submit the same to the CMA at the latest two months after the expiry of the reporting period and ensure that the half-yearly financial report remains available to the public for at least 10 years following the date of its publication.

Half-yearly financial report shall contain

1) Half-yearly financial statements;
2) Half-yearly management report;
3) statements of responsible persons in the issuer that:
   a) the financial report was prepared in accordance with the relevant accounting standards and gives a true and fair view of assets, liabilities, financial position and profit or loss of the issuer, as well as its subsidiary undertaking included in the consolidated report;
   b) the management report includes a fair review of information referred to in paragraph 6 of this Article.

The statement referred to in paragraph 2 item 3 of this Article shall contain names, surnames and positions of responsible persons.

Where the issuer is required to prepare consolidated accounts, the financial statements shall be prepared in accordance with the international accounting standard.

Where the issuer is not required to prepare consolidated accounts, financial statements shall include balance sheet made in accordance with the law governing accounting.

Half-yearly management report referred to in paragraph 2 item 3 sub-item b of this Article shall particularly contain:

1) important events that have occurred during the reporting period;
2) impact of important events on the condensed set of financial statements;
3) a description of the principal risks and uncertainties for the remaining six months of the financial year.

Half-yearly management report, in addition to elements referred to in paragraph 6 of this Article, shall also include major related parties' transactions.

Quarterly financial reports of the issuer

Article 100

The issuer having its registered office in Montenegro shall make public on its website its quarterly financial report and submit the same to the CMA at the latest one month after the end of each quarter and shall ensure that it remains publicly available for at least 10 years following the date of its publication.

Quarterly financial report shall contain:

1) quarterly financial statements;
2) quarterly management report;
3) statements of responsible persons in the issuer that:
   a) the financial statement was prepared in accordance with the relevant accounting standards and gives a true and fair view of assets, liabilities, financial position and profit and loss of the issuer, as well as its subsidiary undertaking included in the consolidated report;
   b) the management report includes a fair review of the development and performance, as well as the issuer and subsidiary undertakings' position included in the consolidated report, together with a description of the principal risks and uncertainties that it faces.

The statement referred to in paragraph 2 item 3 of this Article shall contain names, surnames and positions of responsible persons.

Where the issuer is required to prepare consolidated accounts, the financial statements shall be prepared in accordance with the international accounting standard.

Where the issuer is not required to prepare consolidated accounts, financial reports shall include balance sheet made in accordance with the law governing accounting.

Quarterly management report referred to in paragraph 2 item 2 of this Article shall particularly contain:

1) important events that have occurred during the reporting period;
2) impact of important events on the condensed set of financial statements;
3) a description of the principal risks and uncertainties until the end of a financial year.

Quarterly management report, in addition to elements referred to in paragraph 6 of this Article shall also include major related parties' transactions.

Detailed content and a manner of reporting referred to in paragraph 1 of this Article and Articles 98 and 99 of this Law shall be prescribed by the CMA.

Responsibility for reporting

Article 101

The issuer, its Board of Directors and the accountant who prepared financial statements of the issuer shall be responsible for the accuracy and publication of the report referred to in Articles 98, 99 and 100 of this Law.

Persons referred to in paragraph 1 of this Article shall pay compensation to any person who has suffered damage as a result of any false, misleading or incomplete information.

Persons referred to in paragraph 2 of this Article, shall not be held liable if they prove that they were not aware of and could not be aware of any false, misleading or incomplete information, provided that they acted in accordance with the best practice.

Notification of the acquisition or disposal of major holdings

Article 102

A shareholder who acquires or disposes of shares of an issuer which shares are admitted to trading on a regulated market shall notify the issuer of the percentage of its voting rights if:

1) reaches, exceeds or falls below the thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% as a result of the acquisition or disposal of shares;
2) reaches, exceeds or falls below the threshold referred to in item 1 of this paragraph, as a result of events changing the breakdown of voting rights to which the share capital of the issuer is divided or change in number of voting rights attached to these shares.

Percentage of voting rights referred to in paragraph 1 of this Article shall be calculated on the basis of all the shares to which voting rights are attached even if the exercise thereof is suspended.

Notification referred to in paragraph 1 of this Article shall also be given in respect of all the shares which are in the same class and to which voting rights are attached.

The provision of paragraph 1 of this Article shall not apply to:

1) shares acquired for the sole purpose of clearing and settling within the usual short settlement cycle;
2) custodians holding shares in their custodian capacity provided such custodians can only exercise the voting rights attached to such shares under instructions given in writing or by electronic means;
3) shares held by a market maker acting in its capacity of a market maker if proportion of those shares does not reach or cross the 5% threshold and if market maker meets the following criteria:
   a) it is authorized by its home Member State;
   b) does not intervene in the management of the issuer concerned; and
   c) does not exert any influence on the issuer to buy such shares or back the share price;
4) shares provided to or by the members of the ESCB in carrying out their functions as monetary authorities, including shares provided to or by members of the ESCB under a pledge or repurchase or similar agreement for liquidity granted for monetary policy purposes or within a payment system, where this exemption shall apply for a short period and provided that the voting rights attaching to such shares are not exercised;
5) voting rights held in the trading book of an authorized credit institution or an investment firm if:
   a) the voting rights held in the trading book do not exceed 5 %; and
   b) an authorized credit institution or an investment firm does not exercise the voting rights attached to shares or otherwise use to intervene in the management of the issuer.

Provisions of paragraphs 1 to 4 of this Article shall not apply to voting rights attached to shares acquired in accordance with a buy-back programme and stabilisation of financial instruments, provided the voting rights attached to those shares are not exercised or otherwise used to intervene in the management of the issuer.

Acquisition or disposal of major proportions of voting rights

Article 103

The provisions of Article 102 of this Law shall also apply to natural or legal persons to the extent it is entitled to acquire, to dispose of, or to exercise voting rights in any of the following cases:

1) voting rights held by a third party with whom that person or entity has concluded an agreement, which obliges them to adopt, by concerted exercise of the voting rights they hold, a lasting common policy towards the management of the issuer in question;
2) voting rights held by a third party under an agreement concluded with natural person or legal person providing for the temporary transfer for consideration of the voting rights in question;
3) voting rights attaching to shares which are lodged as collateral with a legal or natural person, provided that a legal or natural person controls the voting rights and declares its intention of exercising them;
4) voting rights attaching to shares in which that natural or legal person has the life interest;
5) voting rights which are held, or may be exercised within the meaning of items 1 to 4 of this paragraph by an undertaking controlled by that legal or natural person;
6) voting rights attaching to shares deposited with the legal or natural person which that legal or natural person can exercise at its discretion in the absence of specific instructions from the shareholders;
7) voting rights held by a third party in its own name on behalf of those legal or natural persons;
8) voting rights which legal or natural persons may exercise as a proxy at their discretion in the absence of specific instructions from the shareholders.

Voting rights attached to financial instruments

Article 104

The provision of Article 102 of this Law, shall also apply to natural and legal persons who holds, directly or indirectly:

1) financial instruments that, on maturity, give the holder, under a formal agreement, either the unconditional right to acquire or the discretion as to his right to acquire, shares to which voting rights are attached, already issued, of an issuer whose shares are admitted to trading on a regulated market;
2) financial instruments which are not included in item 1 of this paragraph and with economic effect similar to that of the financial instruments referred to in that point, whether or not they confer a right to a physical settlement.

The notification on financial instrument referred to in paragraph 1 of this Article, shall include the breakdown by type of financial instruments held in accordance with paragraph 1 of this Article and distinguishing between the financial instruments which confer a right to a physical settlement and the financial instruments which confer a right to a cash settlement.

The number of voting rights shall be calculated by reference to the full notional amount of shares underlying the financial instrument referred to in paragraph 1 of this Article, except where the financial instrument provides exclusively for a cash settlement, in which case the number of voting rights shall be calculated on a 'delta-adjusted' basis, by multiplying the notional amount of underlying shares by the delta of the instrument, and for this purpose, the holder must aggregate and notify all financial instruments relating to the same underlying issuer.

For the calculation of voting right referred to in paragraph 3 of this Article, only long positions shall be taken into account which are not netted with short positions relating to the same underlying issuer.

Financial instruments referred to in paragraph 1 of this Article shall be considered the following:

1) transferrable securities;
2) options;
3) futures;
4) swaps;

5) forward rate agreements;
6) contracts for differences; and
7) any other contracts or agreements with similar economic effects which may be settled physically or in cash.

Provisions of Articles 102 and 103 of this Law shall also apply to a natural or legal person, when the number of voting rights held directly or indirectly by such persons aggregated with the number of voting rights relating to financial instruments reaches, exceeds or falls below the thresholds referred to in Article 102 of this Law.

The notification on financial instrument shall include a breakdown of the number of voting rights attached to shares held in accordance with Articles 102 and 103 of this Law and voting rights relating to financial instruments within the meaning of paragraph 5 of this Article.

Voting rights relating to financial instruments that have already been notified in accordance with paragraphs 1 and 2 of this Article, shall be notified again when the natural person or the legal entity has acquired the underlying shares and such acquisition results in the total number of voting rights attached to shares issued by the same issuer reaching or exceeding the thresholds laid down by Article 102 paragraph 1 of this Law.

Notification on financial instruments of the issuer

Article 105

Financial instruments holder shall be required, in accordance with Article 103 of this Law, to notify on all financial instruments it holds which relate to the same underlying issuer.

Notification on change in voting rights

Article 106

At the end of each calendar month, during which the change in number of voting shares to which the share capital of the issuer is divided or the change in number of voting rights attached to these shares, the issuer shall be required to publish on its website information of any new changes and the new total number of voting shares.

Procedures on the notification and disclosure of major holdings

Article 107

The notification referred to in Articles 102 and 103 of this Law shall include the following information:
1) the resulting situation in terms of voting rights;
2) the chain of controlled undertakings through which voting rights are effectively held, if applicable;
3) the date on which the threshold was reached or crossed;
4) the identity of the shareholder, even if that shareholder is not entitled to exercise voting rights under the conditions laid down in Article 103 of this Law and of a natural or legal person entitled to exercise voting rights on behalf of that shareholder;
5) for instruments with an exercise period, an indication of the date or time period where shares will or can be acquired, if applicable;
6) date of maturity or expiration of the instrument;
7) name and registered office of a legal, i.e. name and surname and address for a natural person, the holder of a financial instrument;
8) name of the underlying issuer.

Notification with information referred to in paragraph 1 items 5 to 8 of this Article, must be made to the issuer of the underlying shares to which the financial instrument relates and, in the case of shares admitted to trading on a regulated market, to that regulated market.

Notification referred to in paragraph 2 of this Article, shall be effected promptly, within the period of four trading days after the date on which the person referred to in Articles 102 and 103 of this Law learned of circumstances for which notification is required. The person shall be considered to have a knowledge of the acquisition or disposal or of the possibility of exercising voting rights not later than two trading days after the date of conclusion of a transaction.

An undertaking is not required to make a notification referred to in paragraph 1 of this Article if instead it is made by its parent undertaking or, where the parent undertaking is itself a controlled undertaking, by its own parent undertaking.

The issuer must, on receipt of a notification, as soon as possible and in any event by not later than the end of the third trading day following receipt of the notification, make public on its website all of the information contained in the notification.

Providing access to notification on acquisition of holding

Article 108

A natural or legal person who informed the issuers of the acquisition of holding in accordance with Article 107 of this Law, shall, at the request of the CMA, provide access to the notification on the acquisition of holding.

Reporting to the CMA

Article 109

The shareholder shall also submit notifications and information submitted to the issuer in accordance with Articles 102, 103, 104, 107 , 108, 110 and 111 of this Law to the CMA.

Notifications and information referred to in paragraph 1 of this Article shall be delivered electronically.

Aggregation of holdings by a parent undertaking of a management company

Article 110

The parent undertaking of a management company shall not be required to aggregate its holdings in accordance with this Law with the holdings managed by the management company, provided such management company exercises its voting rights independently from the parent undertaking.

By way of derogation from paragraph 1 of this Article, the parent undertaking shall aggregate its holdings if the parent undertaking, or another controlled undertaking of the parent undertaking, has invested in holdings managed by such management company and the management company has no discretion to exercise the voting rights attached to such holdings and may only exercise such voting rights under direct or indirect instructions from the parent or another controlled undertaking of the parent undertaking.

Aggregation of holdings by a parent undertaking of an investment firm

Article 111

The parent undertaking of an investment firm shall not be required to aggregate its holdings in accordance with this Law with the holdings which such investment firm manages on a client-by-client basis, provided that:

1) the investment firm is authorized to provide such portfolio management;
2) it may only exercise the voting rights attached to such shares under instructions given in writing or by electronic means or it ensures that individual portfolio management services are conducted independently of any other services by putting into place appropriate mechanisms; and
3) the investment firm exercises its voting rights independently from the parent undertaking.

By way of derogation from paragraph 1 of this Article, the parent undertaking shall aggregate its holdings if the parent undertaking, or another controlled undertaking of the parent undertaking, has invested in holdings managed by such management company and may only exercise such voting rights under direct or indirect instructions from the parent or another controlled undertaking of the parent undertaking.

The provision of paragraph 2 of this Article shall not apply to Investment firms established outside Montenegro provided that they meet conditions equal to those referred to in paragraph 1 of this Article.

Acquisition or disposal of own shares

Article 112

The issuer of shares, when acquires or disposes of its own shares, either itself or through a person acting in his own name but on the issuer's behalf, shall make public the proportion of its own shares, but not later than four trading days following such acquisition or disposal where that proportion reaches, exceeds or falls below the thresholds of 5 % or 10 % of the voting rights.

The proportion referred to in paragraph 1 of this Article shall be calculated on the basis of the total number of shares to which voting rights are attached.

Reports on payments of concession and other fees

Article 113

The issuer active in the extractive or logging of primary forest industries shall draw up a report on payments of concession and other fees to the state at consolidated level.

The issuer shall make public the report referred to in paragraph 1 of this Article at the latest six months after the end of each financial year and shall remain publicly available for at least 10 years following the date of its publication.

The CMA shall prescribe a detailed content and manner of drawing up and submission of the report referred to in paragraph 1 of this Article.

The calendar of trading days

Article 114

Trading days, for the purpose of this Law shall mean trading days determined by the regulated market.

Trading days of the Member State, in terms of this Law, shall mean trading days determined by the regulated market of the issuer's home Member State.

The CMA shall publish on its website the calendar of trading days.

Electronic means

Article 115

Electronic means referred to in Articles 116 do 124 of this Law shall mean means of electronic equipment for the processing data, including digital compression, as well as storage and transmission of data, employing wires, radio, optical technologies or any other electromagnetic means.

Obligations of issuers whose equity securities are admitted to trading on a regulated market

Article 116

The issuer of one or more types of equity shares admitted to trading on a regulated market shall ensure equal treatment for all holders of shares who are in the same position.

The issuer referred to in paragraph 1 of this Article shall provide all the facilities and information necessary to enable holders of shares to exercise their rights and that the continuity and integrity of data is preserved.

The issuer referred to in paragraph 1 of this Article shall:

1) provide information on the place, time and agenda of meetings, the total number of shares and voting rights and the rights of holders to participate in meetings;
2) make available a proxy form, on paper or, by electronic means, to each person entitled to vote at a shareholders' meeting, together with the notice concerning the meeting or, on request, after delivery of notice of the meeting;
3) designate as its agent a financial institution through which shareholders may exercise their financial rights; and
4) publish notices or distribute circulars concerning the allocation and payment of dividends and the issue of new shares, including information on any arrangements for allotment, subscription, cancellation or conversion.

The issuer referred to in paragraph 1 of this Article may use electronic means for the purposes of conveying information to shareholders provided such a decision is taken in a general meeting and meets at least the following conditions:

1) the use of electronic means shall in no way depend upon the location of the seat or residence of the shareholder or of the natural or legal persons;
2) identification arrangements shall be put in place so that the shareholders, or the natural persons or legal entities entitled to exercise or to direct the exercise of voting rights, are effectively informed.

The issuer referred to in paragraph 1 of this Article shall contact in writing shareholders or the natural or legal persons entitled to acquire, dispose of or exercise voting rights to request their consent for the use of electronic means for conveying information.

If persons referred to in paragraph 5 of this Article do not object within a reasonable period of time, their consent shall be deemed to be given. They shall be able to request, at any time in the future, that information be conveyed in writing.

Any apportionment of the costs entailed in the conveyance of such information by electronic means shall be equally determined for all shareholders by the issuer in accordance with paragraph 1 of this Article.

Equity securities holders may exercise their voting rights at a shareholders' meeting through proxy referred to in paragraph 3 of this Article.

Obligations of issuers whose equity securities are admitted to trading on a regulated market

Article 117

The issuer whose debt securities are admitted to trading on a regulated market shall ensure that all holders of debt securities ranking pari passu are given equal treatment in respect of all the rights attaching to those debt securities, as well as to ensure that all the facilities and information necessary to enable debt securities holders to exercise their rights and that the continuity and integrity of data is preserved.

Debt securities holders may exercise their rights by proxy granted to them by the issuer referred to in paragraph 1 of this Article to.

The issuer referred to in paragraph 1 of this Article shall in particular:

1) publish notices, or distribute circulars, concerning the place, time and agenda of meetings of debt securities holders, the payment of interest, the exercise of any conversion, exchange, subscription or cancellation rights, and repayment, as well as the right of those holders to participate therein;
2) make available a proxy form on paper or, where applicable, by electronic means, to each person entitled to vote at a meeting of debt securities holders, together with the notice concerning the meeting or, on request, after an announcement of the meeting;
3) designate as its agent a financial institution through which debt securities holders may exercise their financial rights, except in case when the issuer itself provides financial services.

Where only holders of debt securities whose denomination per unit amounts to at least EUR 100 000 or, in the case of debt securities denominated in a currency other than euro whose denomination per unit is, at the date of the issue, equivalent to at least EUR 100 000, are to be invited to a meeting, the issuer may choose as venue any Member State, provided that all the facilities and information necessary to enable such holders to exercise their rights are made available in that Member State.

The provision of paragraph 4 of this Article, shall also apply with regard to holders of debt securities whose denomination per unit amounts to at least EUR 50 000 or, in the case of debt securities denominated in a currency other than euro, the value of such denomination per unit is, at the date of the issue, equivalent to at least EUR 50 000, which have already been admitted to trading on a regulated market in the Union before 31 December 2010, for as long as such debt securities are outstanding.

The issuer referred to in paragraph 1 of this Article may use electronic means for the purposes of conveying information to debt securities holders, provided such a decision is taken in a general meeting and meets at least the following conditions:

1) the use of electronic means shall in no way depend upon the location of the seat or residence of the debt security holder or of a natural or legal person entitled to acquire, dispose of or exercise voting rights;
2) identification arrangements shall be put in place so that debt securities holders and natural or legal persons entitled to acquire, dispose of or exercise voting rights are effectively informed.

The issuer referred to in paragraph 1 of this Article shall contact in writing shareholders or the natural or legal persons entitled to acquire, dispose of or exercise voting rights to request their consent for the use of electronic means for conveying information.

If persons referred to in paragraph 7 of this Article, do not object within a reasonable period of time, their consent shall be deemed to be given. They shall be able to request, at any time in the future, that information be conveyed in writing.

Any apportionment of the costs entailed in the conveyance of such information by electronic means shall be equally determined for all persons by the issuer in accordance with paragraph 1 of this Article.

Collection, dissemination and access to regulated information

Article 118

Whenever the issuer, whose home Member State is Montenegro having requested, without the issuer's consent, the admission of its securities to trading on a regulated market, the issuer shall, simultaneously with publication of such information, disclose regulated information to the CMA for the purpose of publication of the same on the CMA's website.

Regulated information referred to in paragraph 1 of this Article means all information which the issuer, or any other person who has applied for the admission of securities to trading on a regulated market without the issuer's consent, is required to disclose under this Law.

The person referred to in paragraph 1 of this Article, shall disclose regulated information in a manner ensuring fast access to such information on a non- discriminatory basis and make it available through the Central Register of Regulated Information kept by the CMA.

Provisions of paragraphs 1 and 3 of this Article, shall apply to the issuer or the person asking for admission to trading on a regulated market if transferrable securities are admitted to trading only on a regulated market in Montenegro which is the home Member State.

The issuer or the person asking for admission to trading on a regulated market shall use such media as may reasonably be relied upon for the effective dissemination of regulated information referred to in paragraphs 1 and 3 of this Article to the public in all Member States.

The manner of regulated information referred to in paragraphs 1, 3 and 4 of this Article, shall be stipulated by the CMA.

The issuer or the other person referred to in paragraphs 1 and 3 of this Article may not charge investors any specific cost for providing the information.

Information referred to in paragraphs 1 and 3 of this Article shall be kept in the CMA's Central Register of Regulated Information.

Language

Article 119

Where securities are admitted to trading on a regulated market only in Montenegro, the issuer shall disclose regulated information referred to in Article 118 paragraph 1 of this Law in the Montenegrin language.

If Montenegro is the home Member State of the issuer whose securities are admitted to trading on a regulated market only in Montenegro, the issuer shall disclose regulated information referred to in paragraph 1 of this Article in the Montenegrin language.

Where securities are admitted to trading on a regulated market both in Montenegro and in EU Member States regulated information shall be disclosed:

1) in the Montenegrin language, and
2) in a language accepted by the competent authorities of those EU Member States or in a language customary in the sphere of international finance, at the choice of the issuer.

Where securities are admitted to trading on a regulated market in one or more host Member States, but not in Montenegro which is the home Member State, regulated information referred to in paragraph 1 of this Article, shall, depending on the choice of the issuer, be disclosed either in a language accepted by the competent authorities of those host Member States or in a language customary in the sphere of international finance.

Where securities are admitted to trading on a regulated market without the issuer's consent, information referred to in paragraphs 1 do 4 of this Article shall be disclosed by the person who, without the issuer's consent, has requested such admission.

If shareholders, a natural or legal person referred to in Articles 102 to 104 of this Law notify information referred to in paragraph 1 of this Article to an issuer only in a language customary in the sphere of international finance, the issuer shall not be required to provide a translation into the Montenegrin language .

Language in case of disclosing information on securities in a currency other than euro

Article 120

By way of derogation from Article 119 of this Law, where securities whose denomination per unit amounts to at least EUR 100 000 or, in the case of debt securities denominated in a currency other than euro equivalent to at least EUR 100 000 at the date of the issue, are admitted to trading on a regulated market in one or more Member States, regulated information referred to in Article 119 paragraph 2 of this Article, shall be disclosed to the public either in a language accepted by the competent authorities of the home and host Member States or in a language customary in the sphere of international finance, at the choice of the issuer or of the person who, without the issuer’s consent, has requested such admission.

The provision of paragraph 1 of this Article, shall also apply to debt securities the denomination per unit of which is at least EUR 50 000 or, in the case of debt securities denominated in a currency other than euro, the value of such denomination per unit is, at the date of the issue, equivalent to at least EUR 50 000, which have already been admitted to trading on a regulated market in one or more Member States before 31 December 2010, for as long as such debt securities are outstanding.

The host Member State referred to in Article 119 paragraph 4 of this Law and paragraph 1 of this Article shall be the Member State where the issuer's securities have already been admitted to trading, and which is different from the issuer's home Member State.

Monitoring disclosure of information and data

Article 121

Monitoring timely disclosure of information shall be carried out by the CMA in accordance with Articles 94 to 120 and Articles 122,123 and 124 of this Law with the objective of ensuring effective and equal access to the public.

The CMA may make public the fact that an issuer or a holder of shares or other financial instruments, is failing to comply with its obligations referred to in paragraphs of Articles 94 to 120 and Articles 122,123 and 124 of this Law.

The CMA shall monitor whether the information referred to in Article 118 paragraph 1 of this Law, prepared in accordance with provisions of Articles 94 to 120 and Articles 122,123 and 124 of this Law.

Notifying the issuer on changes in the rights

Article 122

The issuer of shares shall make public without delay any change in the rights attaching to shares, including changes in the rights attaching to derivative securities issued by the issuer itself and giving access to the shares of that issuer.

The issuer shall make public the following:

1) Any new debt securities issues and any guarantee in respect of those debt securities;
2) Any change in the rights of holders of debt securities, including changes in the terms and conditions that could indirectly affect those rights;
3) Any change in the rights attached to shares when securities may be converted into shares.

The provision of paragraph 2 of this Article shall not apply to international organizations whose member is at least one Member State.

Disclosure of information when admitting to trading on a regulated market without the issuer's content

Article 123

The issuer or a person asking for admission to trading on a regulated market without the issuer's consent shall disclose regulated information referred to in Article 118 of this Law, in a manner ensuring fast access to such information on a non-discriminatory basis in at least one printed media circulated throughout the whole territory of Montenegro and make them available to the Central Register of Regulated information.

The issuer or a person asking for admission to trading on a regulated market without the issuer's consent may not charge investors any specific cost for providing the information referred to in paragraph 1 of this Article.

The issuer or a person asking for admission to trading on a regulated market without the issuer's consent shall publish information referred to in paragraph 1 of this Article in at least one media distributed throughout the territory of the Community.

Where securities are admitted to trading without the issuer's consent on a regulated market in Montenegro as the host Member State, and not in the home Member State, information shall be published se in accordance with requirements referred to in paragraphs 1, 2 and 3 of this Article.

Exemptions

Article 124

Provisions of Articles 94 to 123 of this Law shall not apply to units issued by collective investment undertakings other than the closed-end type, or to units acquired or disposed of in collective investment undertakings of the closed-end type.

Provisions of Articles 98, 99and 100 of this Law shall not apply to:

1) Montenegro and local self-government units;
2) a public international body of which at least one Member State is a member, the European Central Bank (ECB), the European Financial Stability Facility (EFSF) established with the objective of preserving the financial stability of European monetary union by providing temporary financial assistance to the Member States whose currency is the euro and Member States' national central banks;
3) an issuer exclusively of debt securities admitted to trading on a regulated market, the denomination per unit of which is at least EUR 100 000 or, in the case of debt securities denominated in a currency other than euro, the value of such denomination per unit is, at the date of the issue, equivalent to at least EUR 100 000.

The CMA may decide that credit institutions whose shares are not admitted to trading on a regulated market and which have, in a continuous or repeated manner only issued debt securities are not obliged to submit reports referred to in Article 99 of this Law, provided that the total nominal amount of all such debt securities remains below EUR 100 000 000 and that they have not published the prospectus.

Provisions of paragraph 2 item 2 of this Article and Articles 98, 99 and 100 of this Law shall not apply to issuers exclusively of debt securities the denomination per unit of which is at least EUR 50 000 or, in the case of debt securities denominated in a currency other than euro, the value of such denomination per unit is, at the date of the issue, equivalent to at least EUR 50 000, which have already been admitted to trading on a regulated market in the Union before 31 December 2010, for as long as such debt securities are outstanding.

V. MARKET ABUSE

The issuer

Article 125

The issuer, within the meaning of Articles 126 to 149 of this Law means a legal person which issues or proposes to issue financial instruments, as well as the issuer of securities represented by depository receipts.

Reporting and financial instruments list

Article 126

A market operators, an MTF or an OTF's operators should notify, without delay, the CMA of details of the financial instruments which they have admitted to trading, for which there has been a request for admission to trading or that have been traded on a trading venue for the first time.

The persons referred to in paragraph 1 of this Article shall notify the CMA when the instrument ceases to be admitted to trading, i.e. that a financial instrument is not admitted to trading any more, unless the information on the above was provided in the notification referred to in paragraph 1 of this Article.

Notification referred to in paragraphs 1 and 2 of this Article shall include, as appropriate, the names and identifiers of the financial instruments concerned, and the date and time of the request for admission to trading, admission to trading, and the date and time of the first trade.

The CMA shall transmit notification referred to in paragraphs 1 and 2 of this Article, to ESMA without delay.

Prohibition of insider dealing and of unlawful disclosure of inside information

Article 127

A natural person shall not:

1) engage in insider dealing;
2) recommend that another person engage in insider dealing or induce another person to engage in insider dealing; or
3) disclose inside information contrary to the provisions of this Law.

Inside information

Article 128

Inside information, for the purposes of this Law, shall comprise the following types of information:

1) which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments;
2) which has not been made public, relating, directly or indirectly to one or more such derivatives or relating directly to the related spot commodity contract, and which, if it were made public, would be likely to have a significant effect on the prices of such derivatives or related spot commodity contracts, and where this is information which is reasonably expected to be disclosed or is required to be disclosed in accordance with legal or regulatory provisions at the Union or national level, market rules, contract, practice or custom, on the relevant commodity derivatives markets or spot markets;
3) in relation to emission allowances or auctioned products based thereon, information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more such instruments, and which, if it were made public, would be likely to have a significant effect on the prices of such instruments or on the prices of related derivative financial instruments;
4) conveyed by a client and relating to the client's pending orders in financial instruments or to one or more issuers or to one or more financial instruments and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments.

Precise information referred to in paragraph 1 of this Article shall mean information which indicates a set of circumstances which exists or which may reasonably be expected to come into existence, or an event which has occurred or which may reasonably be expected to occur, where it is specific enough to enable a conclusion to be drawn as to the possible effect of that set of circumstances or event on the prices of the financial instruments or the related derivative financial instrument, the related spot commodity contracts, or the auctioned products based on the emission allowances.

Precise information shall also mean circumstances or event, as well as the activities connected with bringing about or resulting in those future circumstances or that future event in a long-term period.

Information which, if it were made public, would be likely to have a significant effect on the prices of financial instruments, derivative financial instruments, related spot commodity contracts, or auctioned products based on emission allowances shall mean information a reasonable investor would be likely to use as part of the basis of his or her investment decisions.

Information about participants in the emission allowance market shall be deemed not to have a significant effect on the price of emission allowances, of auctioned products based thereon, or of derivative financial instruments, if the aggregate emissions is at or below the threshold referred to in Article 135 paragraphs 5 and 6 of this Law.

Spot commodity contract and spot market

Article 129

Spot commodity contract, for the purpose of this Law, means a contract for the supply of a commodity traded on a spot market which is promptly delivered when the transaction is settled, and a contract for the supply of a commodity that is not a financial instrument, including a physically settled forward contract.

Spot market, within the meaning of paragraph 1 of this Article, means a commodity market in which commodities are sold for cash and promptly delivered when the transaction is settled, and other non-financial markets, such as forward markets for commodities.

Investment recommendation

Article 130

Investment recommendation, for the purpose of this Law, means information recommending or suggesting an investment strategy, explicitly or implicitly, concerning one or several financial instruments or the issuers, including any opinion as to the present or future value or price of such instruments, intended for distribution channels or for the public.

Information recommending or suggesting an investment strategy referred to in paragraph 1 of this Article, shall mean information produced by an independent analyst, an investment firm, a credit institution or any other person whose main business is to produce investment recommendations.

Persons who produce or disseminate investment recommendations or other information recommending or suggesting an investment strategy shall take reasonable care to ensure that such information is objectively presented, and to disclose their interests or indicate conflicts of interest concerning the financial instruments to which that information relates.

Insider dealing

Article 131

Insider dealing , for the purpose of this Law, arises where a person possesses inside information and uses that information by acquiring or disposing of, for its own account or for the account of a third party, directly or indirectly, financial instruments to which that information relates.

The use of inside information by cancelling or amending an order concerning a financial instrument to which the information relates where the order was placed before the person concerned possessed the inside information, shall also be considered to be insider dealing.

In relation to auctions of emission allowances or other auctioned products based thereon, the use of inside information shall also comprise submitting, modifying or withdrawing a bid by a person for its own account or for the account of a third party.

Recommending that another person engage in insider dealing, or inducing another person to engage in insider dealing, arises where the person possesses inside information and:

1) acquire or dispose of financial instruments to which that information relates, or induces that person to make such an acquisition or disposal, or
2) cancel or amend an order concerning a financial instrument to which that information relates, or induces that person to make such a cancellation or amendment.

The use of the recommendations or inducements referred to in paragraph 4 of this Article, amounts to insider dealing, where the person using the recommendation or inducement knows or ought to know that it is based upon inside information.

A person possesses inside information, within the meaning of paragraphs 1 to 5 of this Article, shall mean the person:

1) being a member of the administrative, management or supervisory bodies of the issuer or emission allowance market participant;
2) having a holding in the capital of the issuer or emission allowance market participant;
3) having access to the information through the exercise of an employment, profession or duties
4) being involved in criminal activities;
5) participate in the decision to carry out the acquisition, disposal, cancellation or amendment of an order for the account of the legal person;
6) who knows, or who ought to know, that the information he possesses constitutes inside information.

The use of information

Article 132

The use of information shall not be deemed the use of information which has been possessed or possessed by a legal person who:

1) has established, implemented and maintained adequate and effective internal procedures that effectively ensure that any natural person who made the decision on its behalf to acquire or dispose of financial instruments to which the information relates, or any natural person who may have had an influence on that decision, was in possession of the inside information; and
2) has not encouraged, made a recommendation to, induced or otherwise influenced the natural person who, on behalf of the legal person, acquired or disposed of financial instruments to which the information relates.

It shall not be deemed that a person is in possession of inside information that that person has used that information and has thus engaged in insider dealing on the basis of an acquisition or disposal where that person:

1) is a market maker or a person authorised to act as a counterparty, and the acquisition or disposal of financial instruments to which that information relates is made legitimately in the normal course of the exercise of its function as a market maker or as a counterparty for that financial instrument;

2) is authorised to execute orders on behalf of third parties, and the acquisition or disposal of financial instruments to which the order relates, is made to carry out such an order legitimately in the normal course of the exercise of that person's employment, profession or duties;
3) was not in possession of inside information at the moment of entry into the agreement thus engaging in insider dealing on the basis of an acquisition or disposal where that person conducts a transaction to acquire or dispose of financial instruments and that transaction is carried out in the discharge of an obligation that has become due in the discharge of an obligation that has become due;
4) carried out that transaction to satisfy a legal or regulatory obligation that arose, before the person concerned possessed inside information;
5) has obtained that inside information in the conduct of a takeover or merger with a company and uses that inside information solely for the purpose of proceeding with that merger or public takeover, provided that at the point of approval of the merger or acceptance of the offer by the shareholders of that company, any inside information has been made public or has otherwise ceased to constitute inside information.

The provision of paragraph 2 item 5 of this Article shall not apply to stake-building below the threshold in accordance with the law governing takeover of joint stock companies.

The use of knowledge about financial instruments in the acquisition or disposal of financial instruments concerned shall not be considered as the use of inside information.

Market soundings

Article 133

A market sounding, for the purpose of this Law, comprises the communication of information, prior to the announcement of a transaction, in order to gauge the interest of potential investors in a possible transaction.

Market soundings may be carried out by:
1) an issuer;
2) a secondary offeror of a financial instrument, in such quantity or value that the transaction is distinct from ordinary trading and involves a selling method based on the prior assessment of potential interest from potential investors;
3) an emission allowance market participant; and
4) a third party acting on behalf or on the account of a person referred to in items 1, 2 or 3 of this paragraph.

Disclosure of inside information by a person intending to make a takeover bid for a company or a merger with a company to parties entitled to the securities of that company, shall also constitute a market sounding, provided that:
1) the information is necessary to enable the parties entitled to the securities to form an opinion on their willingness to offer their securities: and
2) the willingness of parties entitled to the securities to offer their securities is reasonably required for the decision to make the takeover bid or merger.

A disclosing market participant shall, prior to the disclosure of inside information referred to in paragraph 3 of this Article, make a written record of its conclusion and the reasons thereof and submit it to the CMA.

The person referred to in paragraph 3 of this Article shall, before making the disclosure:
1) obtain the consent of the person receiving the market sounding to receive inside information;

2) inform the person receiving the market sounding that he is prohibited from using that information, or attempting to use that information, by acquiring or disposing of, for his own account or for the account of a third party, directly or indirectly, financial instruments relating to that information;
3) inform the person receiving the market sounding that he is prohibited from using that information, or attempting to use that information, by cancelling or amending an order which has already been placed concerning a financial instrument to which the information relates; and
4) inform the person receiving the market sounding that by agreeing to receive the information he is obliged to keep the information confidential.

The disclosing market participant shall make and maintain a record of all information given to the person receiving the market sounding, i.e. potential investors or persons acting on behalf of potential investors and the date and time of each disclosure.

The disclosing market participant shall keep the records referred to in paragraph 6 of this Article, for a period of at least five years and shall provide it to the CMA upon request.

Where information that has been disclosed in the course of a market sounding ceases to be inside information according to the assessment of the disclosing market participant, the disclosing market participant shall inform the recipient accordingly, as soon as possible.

Disclosure of inside information

Article 134

A legal or a natural person possessing inside information shall not disclose such information to another person, except in case when inside information are disclosed within the normal course of his employment, profession or duties.

Disclosure of inside information relating to an issuer and an emission allowance market participant

Article 135

An issuer shall inform the public as soon as possible of inside information in a manner which enables fast access and complete, correct and timely assessment of the information by the public.

The issuer shall post and maintain on its website for a period of at least five years, all inside information it is required to disclose publicly.

The issuer shall not combine the disclosure of inside information to the public with the marketing of its activities.

Provisions of paragraphs 1, 2 and 3 of this Article, shall apply to issuers who have requested or approved admission of their financial instruments to trading on a regulated market and/or issuers who have approved trading of their financial instruments on an MTF or an OTF or have requested admission to trading of their financial instruments on an MTF.

An emission allowance market participant shall without delay disclose inside information concerning emission allowances which it holds in respect of its business, including aviation activities or installations which the participant concerned, or its parent undertaking or related undertaking, owns or controls which include information relevant to the capacity and utilisation of installations, including planned or unplanned unavailability of such installations.

The provision of paragraph 5 of this Article shall not apply to a participant in the emission allowance market where the installations or aviation activities that it owns, controls or is responsible for, in the preceding year have had emissions not exceeding a minimum threshold of carbon dioxide equivalent and, where they carry out combustion activities, have had a rated thermal input not exceeding a minimum threshold.

Where an issuer or an emission allowance market participant, or a person acting on their behalf or for their account, discloses any inside information to any third party in the normal course of the exercise of an employment, profession or duties they must make complete and effective public disclosure of that information, simultaneously in the case of an intentional disclosure, and promptly in the case of a non-intentional disclosure.

Paragraph 7 of this Article shall not apply if the person receiving the information has a duty of confidentiality, regardless of whether such duty derives from law or a contract.

Inside information relating to issuers whose financial instruments are admitted to trading on an SME growth market, may be posted on the trading venue's website where the trading venue chooses to provide this facility for issuers on that market.

Delaying disclosure of inside information of the issuer or an emission allowance market participant

Article 136

An issuer or an emission allowance market participant may delay disclosure to the public of inside information if:

1) immediate disclosure is likely to prejudice the legitimate interests of the issuer or emission allowance market participant;
2) delay of disclosure is not likely to mislead the public;
3) may ensure confidentiality of that information.

Where an issuer or emission allowance market participant has delayed the disclosure of inside information under paragraph 1 of this Article, it shall inform the competent authority thereof.

Emission allowance market participant referred to in Article 135 of this Law and paragraph 1 of this Article means any natural or legal person who enters into transactions, including the placing of orders to trade, in emission allowances, auctioned products based thereon, or derivatives thereof.

Delaying disclosure of inside information of a credit or financial institution

Article 137

An issuer that is a credit institution or a financial institution, may delay the public disclosure of inside information, including information which is related to a temporary liquidity problem and, in particular, the need to receive temporary liquidity assistance provided that:

1) the disclosure of the inside information entails a risk of undermining the financial stability of the issuer and of the financial system;
2) it is in the public interest to delay the disclosure;
3) the confidentiality of that information can be ensured; and
4) the competent authority has consented to the delay.

The issuer referred to in paragraph 1 of this Article shall notify the competent authority of its intention to delay the disclosure of the inside information and provide evidence that the conditions referred to in paragraph 1 of this Article are met.

The competent authority referred to in paragraph 2 of this Article, shall ensure that disclosure of the inside information is delayed only for a period as is necessary in the public interest and shall evaluate at least on a weekly basis whether the conditions referred to in paragraph 1 of this Article are met.

The issuer referred to in paragraph 1 of this Article shall disclose the inside information immediately If the competent authority referred to in paragraph 2 of this Article does not consent to the delay of disclosure of the inside information.

Where the confidentiality of information whose disclosure is delayed in accordance with paragraphs 1 and 2 of this Article has been jeopardized, an issuer that is a credit institution or a financial institution shall disclose such inside information without delay.

Provisions of paragraphs 1 do 5 of this Article, shall also apply to emission allowance market participant.

Financial institution referred to in paragraph 1 of this Article means a legal person other than a credit institution, the principal activity of which is to acquire holdings or to pursue one or more financial activities.

Prohibition of market manipulation

Article 138

Market manipulation is prohibited.

The prohibition referred to in paragraph 1 of this Article shall not relate to market manipulation referred to in Article 139 paragraph 1 item 1 of this Law, provided that a person who enters into transactions, issues orders to trade or conducts another activity, proves that transaction, order or activity concerned were legitimate and in conformity with accepted practice on the regulated market concerned referred to in Article 140 of this Law.

Market manipulation

Article 139

Market manipulation, for the terms of this Law, involves the following activities:

1) Entering into a transaction, placing an order to trade or any other behaviour which:
   a) Gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of, a financial instrument, a related spot commodity contract or an auctioned product based on emission allowances; or
   b) Secures, or is likely to secure, the price of one or several financial instruments, a related spot commodity contract or an auctioned product based on emission allowances at an abnormal or artificial level, unless the person entering into the transaction, placing an order to trade or engaging in any other behaviour establishes that such transaction, order or behaviour have been carried out for legitimate reasons, and conform with an accepted market practice on the trading venue concerned;
   c) affects or is likely to affect the price of one or several financial instruments, a related spot commodity contract or an auctioned product based on emission allowances, which employs a fictitious device or any other form of deception or contrivance;
2) Disseminating information through the media, including the internet, or by any other means, which gives, or is likely to give, false or misleading signals as to the supply of, demand for, price of, a financial instrument, a related spot commodity contract or an auctioned product based on emission allowances secures, or is likely to secure, the price of one or several financial instruments, a related

spot commodity contract or an auctioned product based on emission allowances at an abnormal or artificial level, including the dissemination of rumours, where the person who made the dissemination knew, or ought to have known, that the information was false or misleading;

3) Transmitting false or misleading information or providing false or misleading inputs in relation to a benchmark where the person who made the transmission or provided the input knew or ought to have known that it was false or misleading, or any other behaviour which manipulates the calculation of a benchmark.

Market manipulation also involves:

1) conduct by a person, or persons acting in collaboration, to secure a dominant position over the supply of or demand for a financial instrument, a related spot commodity contract or an auctioned product based on emission allowances which has the effect of fixing, directly or indirectly, purchase or sale prices or creating other unfair trading conditions;
2) the buying or selling of financial instruments at the close of the market with the effect or intention of misleading investors acting on the basis of closing prices;
3) the sending, withdrawal or modification of orders referred to in paragraph 1 items 1 or 2 of this Article to a trading venue by means of algorithmic trading, including high frequency trading, without an intention to trade but for the purpose of:
   a) disrupting or delaying the functioning of the trading system of the trading venue;
   b) making it more difficult for other persons to identify genuine orders on the trading system of the trading venue, including entry of orders which lead to overloading or destabilization of the order book; or
   c) creating a false or misleading impression about the supply of or demand for a financial instrument or its price, and especially entry of orders to initiate or strengthen a certain trend;
4) taking advantage of occasional or regular access to the traditional or electronic media by voicing an opinion about a financial instrument or related spot commodity contract or an auctioned product based on emission allowances (or indirectly about its issuer) while having previously taken positions on that financial instrument or related spot commodity contract or an auctioned product based on emission allowances and profiting subsequently from the impact of the opinions voiced on the price of that instrument or related spot commodity contract or an auctioned product based on emission allowances, without having simultaneously disclosed that conflict of interest to the public in a proper and effective way;
5) the buying or selling on the secondary market of emission allowances or related derivatives prior to the auction held with the effect of fixing the auction clearing price for the auctioned products at an abnormal or artificial level or misleading bidders bidding in the auctions.

Provisions of paragraphs 1 and 2 of this Article shall also apply to natural persons participating in decision-making for the account of a legal person.

A benchmark referred to in paragraph 1 item 3 of this Article means any rate, index or figure, made available to the public or published that is periodically or regularly determined by the application of a formula to, or on the basis of the value of one or more underlying assets or prices, including estimated prices, actual or estimated interest rates or other values, or surveys and by reference to which the amount payable under a financial instrument or the value of a financial instrument is determined.

Accepted market practice

Article 140

Accepted market practice means practice that is reasonably expected in the financial market or markets in question and is accepted by the CMA.

The CMA may establish an accepted market practice for a certain market, taking into account the following criteria:

1) whether the market practice provides for a substantial level of transparency to the market;
2) whether the market practice ensures a high degree of safeguards to the operation of market forces and the proper interplay of the forces of supply and demand;
3) whether the market practice has a positive impact on market liquidity and efficiency;
4) whether the market practice takes into account the trading mechanism of the relevant market and enables market participants to react properly and in a timely manner to the new market situation created by that practice;
5) whether the market practice does not create risks for the integrity of, directly or indirectly, related markets, whether regulated or not, in the relevant financial instrument within the Union;
6) the outcome of any investigation of the relevant market practice by competent authorities from other states does not contribute to infringing rules or regulations designed to prevent market abuse or codes of conduct irrespective of whether it concerns the relevant market; and
7) the structural characteristics of the relevant market, inter alia, whether it is regulated or not, the types of financial instruments traded and the type of market participants, including the extent of retail-investor participation in the relevant market.

The CMA shall, at least three months before the accepted market practice is intended to take effect, notify ESMA of its intention to establish an accepted market practice and shall provide the details of that assessment made in accordance with the criteria laid down in paragraph 2 of this Article.

Where the CMA establishes an accepted market practice contrary to the opinion of ESMA, it shall publish on its website within 24 hours of establishing the accepted market practice a notice setting out in full its reasons for doing so.

The CMA shall review regularly, and at least every two years, the accepted market practices that they have established, in particular by taking into account significant changes to the relevant market environment.

Detailed criteria and a manner of acceptance of market practice shall be prescribed by the CMA.

Prevention and detection of market abuse

Article 141

Market operators, operators of an MTF or an OTF and investment firms operating trading venues shall put in place and maintain arrangements and procedures that ensure an appropriate level of human analysis in the monitoring, detection and identification of transactions and orders that could constitute insider dealing, market manipulation or attempted insider dealing or market manipulation.

Market operators, operators of an MTF or an OTF and investment firms shall report orders and transactions, including any cancellation or modification thereof, that could constitute insider dealing, market manipulation or attempted insider dealing or market manipulation to the CMA without delay.

Provisions of paragraphs 1 and 2 of this Article shall also apply to other persons, who, in the course of their business operations, agree or execute transactions in financial instruments.

List of persons having access to inside information

Article 142

Issuers, or persons acting on their behalf or for their account shall draw up a list of those persons who have access to inside information including those persons working for them or otherwise performing tasks through which they have access to inside information.

Issuers, or persons acting on their behalf or for their account shall regularly update the list referred to in paragraph 1 of this Article and transmit it to the CMA whenever the latter requests it, and shall keep the insider list for a period of at least five years after being drawn up or updated.

The issuer or person acting on its behalf take all reasonable steps to ensure that persons referred to in paragraph 1 of this Article maintain inside information in accordance with this Law and the issuer's acts to ensure that all persons included on the insider list acknowledge in writing the duties stipulated by the law and issuer's acts.

The issuer is responsible for drawing up and updating the list referred to in paragraph 1 of this Article, and in the event that these tasks are entrusted to another person, it shall at all times have access to the list of persons with access to inside information.

The list of persons with access to inside information shall particularly include:
1) name and surname and the address, i.e. company name, registered office and the address of the person having access to inside information;
2) the reason for including that person in the insider list;
3) date and time at which that person obtained access to inside information; and
4) the date on which the insider list was drawn up.

The issuer or person acting on its behalf shall, without delay, update the list of persons having access to inside information including the date of the update in case of:
1) a change in the reason for including a person already on the list;
2) a new person who has access to inside information; and
3) a person who ceases to have access to inside information.

Provisions of paragraphs od 1 to 6 of this Article shall also relate to:
1) emission allowance market participants in relation to inside information relating to emission allowances which result from the activity of that participant on the emission allowance market;
2) auction platforms, auctioneers and auction monitor in relation to auction of emission allowances or other auctioned products based thereon;
3) issuers who have applied or approved admission of their financial instruments to trading on a regulated market or MTF or OTF.

Issuers whose financial instruments are admitted to trading on an SME growth market are exempted from drawing up the insider list except the CMA requires them to do so.

Disclosure or dissemination of information in the media

Article 143

Disclosure or dissemination of information in the media of information referred to in Articles 130, 134, and Article 139 paragraph 1 item 2 of this Law, shall be made in accordance with the law governing the freedom of the press and freedom of expression in other media and the rules or codes governing the journalist profession.

It is prohibited to publish or disseminate in the media information:

1) whose disclosure is made with the intention of misleading the market as to the supply of, demand for, or price of financial instruments; and/or
2) published or disseminated by journalists or persons closely associated with them, in order to derive an advantage or profits from the disclosure or the dissemination of the information in question.

Notification made by persons discharging managerial responsibilities within an issuer

Article 144

A person discharging managerial responsibilities within an issuer, as well as persons closely associated with him, shall notify the CMA and:

1) the issuer, of every transaction conducted on its own account relating to the shares or debt instruments of that issuer or to derivatives or other financial instruments linked thereto;
2) the emission allowance market participant, of every transaction conducted on its own account relating to emission allowances, to auction products based thereon or to derivatives relating thereto.

The provision of paragraph 1 of this Article shall apply once the total amount of transactions has reached EUR 5000 within a calendar year.

The notification referred to in paragraph 1 of this Article, shall be made promptly and no later than three business days after the date of the transaction reaching the amount referred to in paragraph 2 of this Article.

The issuer, i.e. emission allowance market participant shall publish on its website information relating to transactions referred to in paragraph 1 of this Article promptly and no later than three business days after the date of the transaction.

Provisions of paragraphs 1 do 4 of this Article shall apply to issuers who:

1) have requested or approved admission of their financial instruments to trading on a regulated market; or
2) in the case of an instrument only traded on an MTF or an OTF, have approved trading of their financial instruments on an MTF or an OTF or have requested admission to trading of their financial instruments on an MTF.

The issuer, i.e. an emission allowance market participant shall draw up a list of all persons discharging managerial responsibilities and persons closely associated with them.

A person discharging managerial responsibilities within an issuer shall notify the persons closely associated with him of their obligations referred to in paragraph 1 of this Article in writing and shall keep a copy of this notification.

A person closely associated, within the meaning of Article 134 of this Law and paragraph 1 of this Article, in addition to the persons referred to in Article 21 paragraph 2 of this Law, shall also be:

1) a relative who has shared the same household for at least one year on the date of the transaction concerned;
2) a legal person the managerial responsibilities of which are discharged by a person discharging managerial responsibilities, a spouse, a dependent child or the person referred to in item 1 of this paragraph directly or indirectly controlled by that person.

The content of a notification of transactions

Article 145

A notification of transactions referred to in Article 144 paragraph 1 of this Law shall particularly contain:

1) name, surname and the address of a natural person, i.e. company name and a registered office of a legal person on whose behalf the transaction was executed;
2) the name of the relevant issuer or emission allowance market participant;
3) a description and the identifier of the financial instrument;
4) the nature of the transaction(s) (e.g. acquisition or disposal), indicating whether it is linked to the exercise of share option programmes or to transactions set out in paragraph 2 of this Article;
5) the date and place of the transaction;
6) he price and volume of the transaction and in the case of a pledge whose terms provide for its value to change, this should be disclosed together with its value at the date of the pledge.

In addition to information referred to in paragraph 1 of this Article transactions that must be notified shall also include:

1) the pledging or lending of financial instruments by or on behalf of a person discharging managerial responsibilities or a person closely associated with such a person;
2) transactions undertaken by persons professionally arranging or executing transactions or by another person on behalf of a person discharging managerial responsibilities or a person closely associated with such a person;
3) transactions made under a life insurance policy where:
   a) the policyholder is a person discharging managerial responsibilities or a person closely associated with such a person;
   b) the investment risk is borne by the policyholder; and
   c) the policyholder has the power or discretion to make investment decisions regarding specific instruments in that life insurance policy or to execute transactions regarding specific instruments for that life insurance policy.

A pledge, or a similar security interest, of financial instruments in connection with the depositing of the financial instruments in a custody account does not need to be notified, unless and until such time that such pledge or other security interest is designated to secure a specific credit facility.

The provision of paragraph 2 of this Article shall not relate to an insurance company.

Notification requirements referred to in Article 144 of this Law and paragraphs 1 and 2 of this Article shall also apply to transactions by persons discharging managerial responsibilities within any auction platform, auctioneer and auction monitor and to persons closely associated with such persons in so far as their transactions involve emission allowances, derivatives thereof or auctioned products based thereon.

The persons referred to in paragraph 5 of this Article shall notify their transactions to the auction platforms, auctioneers and auction monitor, and in accordance with the type of transaction the CMA.

The provision of Article 144 paragraph 4 of this Law shall accordingly apply to auction platforms, auctioneers, auction monitor and the CMA.

Prohibition of transactions to a person discharging managerial responsibilities within the issuer

Article 146

A person discharging managerial responsibilities within an issuer shall not conduct any transactions on its own account or for the account of a third party, directly or indirectly, relating to the shares or debt instruments of the issuer or to derivatives or other financial instruments linked to them during a closed period

of 30 calendar days before the announcement of an interim financial report or a year-end report which the issuer is obliged to make public according to this Law.

Without prejudice to paragraph 1 of this Article, an issuer may allow a person discharging managerial responsibilities within it to trade on its own account or for the account of a third party during a closed period as referred to in paragraph 1 of this Article either:

1) due to the existence of financial difficulties, which require the immediate sale of shares; or
2) due to the characteristics of the trading involved for transactions made under, or related to, an employee share or saving scheme, qualification or entitlement of shares, or transactions where the beneficial interest in the relevant security does not change.

Exemptions from prohibition for insider dealing and market manipulation

Article 147

The prohibition for insider dealing and market manipulation shall not apply to trading in own shares in buy-back programmes where:

1) the full details of the programme are disclosed prior to the start of trading;
2) trades are reported to the CMA as being part of the buy-back programme;
3) adequate limits with regard to price and volume are complied with;
4) it is carried out in accordance with the objectives and the conditions referred to in paragraph 2 of this Article; and
5) it is carried out in accordance with ESMA regulations.

Trading in own shares referred to in paragraph 1 of this Article may be performed when a buy-back programme has as its sole purpose:

1) to reduce the capital of an issuer;
2) to meet obligations arising from debt financial instruments that are exchangeable into equity instruments; or
3) to meet obligations arising from share option programmes, or other allocations of shares, to employees or to members of the administrative, management or supervisory bodies of the issuer or of an associate company.

The prohibition for insider dealing and market manipulation shall not apply to trading in securities or associated instruments for the stabilisation of securities where:

1) stabilisation is carried out for a limited period;
2) relevant information about the stabilisation is disclosed and notified to the CMA of the trading venue in accordance with paragraph 4 of this Article;
3) adequate limits with regard to price are complied with; and
4) trading is carried out in accordance with ESMA regulations.

The details of all stabilisation transactions shall be notified by issuers, offerors, or entities undertaking the stabilization to the CMA no later than the end of the seventh daily market session following the date of execution of such transactions.

Stabilisation referred to in paragraphs 3 and 4 of this Article means a purchase or offer to purchase securities, or a transaction in associated instruments equivalent thereto, which is undertaken by a credit institution or an investment firm in the context of a significant distribution of such securities exclusively for supporting the market price of those securities for a predetermined period of time, due to a selling pressure in such securities.

Associated instruments referred to in paragraph 5 of this Article shall mean:

1) contracts or rights to subscribe for, acquire or dispose of securities;
2) financial derivatives of securities;
3) the securities into which such convertible debt instruments may be converted;
4) instruments which are issued or guaranteed by the issuer or guarantor of the securities and whose market price is likely to materially influence the price of the securities;
5) the shares represented by those securities and any other securities equivalent to those shares.

Significant distribution referred to in paragraph 5 of this Article means an initial or secondary offer of securities that is distinct from ordinary trading both in terms of the amount in value of the securities to be offered and the selling method to be employed.

Application

Article 148

Provisions of Articles 125 to 147 of this Law shall apply to:

1) financial instruments admitted to trading on a regulated market or for which a request for admission to trading on a regulated market has been made;
2) financial instruments traded on an MTF, admitted to trading on an MTF or for which a request for admission to trading on an MTF has been made;
3) financial instruments traded on an OTF;
4) financial instruments not covered by items 1, 2 and 3 of this paragraph, the price or value of which depends on or has an effect on the price or value of a financial instrument referred to in those points, including, but not limited to, credit default swaps and contracts for difference;
5) procedures or transactions, including bids, relating to the auctioning on an auction platform authorised as a regulated market of emission allowances or other auctioned products based thereon, including when auctioned products are not financial instruments.

Requirements and prohibitions laid down by this Law and referring to orders to trade shall apply to bids submitted for auctions.

Provisions of Articles 138 and 139 of this Law shall apply to:

1) spot commodity contracts, which are not wholesale energy products, where the transaction, order or behaviour has or is likely or intended to have an effect on the price or value of a financial instrument referred to in paragraph 1 of this Article;
2) types of financial instruments, including derivative contracts or derivative instruments for the transfer of credit risk, where the transaction, order, bid or behaviour has or is likely to have an effect on the price or value of a spot commodity contract where the price or value depends on the price or value of those financial instruments and
3) procedures in relation to benchmarks.

Provisions of Articles 125 do 147 of this Law shall apply to any transaction, order or procedure concerning any financial instrument as referred to in paragraphs 1 and 2 of this Article, irrespective of whether or not such transaction, order or procedure takes place on a trading venue.

Exemptions for monetary and public debt management activities and climate policy activities

Article 149

Provisions of Articles 125 do 147 of this Law shall not apply to transactions, orders or procedures, in pursuit of monetary, exchange rate or public debt management policy by:

1) European Commission, other authorized body or a person acting on behalf of that authorized body;
2) a Member State;
3) the members of the ESCB;
4) state authorities and organizations of one or more Member States or a person acting on behalf of that state authority or organization;
5) in the case of a Member State that is a federal state, a member making up the federation.

Provisions of Articles 125 do 147 of this Law shall not apply to transactions, orders or procedures carried out by:

1) European Union;
2) a special purpose vehicle of one or several Member States;
3) the European Investment Bank;
4) the European Financial Stability Facility;
5) the European Stability Mechanism;
6) an international financial institution established by two or more Member States which has the purpose to mobilise funding and provide financial assistance to the benefit of its members that are experiencing or threatened by severe financing problems.

Provisions of Articles 125 do 147 of this Law shall not apply to the activities of a Member State, the European Commission or any other officially designated body, or of any person acting on their behalf relating to:

1) emission allowances and which is undertaken in pursuit of the Union's climate policy and
2) the Union's Common Agricultural Policy or of the Union's Common Fisheries Policy.

Provisions of paragraphs 1, 2 and 3 of this Article, shall not apply to persons working under a contract of employment or otherwise for persons referred in paragraphs 1, 2 and 3 of this Article where those persons carry out transactions or orders, or engage in procedures on their own account.

VI. REGULATED MARKET, MTF AND OTF

Market operator

Article 150

Only market operator with its registered office in Montenegro may operate a regulated market in Montenegro, established as a joint stock company in accordance with the law governing business activities if licenced to do so by the CMA in accordance with this Law.

Market operator operates in a manner that allows efficient matching of supply and demand for securities and public distribution of information relating to the regulated market and in a manner that prevents unfair competition or introduction of unjustified restrictions on market entry.

Market operator's activities and activities carried out on a regulated market

Article 151

Market operator, in accordance with its licence, may:

1) manage a regulated market;
2) collect, process and publish information relating to trading on a regulated market; and
3) also perform other activities in accordance with this Law.

In performing management of a regulated market, a market operator may, without the permission of the CMA:

1) develop, maintain and manage information systems for performing activities referred to in paragraph 1 of this Article;
2) provide services relating to organization of training and development of capital market participants.

Activities carried out on a regulated market are as follows:

1) ensuring conditions for efficient trading in financial instruments;
2) provision, storage and disclosure of information relating to demand, supply, quotation, financial instruments, market prices as well as other information all in accordance with this Law;
3) establishment of closer organizational, technical and personnel requirements for membership and participation on a regulated market;
4) establishment and implementation of conditions for membership or participation on a regulated market;
5) establishing the conditions for admission of financial instruments to trading on a regulated market and trading requirements;
6) supervision over trading in financial instruments;
7) establishment and implementation of procedures for taking disciplinary actions for exclusion of a member from a regulated market;
8) setting out fair procedures for settling disputes between regulated market participants in relation to transactions in financial instruments; and
9) other activities in accordance with the law.

Market operator's bodies

Article 152

Market maker's bodies are:

1) shareholders' meeting;
2) the Board of Directors and
3) the Executive Director.

The appointment of the Board of Directors

Article 153

The Board of Directors consists of the Chairman and at least four members.

The person who has the approval of the CMA may be appointed for a member of the Board of Directors of the market and who has:

1) higher education qualification with a minimum of 240 ECTS credits (VII1);
2) personal reputation and relevant professional qualifications, professional skills and experience in performing tasks in the financial sector.

In addition to the application for the approval for election of the Board of Directors' member, the market operator shall submit the evidence on fulfilment of conditions referred to in paragraph 1 of this Article.

The CMA shall, at the request referred to in paragraph 2 of this Article, decide within 30 days of the receipt of the application and documentation submitted along with the application.

The approval of the CMA referred to in paragraph 1 of this Article shall be the condition for registration, i.e. a change in data in CRCE.

The CMA shall revoke the approval referred to in paragraph 1 of this Article if it was issued on the basis of false information and if restrictions referred to in Article 154 of this Law arise.

The approval referred to in paragraph 1 of this Article shall cease to be valid:
1) if the person whose election has been approved fails to be elected or fails to commence performing its function within six months following the date of issuance of the approval;
2) on the date of termination of term of office of the Board of Directors' member.

The approval referred to in paragraph 1 of this Article shall be valid in the case of re-appointment of the Board of Directors' member during its term of office.

Restrictions relating to the appointment of the Board of Directors' member

Article 154

Market maker Board of Directors' member shall not be the person who:
1) was convicted for an offense which makes him unworthy of performing the function of the Board of Directors' member;
2) a member of the Parliament, a committee member, i.e. a person elected, appointed or employed in the public administration authorities and local self-government units, unless Montenegro has a holding in the market operator;
3) is a director, the Board of Directors' member, an employee or a person having qualifying holding in another market maker licenced in accordance with this Law;
4) is a director, the Board of Directors' member or an employee in CCDC;
5) is a director, the Board of Directors' member or an employee of the investment firm, an authorized credit institution, the issuer or investment fund issuer whose securities are admitted to trading on the regulated market, except in case it has a holding in the market marker;
6) was associated with persons referred to in items 1 to 5 of this paragraph.

At least one member of the Board of Directors must speak the Montenegrin language.

The content of the application for issuing the approval for the election or appointment of the Executive Director and the Board of Directors' members and the documents to be submitted in addition to the application shall be prescribed by the CMA.

The appointment of the Executive Director

Article 155

Provisions of Articles 153 and 154 of this Law shall accordingly apply to the appointment of the market maker Executive Director.

Term of office of the Executive Director shall be four years and he may be re-elected.

Market maker Executive Director has to be employed in the market maker as a full-time employee.

Minimum capital

Article 156

Minimum pecuniary part of initial capital of a market operator amounts to no less than EUR 1.000.000.

Minimum pecuniary part of initial capital of MTF operator amounts to no less than EUR 730.000.

Where a market operator is at the same time MTF operator minimum capital may not be less than EUR 1.000.000.

The capital referred to in paragraphs 1, 2 and 3 of this Article must be fully paid in cash, and shares may not be issued before the full amount is paid.

Permitted trading

Article 157

Market operator may only trade in:

1) financial instruments issued by Montenegro, local self-government units, , as well as corresponding authorities of other states, the International Monetary Fund, the European Central Bank, the European Investment Bank and other international organizations;
2) financial instruments issued by the Central Bank of Montenegro;
3) debt securities guaranteed by Montenegro;
4) other financial instruments approved by the CMA.

Market operator, management bodies' members, the Executive Director or employees of a market maker must not give advice in relation to trading in financial instruments or choosing an investment firm.

Qualifying holding in market operator and control

Article 158

Any natural or legal person or such persons acting in concert who have taken a decision to either acquire, directly or indirectly a qualifying holding in the market operator, or to, directly or indirectly further increase such qualifying holding as a result of which the proportion of the voting rights or of the capital held would reach or exceed 20%, 30% or 50% of a holding in market operator’s capital (hereinafter referred to as: the proposed acquirer) shall previously obtain the approval of the CMA for acquisition, i.e. the increase of a qualifying holding.

The person referred to in paragraph 1 of this Article shall submit to the CMA the application for acquisition, i.e. the increase of a qualifying holding including the size of both the intended and qualifying holding at the time of submission of the application.

Any natural or legal person shall be required, prior to direct or indirect disposal of a qualifying holding in the market operator below 20%, 30% or 50% of a holding in total capital of the market maker, to notify the CMA thereof, indicating the size of holding it intends to dispose of.

In determining whether the criteria for qualifying holding referred to in paragraph 1 of this Article, the CMA shall not take into account voting rights or shares which investment firms or credit institutions hold for providing services referred to in Article 206 paragraph 1 item 6 of this Law, provided that those rights are not exercised to interfere in the management of the market operator and to dispose of them within a year of their acquisition.

Detailed content of the application referred to in paragraph 1 of this Article and the documentation to be submitted in addition to the request shall be prescribed by the CMA.

Criteria for the assessment of a qualifying holding

Article 159

When deciding upon the application for the acquisition, i.e. increase in qualifying holding, the CMA shall assess the suitability of the proposed acquirer and the financial soundness of the proposed acquisition against all of the following criteria:

1) the reputation of the proposed acquirer;
2) the financial soundness of the proposed acquirer;
3) the capacity of market maker regarding the capital and other conditions established by this Law, influence of the proposed acquirer on supervision exercised by the CMA;
4) whether there are reasonable grounds to suspect that, in connection with the proposed acquisition, money laundering or terrorist financing within the meaning of the law governing money laundering and terrorist financing is being or has been committed or attempted.

The CMA shall prescribe detailed the criteria referred to in paragraph 1 of this Article.

Acknowledgement of receipt of the notification

Article 160

The CMA shall, promptly and in any event within two working days following the date of the receipt of the notification on granting approval for acquisition, i.e. increase in qualifying holding or following the date of the receipt of additional information, acknowledge receipt thereof in writing to the proposed acquirer.

The period for decision-making as regards the application for the acquisition, i.e. increase of a qualifying holding

Article 161

The competent authorities shall have a maximum of ninety working days as following the date of the written acknowledgement of receipt of the notification to decide upon the application for acquisition, i.e. increase of a qualifying holding.

The CMA shall, by its decision on granting approval for the acquisition, i.e. increase of a qualifying holding, determine a period for the proposed acquisition.

At the request of the proposed acquirer the CMA may extend the period referred to in paragraph 2 of this Article.

If the CMA do not oppose the proposed acquisition, i.e. increase of a qualifying holding, within the assessment period in writing, it shall be deemed to be approved.

If the proposed acquirer fails to acquire, i.e. increase a qualifying holding within the period referred to in paragraphs 2 and 3 of this Article the approval shall cease to be valid.

Further information

Article 162

The CMA may, during the assessment period referred to in Article 161 of this Law, and within the period of 50 working days following the date of the receipt of the application, request from the applicant any further information and data as regards proposed acquisition or increase of a qualifying holding necessary to complete the assessment.

Interruption of the assessment period

Article 163

For the period between the date of request for information by the CMA and the receipt of a response thereto by the proposed acquirer, the assessment period shall be interrupted. The interruption shall not exceed 20 working days.

Any further requests by the CMA for completion or clarification of the information shall be at their discretion but may not result in an interruption of the assessment period.

Refusal of a request

Article 164

The CMA shall not grant the authorization for acquisition, i.e. increase of qualifying holding if:

1) the information provided is false and incomplete;
2) the applicant does not meet the criteria referred to in Article 159 of this Law;
3) close links exist between the regulated market or market operator and other natural or legal persons which prevent the effective exercise of the supervisory functions of the CMA;
4) regulations disabling the efficient performance of supervision carried out by the CMA apply to the applicant.

If the CMA refuses to grant the authorization for acquisition, i.e. increase of qualifying holding, it may, at the request of the proposed acquirer, or at its discretion, publish on its website, the reasons for doing so.

Notification on market operator's qualifying holding

Article 165

In case a market operator becomes aware of any acquisitions or disposals of qualifying holdings in its capital, that cause holdings to exceed or fall below the threshold referred to in Article 158 of this Law, it shall inform the CMA thereof without delay.

Market operator shall, no later than 31st March of the current year inform the CMA of the names of shareholders possessing qualifying holdings and the sizes of such holdings as at 1st January of the current year.

CCDC shall, without delay, notify the CMA on acquisition, increase or disposal of shareholders participation in total capital of market operator exceeding or falling below the threshold referred to in Article 158 of this Law.

Withdrawal of approval for acquisition, i.e. increase of a qualifying holding

Article 166

The CMA shall impose the following measures to a person who acquires or increases qualifying holding in the market operator:

1) withdraw the voting right arising from a qualifying holding acquired without the CMA's approval;
2) order the sale of qualifying holding acquired without the CMA's approval.

The CMA shall revoke the approval for the acquisition or increase of qualifying holding if the approval was granted on the basis of false, misleading or incomplete information or in any other unauthorized manner.

The CMA shall revoke the approval for the acquisition or increase of qualifying holding if the person who possesses qualifying holding no longer meets conditions and the criteria stipulated by this Law.

In case of withdrawal of the approval for the acquisition or increase of qualifying holdings, the CMA will apply the measures referred to in paragraph 1 of this Article.

Cooperation with the competent authorities in deciding upon the application for acquisition, i.e. increase of a qualifying holding

Article 167

The CMA shall, when assessing the acquisition or increase of a qualifying holding, consult competent authorities of another Member State if the proposed acquirer is one of the following:

1) a credit institution, insurance undertaking, reinsurance undertaking, investment firm or UCITS management company authorised in another Member State;
2) the parent undertaking of a credit institution, insurance undertaking, reinsurance undertaking, investment firm or UCITS management company authorised in another Member State; or
3) a natural or legal person controlling a credit institution, assurance undertaking, insurance undertaking, reinsurance undertaking, investment firm or UCITS management company authorised in another Member State.

Decision of the CMA on granting approval for the acquisition or increase of a qualifying holding shall include opinion and suggestions of the competent authority referred to in paragraph 1 of this Article.

Personnel and organizational requirements and technical equipment of a regulated market

Article 168

As regards personnel and organizational requirements and technical equipment a regulated market shall:

1) have at least three natural persons who passed a professional examination referred to in Article 213 paragraph 3 of this Law;
2) to have arrangements to identify clearly and manage the potential adverse consequences, for the operation of the regulated market and market operator, its members or participants, of any conflict of interest between the interest of the owner of the regulated market or its operator, on one hand, and the sound functioning of the regulated market on the other;
3) to be adequately equipped to manage the risks to which it is exposed, to implement appropriate arrangements and systems to identify all significant risks to its operation;
4) to have arrangements for the sound management of the technical operations of the system, including the establishment of effective contingency arrangements to cope with risks of systems disruptions;
5) to have transparent and non-discretionary rules and procedures that provide for fair and orderly trading the efficient execution of orders;
6) to have effective arrangements to facilitate the efficient and timely finalization of the transactions executed under its systems;
7) to have available sufficient financial resources to facilitate its orderly functioning, having regard to the nature and extent of the transactions concluded on the market and the range and degree of the risks to which it is exposed.

The CMA shall prescribe detailed requirements referred to in paragraph 1 of this Article with regard to personnel and organizational capability and technical equipment.

Security of the system, system for interruption of trading and electronic trading

Article 169

Regulated Market must have established functional systems, procedures and mechanisms that ensure the security of the trading system, adequate capacities to process the large number of orders, mechanisms for rejecting orders which exceed a certain threshold of volume and prices or are incorrect, to ensure orderly trading under conditions of market overloading and to have functional mechanisms of business continuity in the event of interruption of the trading system.

A market operator shall have in place:

1) written agreements with all investment firms pursuing a market making strategy (market makers) on the regulated market prior to commencement of market making;
2) schemes to ensure that a sufficient number of investment firms pursuing a market making strategy (market makers) participate in such agreements on a regulated market, where such a requirement is appropriate to the nature and scale of the trading.

The agreement referred to in paragraph 2 of this Article shall especially regulate:

1) obligations of an investment firm to provide liquidity to the market and, where applicable, any other rights accruing to the investment firm as a result of participation referred to in paragraph 2 item 2 of this Article;
2) any incentives in terms of rebates or otherwise offered by the regulated market to an investment firm so as to provide liquidity to the market on a regular and predictable basis.

A market operator shall monitor and enforce compliance by investment firms with the requirements of such binding written agreements referred to in paragraph 2 of this Article and shall inform the CMA about the content of the binding written agreement and shall, upon request, provide all further information to the CMA.

A market operator may temporarily halt trading or constrain it if there are sudden unexpected price movements on that market or a related market.

In the case referred to in paragraph 5 of this Article, a market operator shall ensure that the parameters for halting trading are appropriately calibrated in a way which takes into account the liquidity, the nature of the market model and types of users, to avoid significant disruptions to the orderliness of trading.

In the case of halting trading referred to in paragraph 5 of this Article, a market operator shall inform the CMA on the parameters for halting trading and any material changes to those parameters.

Where a regulated market in Montenegro is material in terms of liquidity in that financial instrument, a market operator shall inform the competent authority of a Member State on halting trading in order for them to coordinate a market-wide response and determine whether it is appropriate to halt trading on other venues on which the financial instrument is traded.

Algorithmic trading system and direct electronic access

Article 170

A market operator shall provide systems, rules and mechanisms for the algorithmic trading system, including the possibility of testing algorithms, in order to prevent that algorithmic trading systems cause or contribute to irregular trading on the market.

A market operator shall ensure identification of members or regulated market participants as well as to identify orders generated by algorithmic trading.

A market operator shall submit information referred to in paragraph 2 of this Article, to the CMA upon request.

When a regulated market permits direct electronic access it shall have in place effective systems procedures and arrangements to ensure that members or participants are only permitted to provide such services if they are investment firms or authorized credit institutions, that appropriate criteria are set and applied regarding the suitability of persons to whom such access may be provided, set standards regarding risk controls and thresholds on trading through direct electronic access, as well as to suspend or terminate the provision of direct electronic access in case of violation of terms of that access.

In the case referred to in paragraph 4 of this Article, investment firms or authorized credit institutions which permitted direct electronic access shall be responsible for orders and transactions executed by using a service of direct electronic assess.

The rules of algorithmic trading referred to in paragraph 1 of this Article must be transparent and non-discriminatory.

Price list for services on a regulated market

Article 171

A market operator shall determine the price list for services provided on a regulated market.

The fees referred to in paragraph 1 of this Article shall be determined on the basis of objective criteria to ensure the equality of market participants and shall not encourage placing, modifying or withdrawing of orders or execution of transactions in a manner that contributes to irregular trading or market abuse.

A market operator shall publish on its website the price list referred to in paragraph 1 of this Article.

A market operator shall determine in its price list referred to in paragraph 1 of this Article, rebate for market making for certain securities.

A regulated market may determine a higher fee for:

1) multiple withdrawal of orders;
2) participants placing a high ratio of cancelled to executed orders;
3) high frequency traders.

A market operator shall, before applying price list referred to in paragraph 1 of this Article, obtain the approval of the CMA.

Minimum allowed change in price

Article 172

A regulated market shall adopt tick size regimes in a financial instrument, a certificate of deposited securities, a certificate or other similar financial instrument.

Tick size, referred to in paragraph 1 of this Article, shall:
1) reflect the liquidity profile of the financial instrument and the average bid-ask spreads;
2) be adapted for each financial instrument appropriately.

Synchronization of business clocks

Article 173

A regulated market operator and MTF and OTF operators shall synchronise the business clocks they use to record the date and time of any reportable event in accordance with this Law.

Application for granting authorisation to a market operator

Article 174

A market operator shall submit to the CMA the applicationfor authorization.

In addition to application referred to in paragraph 1 of this Article, a market operator shall submit the following:
1) memorandum of association, articles of association and the price list of fees for the services it intends to provide on a regulated market;
2) information on a person that acquires qualified holding in a market operator and a person associated with it, as well as on persons who otherwise may, directly or indirectly, exercise control or a significant influence on the market operator;
3) names and information on qualifications, experience and business reputation of proposed Board of Directors' members and the executive Director of a market operator;
4) information on staff and organizational capacities and technical equipment of a market operator;
5) information on programme of functioning of a regulated market of the applicant, including the types of jobs and organizational structure;
6) a proof of payment of a minimum share in initial capital referred to in Article 156 of this Law;
7) a proof of payment of the application fee in accordance with the CMA's price list.

The detailed content of the application and detailed documentation to be submitted with the application for granting authorization to a market operator shall be prescribed by the CMA.

Granting authorisation

Article 175

The CMA shall grant authorisation to a market operator if it finds that:
1) the application and documentation submitted with the application is complete and valid;
2) persons with qualified holding in a market operator and persons associated with them meet the requirements referred to in Article 159 of this Law;
3) Board of Director's members and the Executive Director meet the requirements referred to in Articles 153, 154 and 155 of this Law;
4) other requirements for granting authorization stipulated by this Law are met;

The CMA shall refuse to grant authorization to a market operator, if it finds that:
1) information contained in the application is incomplete, incorrect or misleading;

2) a proposed member of the Board of Directors or the Executive Director does not have a good reputation and necessary work experience;
3) persons who have qualifying holdings are not eligible, or do not meet the requirements referred to in Article 159 of this Law;
4) ownership structure of the applicant, or of persons associated with persons who hold a qualified holding, prevents the efficient exercise of supervisory functions of the CMA;
5) regulations that prevent the efficient exercise of supervisory functions of the CMA apply to persons associated with the applicant.
6) other conditions for granting authorization set forth by this Law are not met;

Approval of statutory changes

Article 176

A market operator, MTF and OTF operators shall, before filing the application for the entry of a statutory change in the CRCE, obtain the approval from the CMA for such statutory change.

Approval to modify the conditions from the authorization

Article 177

A market operator shall submit to the CMA the application for the approval of amendments to the general acts, i.e. a change of the Board of Directors member or Executive Director.

The CMA shall decide upon the application referred to in paragraph 1 of this Article within 30 days of the receipt of the request.

Availability of authorizations to the public

Article 178

The CMA shall publish on its website the Decision on granting authorization to a market operator and the approval referred to in Article 177 of this Law.

The list of regulated markets

Article 179

The CMA shall draw up and update the list of regulated markets for which Montenegro is the home Member State and submit that information to other Member States and ESMA.

Registration with then excerpt CRCE

Article 180

A market operator shall acquire legal personality by registration with the CRCE.

A market operator shall, within the period of 30 working days following the date of obtaining the authorization, submit the applicationfor registration with the CRCE.

A market operator shall commence its activities within the period of 12 months following the date of registration in the CRCE.

Employees of a market operator

Article 181

Employees of a market operator may not be directors, members of the board of directors, or employees of the CCDC, investment firms or firms whose financial instruments were admitted to trading on a regulated market.

Market operator's general acts

Article 182

Market operator's general acts are: memorandum of association, articles of association, rules and operating procedures, as well as the price list of fees for the services provided on the regulated market.

Market operator's general acts shall be approved by the CMA.

Market operator's rules shall regulate the membership, listing, range of price changes, capital adequacy, periodical reports and information about the transactions, as well as a manner of forming lists for trading in securities.

Market operator's general acts shall in particular regulate the conditions for listing on regulated market segments, rules of conduct of members of the Board of Directors, the Executive Director and employees, maintenance of a business secret and prevention of confidential information abuse.

The rules of trading on a regulated market

Article 183

A market operator shall ensure orderly trading on a regulated market and shall:

1) establish and maintain transparent and non-discriminatory rules as regards access or membership, based on objective criteria;
2) monitor the compliance of members or participants of the regulated market with the rules of the regulated market;
3) monitor the transactions on the regulated market undertaken by their members or participants in order to identify breaches of those rules, disorderly trading conditions or conduct that may involve market abuse.

The rules referred to in paragraph 1 of this Article shall specify:

1) the constitution and administration of the regulated market;
2) transactions on the market;
3) professional standards imposed on the staff of the investment firms or authorized credit institutions that are operating on the market;
4) the conditions established, for membership of the persons referred to in paragraph 3 of this Article;
5) the rules and procedures for the clearing and settlement of transactions concluded on the regulated market.

The rules referred to in paragraph 2 of this Article shall provide for direct or indirect participation of investment firms and authorized credit institution on a regulated market.

A market operator shall, without delay, report to the CMA significant breaches of regulated market rules or disorderly trading conditions or conduct that may involve market abuse.

A market operator shall supply the relevant information without delay to the authority competent for the investigation and prosecution of market abuse on the regulated market and to provide full assistance to the latter in investigating and prosecuting market abuse occurring on or through the systems of the regulated market.

Regulated markets in other Member States may provide for appropriate agreements (arrangements) in Montenegro, so as to facilitate access to and trading on those markets by remote members or participants established in Montenegro.

When regulated market for which Montenegro is the home Member State intends to provide appropriate agreement (arrangement) in another Member State, so as to facilitate access to and trading on those markets by remote members or participants established in that other Member State, it shall communicate to the CMA the Member State in which it intends to provide access and trading .

The CMA shall communicate, within the period of 30 days following the date of the receipt of notification, information referred to in paragraph 7 of this Article, to the competent authority of the Member State in which the regulated market intends to provide access and trading through such agreements (arrangements).

Market operator's member

Article 184

A member of the regulated market may be the person who performs the activity, i.e. fulfil the conditions laid down by the rules of the regulated market, particularly in terms of expertise, technical and financial conditions for the provision of adequate settlement of transactions.

A market operator shall, upon request, receive as a member, i.e. a participant, a person who fulfils the conditions referred to in paragraph 1 of this Article, within the period of two months following the date of submission of application.

A market operator shall without delay notify the CMA:

1) on submitted requests and decisions upon requests for admission of a member, i.e. termination of membership on a regulated market within three working days of the decision-making;
2) on submitted requests and decisions upon requests for admission to listing referred to in Article 195 of this Law, for admission or exclusion of securities to official listing of the regulated market;
3) if the regulated market member is not able to fulfil its financial obligations; or
4) if the regulated market member has financial difficulties which, in its opinion, could jeopardize the financial condition and integrity of that member of the regulated market.

A market operator, shall, upon request, inform the CMA also on other issues relating to the operation of the regulated market.

Issuing directions to a regulated market

Article 185

In order to protect investors and for the regular functioning of a regulated market, the CMA may issue directions relating to:

1) trading in financial instruments on a regulated market;
2) the manner of implementation of any of the activities on a regulated market, including the manner of reporting on transactions in financial instruments exercised by its members; and
3) other issues, if necessary.

The CMA may impose a regulated market to change the rules of the regulated market.

Suspend of regulated market operations in an emergency

Article 186

The CMA may suspend operations of the regulated market for the period up to five working days in case of:

1) threat or occurrence of natural disaster;
2) other circumstances that require suspension of regular trading on a regulated market.

The CMA may extend the suspension to a regulated market referred to in paragraph 1 of this Article, in case of longer duration of circumstances due to which the suspension has been imposed.

Withdrawal of authorisation

Article 187

The CMA may temporary withdraw the authorisation where a market operator:

1) temporary ceases to carry out activities of a market operator;
2) acts contrary to market operator's documents;
3) fails to submit prescribed data and information to the CMA;
4) acts contrary to instructions and orders of the CMA.

The CMA may withdraw the authorisation where a market operator:

1) does not make use of the authorisation within the period of 12 months, expressly renounces the authorisation;
2) fails to perform performed market operator's activities for the preceding six months;
3) has obtained the authorisation by making false statements or by any other irregular means;
4) is in liquidation procedure;
5) has infringed the provisions of this Law;
6) no longer meets the conditions under which the authorization was granted.

By decision on authorization withdrawal, the CMA shall determine the day on which market operator will terminate its operations.

The CMA shall submit the decision on authorization withdrawal to the Central Register of Commercial Entities and CCDC.

The CMA shall notify ESMA on any authorization withdrawal to a market operator referred to in paragraph 2 of this Article.

Admission to trading

Article 188

Financial instruments shall be admitted to trading on a regulated market if they meet the conditions prescribed by the general acts of a market operator.

A market operator shall:

1) provide for fair, orderly and efficient manner when trading in financial instruments admitted to trading on a regulated market and that financial instruments are freely negotiable between parties trading in them;
2) establish rules regarding conditions to be met by financial instruments to be admitted to trading, the form of a derivative financial contract to ensure correct pricing of derivative financial instrument of, as well as the system of settlement when concluding such contracts;
3) adopt and implement verification procedures to ensure compliance with the reporting obligations stipulated in this Law;
4) establish arrangements which facilitate its members or participants in obtaining access to information which has been made public under this Law;
5) review regularly the compliance with the admission requirements of the financial instruments which they admit to trading.

The issuer shall be informed by a market operator of the fact that its securities are traded on that regulated market.

The issuer shall not be subject to any disclosure obligation in accordance with this Law if the regulated market has admitted the issuer's securities to trading without its consent.

A transferable security that has been admitted to trading on a regulated market can subsequently be admitted to trading on other regulated markets, even without the consent of the issuer and in compliance with this Law.

Suspension and removal of financial instruments from trading

Article 189

A market operator may, on its own initiative or at the CMA request, suspend or remove from trading a financial instrument which no longer complies with the rules of the regulated market unless such suspension or removal would be likely to cause significant damage to the investors' interests or the orderly functioning of the market.

A market operator that suspends or removes from trading a financial instrument referred to in paragraph 1 of this Article shall notify the CMA and a market operator of the other regulated market where those financial instruments are traded and make public its decision on the suspension or removal of the financial instrument on its website.

The CMA shall communicate the relevant decision referred to in paragraph 2 of this Article, to competent authorities of other Member States.

Provisions of paragraphs 1 and 2 of this Article shall apply to any derivative related to suspended or removed financial instrument.

Where the suspension or removal is due to suspected market abuse, a take-over bid or the non-disclosure of inside information about the issuer or financial instrument, the CMA shall require that regulated markets, other MTFs, other OTFs and systematic internalisers, which fall under their jurisdiction and trade the same financial instrument or derivatives that relate or are referenced to that financial instrument, suspend or remove that financial instrument or derivatives from trading, except where such suspension or removal could cause significant damage to the investors' interests or the orderly functioning of the market.

The CMA shall communicate its decision on suspension or removing of a financial instrument referred to in paragraph 5 of this Article to ESMA and other competent authorities, including an explanation if the decision was not to suspend or remove from trading the financial instrument or derivatives that relate or are referenced to that financial instrument and publish the same on its website.

If, in the case of market abuse, takeover bid or non-disclosure of inside information about the issuer of the financial instrument, financial instrument was suspended, or withdrawn from trading on the regulated market of the Member State at the request of the competent authority of the Member State which informed the CMA thereof, the CMA shall order suspension of the financial instrument and any related derivatives on the regulated market, an MTF, an OTF and systemic internaliser, trading the suspended instruments or any related derivatives, unless this could cause significant damage to investors' interests or the orderly functioning of the market.

The provision of paragraph 7 of this Article, shall apply accordingly in the event of cancellation of the suspension of trading in financial instruments or its related derivative.

Pre-trade transparency requirements

Article 190

A market operator shall, for financial instruments admitted to trading on a regulated market, make public current bid and offer prices and the depth of trading interests at those prices which are advertised through their systems.

A market operator shall make available information, referred to in paragraph 1 of this Article, to the public on reasonable commercial terms and on a continuous basis during normal trading hours.

A market operator may give access to investment firms which are obliged to publish their quotes in shares in accordance with Article 321 of this Law, to the arrangements they employ for making public the information referred to in paragraphs 1 and 2 of this Article, on reasonable commercial terms and on a non-discriminatory basis.

A market operator may, with the prior approval from the CMA, waive the obligation for regulated markets to make public the information referred to in paragraph 1 of this Article, based on the market model or the type and size of orders, and in particular in respect of transactions that are large in scale compared with normal market size for the financial instrument or type of financial instrument in question.

Post-trade transparency requirements

Article 191

A market operator shall make public the price, volume and time of the transactions executed in respect of shares admitted to trading on a regulated market, and shall make public details of all such transactions on a reasonable commercial basis and as close to real-time as possible.

A market operator may give access to investment firms which are obliged to publish the details of their transactions in shares in accordance with Article 321 of this Law, to the arrangements they employ for making public the information referred to in paragraph 1 of this Article, on reasonable commercial terms and on a non-discriminatory basis.

A market operator may, with the prior approval from the CMA, provide for deferred publication of the details of transactions based on their type or size and in particular in respect of transactions that are large in scale compared with the normal market size for that share or that class of shares.

A market operator shall inform market participants and the investing public deferred trade-publication referred to in paragraph 3 of this Article.

Clearing and settlement arrangements

Article 192

A market operator may enter into appropriate arrangements with a central counterparty or clearing house and a settlement system of another Member State with a view to providing for the clearing and/or settlement of some or all trades concluded by market participants under their systems, unless it would undermine the proper functioning of the regulated market.

A central counterparty, for the purpose of this Law, means a legal person interposing itself between the original counterparties to the agreements based on which trading is carried out in one or more financial markets which makes a central counterparty the buyer to every seller and the seller to every buyer of financial market instruments.

Record-keeping and reporting requirements of the regulated market

Article 193

A market operator shall keep records on transactions in financial instruments admitted to trading on a regulated market, as well as on other activities on a regulated market, in accordance with this Law.

A market operator shall submit to the CMA the following:

1) information on admission to trading, refusal of admission to trading and suspension of trading in financial instruments on a regulated market, within three days following the date of adoption of the decision;
2) an annual financial report accompanying by auditor's reports and reports on operations;
3) other information stipulated by this Law, i.e. at the request of the CMA.

A market operator shall submit annual reports referred to in paragraph 2 item 2 of this Article, within the period of three months following the end of financial year.

The CMA shall publish on its website the report referred to in paragraph 2 item 2 of this Article.

The CMA shall prescribe detailed content of the reports referred to in paragraph 2 item 2 of this Article.

Supervision over regulated market

Article 194

The CMA, in exercising supervision over the operations of the regulated market shall monitor whether the regulated market operates in a fair, equitable and professional manner that enhances market integrity, and whether the trading on the regulated market is performed in accordance with this Law.

Supervision referred to in paragraph 1 of this Article, shall be based upon the assessment of risk that includes on-site examinations and regulated market activities at least annually.

Should, in the process of supervision of the regulated market, the CMA determines that the provisions of this Law and regulated market general acts are violated, the CMA may impose one or more measures as follows:

1) issue a public warning;
2) issue an order for temporary prohibition on performing activities, providing services or executing transactions for a maximum of ten working days;
3) issue an order for temporary suspension or permanent exclusion from a regulated market of trading in financial instruments and to order an MTF operator to admit those financial instruments to trading on an MTF, if information about the joint stock company or other issuer of the financial instrument is not publicly available;
4) issue an order for temporary prohibition on disposal of funds in the accounts and other assets of a market operator for a maximum of ten working days;
5) issue an order temporarily suspending voting rights from qualified holdings for a period of up to three consecutive sessions of the General Meeting of the market operator;
6) issue an order for changing, amending or adopting general acts;
7) impose other measures, in accordance with this Law.

The CMA shall disclose on its website the decision on undertaken measures referred to in paragraph 3 of this Article.

Admission to official listing

Article 195

A market operator shall prescribe the requirements for admission of securities to trading and particularly for:

1) stock exchange market; and
2) free market.

The applicationfor admission of securities to official listing of a regulated market shall be submitted by the issuer, i.e. a person authorized by the issuer.

The applicationfor admission to official listing of a regulated market shall apply to all securities of the same class of an issuer.

A market operator shall decide on admission of securities to official listing on a regulated market.

Securities may be admitted to stock exchange listing if the following conditions are met:

1) the issuer is a joint stock company which is incorporated and/or operates in Montenegro;
2) the issuer submits its financial reports for the past three years to the CMA and makes them available to the public;
3) at least 25% of the class of securities for which admission to listing is sought must be issued through a public offer.

A market operator shall be authorized to prescribe additional requirements for admission of securities to the stock exchange listing, in accordance with this Law.

The applicant referred to in paragraph 2 of this Article shall, when admitting securities to trading on a regulated market, disclose information stipulated by this Law as the content of the prospectus for issue of securities.

Multilateral trading facility – MTF and Organized trading facility - OTF

Article 196

MTFs and OTFs may be managed by an investment firm or an operator authorized by the CMA.

A market operator authorized by the CMA to manage and operate the business of the regulated market may operate an MTF and an OTF, if it complies with the requirements provided for under this Law.

Provisions of this Law governing issuance of authorizations to a market operator and regulated market operations shall accordingly apply to issuance of authorizations to an MTF or OTF and operations of an MTF or OTF, unless this Law provides otherwise.

Trading and concluding transactions on an MTF and OTF

Article 197

Investment firms or market operators operating an MTF or an OTF shall establish transparent rules and procedures for fair and orderly trading and access to the system and establish objective criteria for the efficient execution of orders, and financial instruments that can be traded under its systems.

Investment firms or market operators operating an MTF or an OTF shall:

1) have arrangements for the sound management of the technical operations of the facility, including the establishment of effective contingency arrangements to cope with risks of systems disruption;
2) provide investors with information to enable its users to form an investment judgement, taking into account both the nature of the users and the types of instruments traded;
3) have arrangements to identify clearly and manage the potential adverse consequences for the operation of the MTF or OTF, or for the members or participants and users, of any conflict of interest between the interest of the MTF, the OTF, their owners or the investment firm or market operator operating the MTF or OTF and the sound functioning of the MTF or OTF;
4) put in place the necessary arrangements to facilitate the efficient settlement of the transactions concluded under the systems of that MTF or OTF, as well as to clearly inform its members or participants or users of their respective responsibilities for the settlement of the transactions executed in that facility.

MTF and OTF must have at least three materially active members or users, each having the opportunity to interact with all the others in respect to price formation.

Provision of this Law relating to the security of the system, the system for interruption of trading, electronic trading and price movement shall apply to investment firms and market operators that manage MTF or OTF.

Where a transferable security is traded on an MTF or an OTF without the consent of the issuer, the issuer shall not be subject to any obligation relating to financial disclosure with regard to that MTF or an OTF.

Investment firms and market operators operating an MTF or an OTF shall provide the CMA with a detailed description of the functioning of the MTF or OTF, including any links to or participation by a regulated market, an MTF, an OTF or a systematic internaliser owned by the same investment firm or market operator, and a list of their members and/or users.

Requirements relating to MTFs

Article 198

An investment firm or market operator operating an OTF should be subject to requirements in relation to non-discriminatory execution of orders.

An investment firm or market operator operating an OTF shall:

1) identify all significant risks to its operation and to put in place effective measures to mitigate those risks;
2) implement arrangements to facilitate the efficient and timely finalisation of the transactions executed under the operator's systems; and
3) have the financial resources considered sufficient to facilitate functioning of the system having regard to the nature and extent of the transactions concluded on the market and the range and degree of the risks to which the operator is exposed.

Investment firms or market operators operating an OTF must not execute clients' orders by using their proprietary capital or to trade by matching orders.

Requirements relating to OTFs

Article 199

An investment firm or a market operator operating an OTF shall established the arrangements preventing the execution of client orders in an OTF against the proprietary capital of the investment firm or the capital of a person related to it.

An investment firm or market operator operating an OTF may engage in matched principal trading in bonds, structured finance products, emission allowances and certain derivatives, and only in cases where the client has been informed of the process.

An investment firm or market operator operating an OTF may engage in dealing on own account other than matched principal trading only with regard to sovereign debt instruments for which there is not a liquid market.

The operation of an OTF and of a systematic internaliser to take place within the same legal entity is not allowed.

An investment firm or market operator operating an OTF shall not:

1) an investment firm or market operator operating the OTF shall not use matched principal trading to execute client orders in an OTF in derivatives pertaining to a class of derivatives that has been declared subject to the clearing obligation in accordance with the provisions of this Law;
2) connect with a systematic internaliser in a way which enables orders in an OTF and orders or quotes in a systematic internaliser to interact;
3) connect with another OTF in a way which enables orders in different OTFs to interact.

An investment firm or market operator operating an OTF may engage another investment firm as a market maker on an OTF, if such investment firm is not linked with the investment firm or a market operator managing that OTF.

An investment firm or market operator operating an OTF can only exercise discretion in the following circumstances:

1) when deciding to place or retract an order on the OTF they operate;
2) when deciding not to match a specific client order with other orders available in the systems at a given time, provided it is in compliance with specific instructions received from a client and with its obligations in accordance with this Law.

For the system that crosses clients' orders, an investment firm or market operator operating an OTF may decide if, when and how much of two or more orders it wants to match within the system.

An investment firm or market operator operating an OTF shall submit to the CMA an explanation for reasons of using trading by matching orders.

Investment firm or market operator engaging in matched principle trading in an OTF must be prepared for strict oversight of the CMA. This is to ensure that such trading does not give rise to conflicts of interest between the investment firm or market operator and its clients.

Monitoring of compliance with the rules of the MTF or the OTF

Article 200

Investment firms and market operators operating an MTF or OTF shall establish and maintain effective arrangements and procedures, relevant to the MTF or OTF, for the regular monitoring of the compliance by its members or participants or users with its rules.

Investment firms and market operators operating an MTF or an OTF shall monitor the orders sent, including cancellations and the transactions undertaken by their members or participants, in order to identify disorderly trading conditions or conduct that may indicate prohibited behaviour or system disruptions in relation to a financial instrument.

Investment firms and market operators operating an MTF or an OTF shall inform the CMA immediately of disorderly trading conditions or conduct that may indicate prohibited behaviour or system disruptions in relation to a financial instrument and to provide support in the procedure of investigation of market abuse executed in their systems or through their systems.

In the case referred to in paragraph 3 of this Article the CMA shall notify ESMA and the competent authorities of other Member States.

Cancellation, i.e. withdrawal of financial instruments from trading on an MTF or an OTF

Article 201

An investment firm or market operator operating an MTF or an OTF may suspend or remove a derivative from trading where that derivative is related or referenced to financial instruments which are not in accordance with the MTF or OTF rules, unless such suspension or removal would be likely to cause significant damage to the investors' interests or the orderly functioning of the market.

An investment firm or market operator operating an MTF or an OTF shall make public on its website its decision on the suspension or removal of the financial instrument and of any related derivative referred to in paragraph 1 of this Article and communicate the relevant decisions to the CMA.

The provision of Article 189 paragraphs 5, 6, 7 and 8 of this Law shall accordingly apply to suspension or removal of a financial instrument and any related derivatives referred to in paragraph 1 of this Article, caused by market abuse.

SME growth market

Article 202

MTF may apply to have the MTF registered as an SME growth market when:

1) at least 50% of the issuers whose financial instruments are admitted to trading on the MTF are SMEs at the time when the MTF is registered as an SME growth market;
2) appropriate criteria are set for initial and ongoing admission to trading of financial instruments of issuers on the market;
3) on initial admission to trading of financial instruments on the market there is sufficient information published to enable investors to make an informed judgment about whether or not to invest in the financial instruments, either an appropriate admission document or the prospectus if the requirements are applicable in respect of a public offer being made in conjunction with the initial admission to trading of the financial instrument on the MTF;
4) there is appropriate ongoing periodic financial reporting by or on behalf of an issuer on the market, for example audited annual reports;
5) issuers on the market, persons discharging managerial responsibilities and persons closely associated with them comply with relevant requirements applicable to them under this Law;
6) regulatory information concerning the issuers on the market is stored and disseminated to the public in accordance with this Law;
7) there are effective systems and controls aiming to prevent and detect market abuse on that market as required under this Law.

An investment firm or market operator operating an MTF may also impose additional requirements to those specified in paragraph 1 of this Article which relate to the issuers.

MTF which fulfils the requirements referred to in paragraph 1 of this Article as an SME growth market shall be registered by the CMA.

The CMA may deregister an MTF as an SME growth market in any of the following cases:

1) the investment firm or market operator operating the market applies for its deregistration;
2) the requirements in paragraph 1 of this Article are no longer complied with in relation to the MTF.

The CMA shall as soon as possible notify ESMA of registration, i.e. deregistration of an MTF as an SME growth market.

Where a financial instrument of an issuer is admitted to trading on one SME growth market, the financial instrument may also be traded on another SME growth market only where the issuer has been informed and has not objected.

In the case referred to in paragraph 6 of this Article, the issuer shall not be subject to any obligation relating to disclosure of data to an MTF where the financial instrument is traded without its approval.

Cooperation and reporting of the CMA and the competent authority of another Member State

Article 203

If the regulated market whose home Member State is another Member State ensured access to and trading to members and participants from Montenegro in this market, the CMA will submit a request to the competent authority of that home Member State to establish appropriate cooperation.

Where the CMA has good reasons to suspect that acts carried out by entities not subject to its supervision, are being or have been carried out on the territory of another Member State, it shall notify the competent authority of the other Member State and ESMA.

If the CMA receives the notification on the regulated market acting contrary to provision of this Law by the competent authority of the Member State, it shall take appropriate action inform the notifying competent authority and ESMA thereof.

The CMA shall notify ESMA and other competent authorities of the details of:

1) any requests to reduce the size of a position or exposure pursuant to Article 27 paragraph 2 item 22 of this Law;
2) any limits on the ability of persons to enter into a commodity derivative pursuant to Article 27 paragraph 2 item 23 of this Law .

The notification referred to in paragraph 4 item 1 of this Article shall include name and surname, i.e. name and a registered office of the person to whom the measure was addressed and the reasons therefor, i.e. name and surname, i.e. the name of the person to whom the measure referred to in paragraph 4 item 2 of this Article was addressed, including reasons therefor, the scope of limits introduced, the applicable financial instruments, any limits on the size of positions the person can hold at all times as well as any exemptions referred to in Article 322 paragraph 3 of this Law.

The notification referred to in paragraph 4 of this Article shall be made not less than 24 hours before the actions or measures are intended to take effect.

When an action under paragraph 4 of this Article, relates to wholesale energy products, the CMA shall also notify the Agency for the Cooperation of Energy Regulators (ACER).

Precautionary measures to be taken by the CMA when Montenegro is the host Member State of the regulated markets and an MTF

Article 204

Where Montenegro is the host Member State of a regulated market or MTF and the CMA has clear and demonstrable grounds for believing that such regulated market or MTF is in breach of the obligations arising from provisions of this Law, the CMA shall refer those findings to the competent authority of the regulated market or MTF home Member State.

If, despite the measures taken by the competent authority of the regulated market or MTF home Member State, the regulated market or MTF persists in violating provisions of this Law, the CMA shall prohibit the regulated market or MTF to provide services in Montenegro or undertake other appropriate measures needed in order to protect investors and the proper functioning of the market and shall inform the competent authority of the home Member State thereof.

VII. INVESTMENT FIRMS

Investment firm status

Article 205

Investment firm which has legal personality and which was established in Montenegro may, as its main activity, provide investment and ancillary services.

The services referred to in paragraph 1 of this Article may be provided only with prior authorization issued by the CMA.

Investment firm shall be established as a joint stock company in accordance with the law governing the organization of performing business activities, unless this Law provides otherwise.

Notwithstanding paragraph 1 of this Article an authorized credit institution may carry out the activity of providing ancillary services if:

1) has a separate organisational part for carrying out such activity;
2) keeps records and information regarding operations of such separate part separately in its business books; and
3) meets the requirements stipulated for investment firms by this Law, unless this Law provides otherwise.

Provisions of Article 141, Articles 196 to 202, Articles 206 to 209, Articles 214 to 220, Articles 222 to 225, Articles 237,238,239,242,243 and Articles 251 to 362 of this Law shall accordingly apply to an authorized credit institution.

An investment firm shall not carry out other activities other than those referred to in paragraph 1 of this Article.

Investment services and ancillary services

Article 206

Investment services shall mean services and activities which include:

1) the reception and transmission of orders in relation to one or more financial instruments;
2) the execution of orders on behalf of clients;
3) dealing on own account;
4) portfolio management;
5) investment advice;
6) underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis;
7) placing of financial instruments without a firm commitment basis;
8) operation of a MTF;
9) operation of an OTF.

Ancillary services shall mean:

1) safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management;
2) granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction;
3) providing general recommendations on capital structure, business strategy and related matters and advice and services relating to merger and acquisition of parts in undertakings;
4) foreign exchange services where these are connected to the provision of investment services;
5) investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments;
6) services related to underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis;
7) investment services and activities as well as ancillary services relating to derivatives referred to in Article 3 paragraph 1 item 4 sub-items b, c, d and g of this Law, if connected with investment and ancillary services.

Investment advice referred to in paragraph 1 item 5 of this Article means the provision of personal recommendations to a client, either upon its request or at the initiative of the investment firm, in respect of one or more transactions relating to financial instruments.

Personal recommendation referred to in paragraph 3 of this Article is a recommendation that is made to a person in his capacity as an investor or potential investor, or in his capacity as an agent for an investor or personal investor which particularly contain a recommendation for:

1) buying, selling, subscribing for, exchanging, redeeming, holding or underwriting a particular financial instrument; or
2) exercising or not exercising any right conferred by such an instrument to buy, sell, subscribe for, exchange, redeem, hold or insure a financial instrument.

Personal recommendation referred to in paragraph 3 of this Article is not a personal recommendation if it is issued exclusively through distribution channels or to the public.

Provision of ancillary services

Article 207

Ancillary services to the extent ad types determined by authorization to provide investment services may be provided by:

1) an investment firm or an authorized credit institution;
2) an investment firm supervised by the competent authority of the Member State;
3) a branch of an investment firm established in Montenegro supervised by the competent authority of the Member State;
4) a branch of an investment firm established in Montenegro with a registered office in a third country or a branch of an authorized credit institution.

Ancillary services may be provided only if the investment firm is authorized to provide at least one investment service.

Relevant person in relation to an investment firm

Article 208

Relevant person in relation to an investment firm means any of the following:

1) a shareholder, manager or tied agent of the firm;
2) an employee of the firm or of a tied agent of the firm, as well as any other natural person whose services are placed at the disposal or under the control of the firm or a tied agent of the firm and who is involved in the provision of investment and ancillary services;
3) a natural person who is directly involved in the provision of services to the investment firm or to its tied agents under an outsourcing arrangement for the purpose of the provision of investment and ancillary services.

A relevant person, within the meaning of paragraph 1 of this Article, shall also be a financial analyst who produces the substance of investment research.

Staffing and organizational and technical requirements

Article 209

An investment firm shall perform investment and ancillary services, if it meets the requirements in terms of staffing and organizational and technical requirements as follows:

1) shall have at least two permanently employed persons with the authorization of the CMA for providing brokerage, i.e. investment advice activities;
2) it shall establish adequate policies and procedures sufficient to ensure compliance of the firm including its managers, employees and tied agents with its obligations under this Law;
3) have the rules governing transactions executed by managers and other persons employed in the investment firm on their own behalf and for their own account;
4) shall maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps designed to prevent conflicts of interest from adversely affecting the interests of its clients;
5) shall maintain, operate and review a process for the approval of each financial instrument before it is marketed or distributed to clients;
6) shall specify an identified target market of end clients within the relevant category of clients for each financial instrument with all relevant risks and shall ensure that intended distribution strategy is consistent with the identified target market;
7) has established measures for receiving the information, if it offers or provides recommendations for financial instruments it does not create;
8) it shall take reasonable steps to ensure continuity and regularity in the performance of investment services and activities;
9) for performing activities of portfolio management and investment advice, it must have at least one employee authorized by the CMA to perform activities of an investment advisor;
10) shall have sound administrative and accounting procedures, internal control mechanisms, effective procedures for risk assessment, and effective control and safeguard arrangements for information processing systems.

Detailed requirements in terms of staffing and organizational and technical requirements, as well as organizational requirements for investment firms and their branches shall be prescribed by the CMA.

Qualifying holding in investment firms

Article 210

The provisions on qualifying holding in the market operator and control referred to in Articles 158 to 167 of this Law shall also apply to investment firms.

Investment firm management bodies

Article 211

Persons managing an investment firm shall at all times be of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties in accordance with this Law.

An investment firm must have at least two members who run business operations and represent the investment firm.

A person who obtained prior approval of the CMA may be appointed for a member of the Board of Directors or the Executive Director of the investment firm and who:

1) has a higher education qualification level seven (VII) in the volume of 240 MCTS;
2) is of sufficiently good repute; and
3) has at least three years of work experience in the field of finance and financial markets.

In addition to the application for issuing approval for the appointment of a member of the Board of Directors or the Executive Director of an investment firm, a proof of fulfilment of the conditions referred to in paragraph 3 of this Article shall be submitted.

A member of the Board of Directors or the Executive Director of an investment firm may not be appointed a person who:

1) was sentenced to an unconditional prison sentence of more than six months by a final court decision;
2) is employed in the managerial positions or employee in the public administration bodies, agencies and organizations founded by the State;
3) who is the director, Board of Directors' member or an employee with qualified holding in another investment firm, an authorized credit institution with authorized bank, investment or voluntary pension fund management company;
4) who is not the director, Board of Directors' member or an employee with market operator or CCDC.

The Executive Director of the investment firm shall be employed full time in the investment firm.

Granting and withdrawal of approval for the appointment of investment firm management bodies

Article 212

The CMA shall issue an approval for the appointment of a member of the Board of Directors or the Executive Director of an investment firm, if it establishes that they meet the requirements referred to in Article 211 of this Law.

The CMA shall decide upon the application for granting authorization referred to in paragraph 1 of this Article within the period of ten days following the receipt of the request.

If the application for granting authorization referred to in paragraph 1 of this Article was filed simultaneously with the application for issuing license to provide services of an investment firm, the CMA shall decide on both applications simultaneously.

The CMA shall withdraw the authorization referred to in paragraph 1 of this Article, if it finds that:

1) the approval was granted on the basis of false or incomplete information;
2) the person to whom the approval was granted no longer meets the prescribed requirements;
3) the person to whom the approval was granted violates the provisions of this Law, the law governing prevention of money laundering and terrorist financing, therefore being unfit and improper and unreliable for carrying out the activities of a member of the Board of Directors or the Executive Director.

Provisions of paragraphs 1 to 4 of this Article shall also apply to the manager of the organizational part of the authorized credit institutions.

Detailed contents of the application for granting authorization for the election or appointment of the Executive Director and member of the Board of Directors of the investment firm and the documentation submitted along with the application shall be prescribed by the CMA.

Broker and investment adviser

Article 213

Investment services referred to in Article 206 paragraph 1 items 1 and 2 of this Law may be performed by an employee in an investment firm or in an authorized credit institution, who has the licence issued by the CMA to perform these activities (hereinafter referred to as: broker).

Investment services referred to in Article 206 paragraph 1 items 1, 2, 4 and 5 of this Law may be performed by an employee in an investment firm or in an authorized credit institution, who has the licence issued by the CMA to perform these activities (hereinafter referred to as: investment adviser).

The CMA shall issue a licence to perform brokerage or investment advisers activities, to a person who passed a professional examination for performing activities referred to in paragraphs 1 and 2 of this Article.

The programme, a manner of implementation and taking an examination referred to in paragraph 3 of this Article shall be prescribed by the CMA.

The CMA shall register persons licenced to perform the activities referred to in paragraphs 1 and 2 of this Article, into the Register of brokers and investment advisers.

Detailed conditions for issuing licences referred to paragraphs 1 and 2 of this Article, the contents of the application for issuing licence and documentation submitted along with the application shall be prescribed by the CMA.

Application for issuing licence for brokers and investment advisers

Article 214

Licence to perform brokerage or investment advisers activities shall be issued by the CMA at the request of the person who, in addition to passed professional examination for brokers, i.e. investment advisers, fulfils also other requirements referred to in Article 213 paragraph 6 of this Law.

The CMA shall decide on the application referred to in paragraph 1 of this Article within the period of 15 days following the receipt of the application.

Standards of conduct for brokers and investment advisers

Article 215

Broker and investment adviser shall, when carrying out their activities in connection with investment services provided to the client by an investment firm, act in accordance with the rules and professional standards and this Law.

An investment adviser shall recommend the purchase or sale of financial instruments in the best interest of investors and shall not recommend the purchase or sale of financial instruments only for the purpose of achieving the commission.

Withdrawal of broker and investment adviser licence

Article 216

The CMA shall withdraw the licence to a broker and investment advisor if:

1) he was sentenced for a criminal offense to unconditional imprisonment of at least six months or convicted of a crime that makes him unworthy for his position;
2) data on the basis of which the licence was granted are false;
3) he commits the same irregularity at least twice over a period of three years, which was detrimental to the client.

In case of withdrawal of the licence, the CMA shall determine the period within which a broker or investment adviser may not request issuing of a licence.

The period referred to in paragraph 2 of this Article may not be longer than five years nor shorter than three months.

The CMA shall issue a reprimand to a broker, i.e. an investment adviser in case of violation of the provisions of this Law.

Termination of broker and investment adviser licence

Article 217

The licence for broker and investment adviser shall be terminated:

1) by termination of employment contracts in the investment firm or authorized credit institution for which the licence was issued if, within 60 days after termination of the employment contract he fails to enter into an employment contract in another investment firm or an authorized credit institutions of which he shall notify the CMA;
2) upon the request of a broker or investment adviser.

Granting authorization to an investment firm to provide investment services

Article 218

The procedure for granting authorization for the provision of investment services shall be initiated by submission of the applicationsubmitted to the CMA by an investment firm.

In addition to the applicationreferred to in paragraph 1 of this Article the following shall be submitted:

1) general acts of the applicant;
2) information on all persons having qualifying holding in the applicant, including the type, amount and percentage of such a holding, as well as data on persons with whom the persons having qualifying holding are closely related or other persons able to control or exert significant influence to the applicant;
3) name and surname, qualifications, experience and business reputation of the proposed directors and members of the Board of Directors of the applicant, referred to in Article 211 of this Law;
4) information on personnel and organizational capacity and technical equipment of the applicant referred to in Article 209 of this Law;
5) price list containing fees and expenses of the applicant for investment services and activities for which the authorization is being requested;
6) information about the proposed program of operations of the applicant, including the intended type of business and organizational structure, i.e. a review of the system of operations in accordance with this Law;
7) evidence on the payment of the initial contribution; and
8) evidence on payment of the fee for application in accordance with the price list of the CMA.

If the applicant has a license or the authorization to provide investment services issued by the competent authority of the third country, in addition to documents and information referred to in paragraph 2 of this Article, he shall submit:

1) excerpt from the Register, i.e. authorization of the competent authority of a foreign country, articles of incorporation, articles of association or another evidence on establishment of the investment firm, in its original copy or a certified translation thereof;
2) excerpt from the Register of Commercial Entities for legal persons - shareholders of the investment firm which is the legal person, i.e. persons closely related to it, as well as the original copy and a certified translation of the excerpt from the Register of Commercial Entities for foreign legal persons, and
3) the proof that the competent authority of the State where the investment firm was established, i.e. a person closely related to it approved the investment firm, i.e. its related person to submit the applicationfor granting authorization in Montenegro, or the evidence that such an approval is not required according to laws of that State.

Detailed contents of the application and documentation to be submitted with the application referred to in paragraphs 2 and 3 of this Article shall be prescribed by the CMA.

Granting authorization for provision of investment services

Article 219

The CMA shall decide on the application for granting authorization to provide investment services within the period of six months from the day of receiving the application.

The CMA shall grant an authorization for provision of investment services if it finds that:

1) the application and necessary accompanying documentation are complete and valid;
2) the persons with qualifying holding in the investment firm and their related persons meet the requirements stipulated by this Law;
3) Board of Director's members and the Executive Director meet the requirements referred to in Article 211 of this Law.

The CMA shall refuse the application for granting authorization to provide investment services if it finds that:

1) data contained in the application are incomplete, false or misleading;
2) a proposed member of the Board of Directors or the Executive Director does not meet the requirements established by this Law;
3) ownership structure of the applicant, i.e. the persons related to persons who hold qualifying holding, prevents the efficient supervision of the CMA.

The CMA shall notify ESMA on granting authorization for the provision of investment services to an investment firm.

Investment firm services contained in the authorization

Article 220

The authorization for the provision of investment services shall specify investment services which the investment firm is authorized to perform, as well as ancillary services.

As regards the provision of ancillary services, or services which are not specified in the authorization, the investment firm shall submit the applicationfor an authorization to perform these services.

On the basis of the authorization issued by the CMA, the investment firm may provide investment services and related ancillary services in the territory of the European Union, directly or through establishment of a branch.

Inter-authority consultation prior to authorisation

Article 221

The competent authorities of the other Member State involved shall be consulted by the CMA prior to granting authorisation to an investment firm which is:

1) a subsidiary of an investment firm or credit institution authorised in another Member State;
2) a subsidiary of the parent undertaking of an investment firm or credit institution authorised in another Member State; or
3) controlled by the same natural or legal persons as control an investment firm or credit institution authorised in another Member State.

The competent authority of the Member State responsible for the supervision of credit institutions or insurance undertakings shall be consulted by the CMA prior to granting an authorisation to an investment firm which is:

1) a subsidiary of a credit institution or insurance undertaking authorised in the Member State;
2) a subsidiary of the parent undertaking of a credit institution or insurance undertaking authorised in the Member State; or
3) controlled by the same person, whether natural or legal, who controls a credit institution or insurance undertaking authorised in the Member State.

The CMA shall in particular consult the competent authorities referred to in paragraphs 1 and 2 of this Article when assessing the suitability of the shareholders or members and the business reputation and experience of persons who effectively direct the business involved in the management of another entity of the same group.

The CMA shall, at the request of the competent authorities referred to in paragraph 1 of this Article, make available the information of relevance for the granting of an authorisation.

Withdrawal of authorisation

Article 222

The CMA shall withdraw the authorisation issued to an investment firm where such an investment firm:

1) does not make use of the authorisation within 12 months or expressly renounces the authorisation;
2) has provided no investment services or ancillary services for the preceding six months;
3) has obtained the authorisation by making false statements or by any other irregular means;
4) no longer meets the conditions under which authorisation was granted;
5) has seriously and systematically infringed the provisions of this Law.

The CMA shall notify ESMA on withdrawal of authorization to provide investment services.

Notifying clients about the withdrawal of the license to provide investment services

Article 223

In the case of withdrawal of the authorization to provide investment services to an investment firm, the CMA shall notify the clients of an investment firm in order to withdraw funds from the account of that investment firm or to transfer their funds to another investment firms authorized to provide investment services.

In the case of withdrawal of the authorization to provide investment services to an investment firm, a liquidation or bankruptcy procedure shall be initiated in accordance with the law governing business organizations, i.e. business organizations bankruptcy procedure.

In the case referred to in paragraph 2 of this Article, assets of clients of an investment firm may not be included in the liquidation or bankruptcy estate of that firm.

The costs of notifying clients referred to in paragraph 1 of this Article shall be borne by the investment firm which was withdrawn the authorization to provide investment services.

Register of authorizations

Article 224

The CMA shall enter authorizations for the provision of investment, i.e. ancillary services and issued approvals for the appointment of members of the Boards of Directors and the Executive Director of an investment firm, into the Register of authorizations for the provision of investment services.

Register referred to in paragraph 1 of this Article shall in particular contain:

1) business name and a registered office of an investment firm;
2) number and date of issue of an authorization;
3) type of business in securities the authorization relates to;
4) names and surnames of the Executive Director and Board of Director's members, as well as other persons on managerial positions;
5) changes in the authorization in case of data changes;

6) data on the withdrawal of the authorization;
7) names and surnames of major shareholders.

Data contained in the Register of investment firms shall be publicly available on the website of the CMA, except for the confidential data in accordance with the law.

Detailed contents of the Register referred to in paragraph 1 of this Article shall be prescribed by the CMA.

Notification of change in conditions and data

Article 225

An investment firm shall notify the CMA of any material changes to the conditions under which the authorization was granted.

When investment firm ceases to perform activities to which the authorization relates, or any changes to the data entered in the register occur, it shall submit a written notification thereof to the CMA in the period not later than seven days.

Investment firm shall inform the CMA in writing when a change of data based on which the authorization was issued occurs, within the period of seven days following the date of occurrence of such change.

Establishment of a branch in another Member State

Article 226

An investment firm authorized by the CMA to provide investment services shall notify the CMA on its intention to establish a branch within the territory of another Member State or to use tied agents established in another Member State.

The notification referred to in paragraph 1 of this Article shall in particular include:
1) the Member States within the territory of which it plans to establish a branch;
2) the address in the Member State for the receipt of documents; and
3) the names of persons responsible for the management of the branch.

In addition to the information referred to in paragraph 1 of this Article, the investment firm shall submit a general act on organizational structure of a branch, programme of operations which includes investment services, as well as ancillary services the investment firm intends to provide.

Where the CMA finds that there are no obstacles for the establishment of a branch in accordance with paragraph 1 of this Article, it shall communicate that information referred to in paragraphs 1, 2 and 3 of this Article and information on investor protection fund whose member is that investment firm to the competent authority of the Member State within three months of receiving all the information and inform the investment firm concerned thereof.

In the event of a change in the particulars referred to in paragraph 2 of this Article, the CMA shall inform the competent authority of the Member State thereof.

Explaining reasons for refusal to communicate the information

Article 227

Where the CMA decides not to communicate the information referred to in Article 226 paragraphs 1, 2 and 3 of this Law to the competent authority of the host Member State, it shall notify the applicant wishing to establish a branch or use services of a tied agent in the territory of the Member State thereof and shall give reasons for its decision to the investment firm concerned within the period of three months of receiving all the information.

Providing services in the European Union

Article 228

An investment firm which has an authorization granted by the CMA for the provision of investment services and intends to commence the provision of investment and ancillary services in the territory of another Member State or intends to change the types of services provided or performed, shall submit the notification to the CMA containing:

1) the Member State in which it intends to provide investment services;
2) a programme of operations specifying the investment and ancillary services it intends to provide; and
3) a statement of intent of using the services of tied agents in the territory of the host Member State in which it intends to provide services.

The CMA shall submit the information referred to in paragraph 1 of this Article, to the competent authority in the host Member State, within the period of 30 days of receiving the information.

In cases where the investment firm referred to in paragraph 1 of this Article intends to use tied agents with a registered office in Montenegro, the CMA shall notify the competent authority of the Member State on the identity of the tied agent within the period of 30 days following the notification.

In the event of a change in any of the particulars referred to in paragraph 1 of this Article, the investment firm shall notify the CMA within the period of 30 days following implementation of the change.

The CMA will inform the competent authority of the host Member State on the change of data referred to in paragraph 4 of this Article.

The provisions of paragraph 1 item 3 and paragraph 2 of this Article shall also apply to authorized credit institutions.

An investment firm or a market operator operating an MTF authorized by the CMA for the provision of investment services, may conclude an appropriate agreement (arrangement) in another Member State for access to its system and the trading venue to members and participants from that Member State and to inform the CMA thereof.

The CMA shall notify the competent authority of the Member State where an investment firm or a market operator operating an MTF intends to provide services the conditions referred to in paragraph 7 of this Article for access to members or participants of that Member State by concluding contracts (arrangement), within 30 days of the receipt of the notification.

The CMA shall, at the request of the competent authority of the host Member State of an MTF, communicate the names of the members or participants of the MTF established in the host Member State.

A branch of an investment firm in a third country

Article 229

An investment firm authorized by the CMA for the provision of investment services, which intends to provide investment and ancillary services in a third country shall, before the establishment of a branch, notify the CMA thereof.

Investment firm shall, not later than eight days following the date of the establishment of a branch in the third country, submit to the CMA certified copies of authorization for the provision of investment and ancillary services and an extract from the register in which the branch was registered, issued by the competent authority of the country in which the branch was established, as well as a list of persons authorized, in firm's operations, to represent the authorized person and persons providing investment services in the branch concerned.

The CMA shall supervise the operations of an investment firm referred to in paragraph 1 of this Article.

Notification about the difficulties which the investment firms encounter in establishing themselves or providing investment services and/or performing investment activities in any third country

Article 230

The CMA shall notify the European Commission and ESMA of any general difficulties the investment firms from Montenegro encounter in establishing themselves or providing investment services and/or performing investment activities in any third country.

Authorization for the establishment of branches and freedom to provide services in Montenegro

Article 231

Credit institutions and investment firms authorized to provide investment services in another Member State supervised by the competent authority of that Member State may provide investment services in Montenegro through a branch established in the manner and under conditions stipulated by this Law.

Investment firms and market operators managing an MTF from other Member States, may conclude appropriate agreements (arrangements) in Montenegro which provide for access to and use of their systems to users in Montenegro.

Provision of investment and ancillary services by investment firms incorporated in third countries

Article 232

The investment firm incorporated in a third country that intends to provide investment and ancillary services to retail clients and professional clients in Montenegro shall establish a branch.

For the establishment of a branch referred to in paragraph 1 of this Article, an investment firm shall submit the applicationto the CMA for granting authorization to provide investment services.

The CMA may grant an authorization for the provision of investment services to a branch if:

1) an investment firm is authorized to provide investment services in the country where it is established and control over its performance is made by the competent authority of that State;
2) The CMA and the competent supervisory authority of the country in which the investment firm intends to establish a branch concluded an agreement on cooperation and exchange of information;
3) it estimates that, according to the type and extent of operations, a branch has sufficient initial capital;
4) management bodies meet the requirements referred to in Article 211 of this Law;

5) it concluded an international agreement on the avoidance of double taxation (Article 26 of the Model - Convention of The Organisation for Economic Co-operation and Development) with a third country;
6) an investment firm is a member of an appropriate investor-compensation scheme.

The CMA shall, when assessing the application referred to in paragraph 2 of this Article, in particular appreciate the compliance with the recommendations of the working group of Financial Action Task Force (FATF).

Contents of the application for the establishment of a branch of an investment firm incorporated in a third country in Montenegro

Article 233

In the application for the establishment of a branch in Montenegro, the investment firm incorporated in a third country shall specify:

1) the name of the authority that supervises its operations in a third country;
2) the information about the firm (name of the investment firm, legal form, the address and registered office, data on management bodies' members and of the shareholders);
3) the identity of persons responsible for the management of the branch;
4) data on the equity capital of a branch.

In addition with the application referred to in paragraph 1 of this Article, the investment firm shall submit a business plan that sets out investment services and ancillary services which the investment firm intends to provide, the organizational structure of a branch and evidence that the persons referred to in paragraph 1 item 3 of this Article meet the requirements established by this Law.

Granting authorization to provide investment services to a branch of the firm incorporated in a third country

Article 234

The CMA shall grant an authorization for the provision of investment services to a branch of an investment firm incorporated in a third country if the requirements referred to in Article 232 of this Law are met.

The CMA shall inform the applicant on the decision referred to in paragraph 1 of this Article within the period of six months following the submission of the application.

A branch of an investment firm incorporated in a third country which is authorized to provide investment services in accordance with paragraph 1 of this Article, shall operate in accordance with this Law.

Supervision over operations of a branch referred to in paragraph 1 of this Article shall be carried out by the CMA.

Withdrawal of authorization to provide investment services to a branch of the firm incorporated in a third country

Article 235

The CMA may withdraw the authorisation issued to an investment firm branch where such an investment firm branch:

1) an investment firm branch does not make use of the authorisation within 12 months or has provided no investment services for the preceding six months;
2) an investment firm branch has obtained the authorisation by making false statements or by any other irregular means;

3) an investment firm branch no longer meets the conditions under which authorisation for provision of investment services to a branch of an investment firm was granted;
4) an investment firm branch acts contrary to the provisions of this Law.

Reporting of branches

Article 236

The persons referred to in Article 286 of this Law, which have a branch in Montenegro shall, upon the request of the CMA, submit annual and periodic reports on the activities of those branches.

The CMA may require branches of investment firms from the Member States to provide information identical to those submitted by investment firms for which Montenegro is the home Member State.

Detailed contents of the report referred to in paragraph 1 of this Article shall be prescribed by the CMA.

Provision of services through the medium of another investment firm

Article 237

An investment firm may conclude an agreement on provision of investment or ancillary services through the medium of another investment firm on behalf of a client which may rely on client information transmitted by the latter firm.

The investment firm which receives an instruction to undertake services on behalf of a client in this way shall also be able to rely on any recommendations in respect of the service or transaction that have been provided to the client by another investment firm.

The investment firm which mediates the instructions, i.e. gives recommendations referred to in paragraph 2 of this Article, will remain responsible for the appropriateness of data contained in the client's order , i.e. for recommendations.

The investment firm which receives client instructions or orders through the medium of another investment firm shall remain responsible for concluding the service or transaction, based on any such instructions or recommendations, in accordance with this Law.

The agreement referred to in paragraph 1 of this Article may be concluded if the investment firm:
1) does not condition payment of fees or other costs from the client of the first investment firm in an amount higher than fees or other costs that the client would pay if the first investment firm provided services;
2) may not cause unnecessary business risks to the first investment firm, jeopardize the implementation of internal control, nor prevent the CMA's control over the fulfilment of obligations of the investment firm.

Detailed conditions under which an investment firm may use the services through the medium of another investment firm shall be prescribed by the CMA.

Tied agent

Article 238

Investment firm to appoint tied agents for the purposes of promoting the services of the investment firm, soliciting business or receiving orders from clients or potential clients and transmitting them, placing financial instruments and providing advice in respect of such financial instruments and services offered by that investment firm.

An investment firm shall remain fully and unconditionally responsible for any action or omission on the part of the tied agent when acting on behalf of the firm.

A tied agent shall disclose the capacity in which he is acting and the firm which he is representing when contacting or before dealing with any client or potential client.

A tied agent may, in accordance with Articles 252 and 258 of this Law, handle clients' money and/or financial instruments on behalf and under the full responsibility of the investment firm.

An investment firm shall monitor the activities of its tied agent.

A tied agent in accordance with Articles 252 and 258 of this Law may handle clients' money and/or financial instruments on behalf and under the full responsibility of the investment firm they represent in the case of a cross-border operation, in the territory of a Member State which allows a tied agent to handle clients' money.

Entry into the Register of tied agents

Article 239

The activities referred to in Article 238 of this Law may only be carried out by tied agents registered into the Register kept by the CMA.

Tied agents may be registered into the Register referred to in paragraph 1 of this Article, if it has been established that they are of sufficiently good repute and that they possess appropriate general, commercial and professional knowledge so as to be able to communicate accurately all relevant information regarding the proposed service to the client or potential client.

Tied agents shall submit to the CMA the application for registration into the Register referred to in paragraph 1 of this Article.

In addition to the application for registration of tied agents, evidence on fulfilment of conditions for registration shall be also submitted.

The Register referred to in paragraph 1 of this Article shall be publicly available on the website of the CMA.

An investment firm shall ensure that the activities of the tied agent not covered by the provisions of this Law, could not affect the activities carried out by the tied agent on behalf of the investment firm.

Authorized credit institutions shall inform the CMA on their intention to appoint a tied agent with a registered office outside Montenegro.

The provisions of this Law governing establishment and operations of branches shall apply to the appointment and activities of the tied agent referred to in paragraph 7 of this Article.

Detailed requirements for registration into the Register of tied agents shall be prescribed by the CMA.

Registration into the Central Register of Commercial Entities

Article 240

An investment firm shall acquire legal personality by registration with the CRCE.

The applicationfor entry in the CRCE shall be filed no later than thirty days following the receipt of the authorization.

An investment firm shall start its operations within 12 months following the date of its registration into the CRCE.

Authorization in case of status changes

Article 241

An investment firm shall, prior filing the application for entry of a statutory change into the CRCE, submit the application to the CMA for granting authorization for acquisition, merger or division of an investment firm.

Changing the authorization to provide investment services

Article 242

An investment firm shall, within five working days of the occurrence of changes in the requirements contained in the authorization for the provision of investment services, submit to the CMA the application containing documents determined by this Law for changing authorization in the following cases:

1) additional investment services or activities or ancillary services not foreseen at the time of initial authorization, or to request for extension of its authorization;
2) approval of a proven compliance with the requirements for additional minimum liquid capital necessary for performance of additional investment services or activities which that investment firm plans to perform;
3) any status change;
4) any changes in relation to persons having qualifying holding in the investment firm, including changes in the amounts of qualifying holdings;
5) data on investment firm Board of Directors' members and Executive Director; and
6) changes in relation to employees in the investment firm licenced by the CMA to perform brokerage or investment adviser activities.

Application for authorization - availability to the public

Article 243

The CMA shall publish on its website the application of the investment firm for granting authorization to provide investment services, i.e. for modification of authorization in case of modification of authorization in case of data and documents change referred to in Article 242 of this Law and issued authorizations.

Initial capital of investment firm

Article 244

The total amount of the initial capital of investment firms shall be paid in cash.

All investment firms other than those referred to in Article 245 of this Law, shall have initial capital of EUR 730 000.

Initial capital of certain investment firms

Article 245

An investment firm which offers one or more of services referred to in Article 206 paragraph 1 items 1, 2, 4 and 5 of this Law or holds client money or securities shall have initial capital of EUR 125 000.

An investment firm that offers a service referred to in Article 206 paragraph 1 item 2 of this Law, may hold financial instruments for its own account if:

1) failed to complete clients' orders;
2) a total market value of instruments does not exceed an upper limit of 15 % of the initial capital of the firm;
3) the firm has a corresponding minimum amount of equity in terms of capital requirements and large exposures requirements prescribed by the CMA;
4) holds these instruments for a limited time until execution of the transaction.

An investment firm referred to in paragraph 1 of this Article shall have initial capital of at least EUR 50 000 if does not have the authorization for:

1) holding client money or securities;
2) trading for own account; or
3) providing services of conducting bidding procedure, or underwriting of financial instruments on a firm commitment basis.

The holding of non-trading-book positions in financial instruments in order to invest own funds shall not be considered as dealing for its own account within the meaning of paragraphs 1 or 3 of this Article.

Initial capital of a local firm and firm that provides investment advice

Article 246

Local firms that provide services referred to in paragraph 2 of this Article shall have initial capital of EUR 50 000.

Firms which are only authorised to provide the service of investment advice and/or receive and transmit orders from investors without in both cases holding money or securities belonging to their clients and which for that reason may not at any time place themselves in debit with their clients must have:

1) initial capital of at least EUR 50 000;
2) professional indemnity insurance covering the whole territory of the Union or some other comparable guarantee against liability arising from professional negligence, representing at least EUR 1 000 000 applying to each claim and in aggregate EUR 1 500 000 per annum for all claims; or
3) a combination of initial capital and professional indemnity insurance in a form resulting in a level of coverage equivalent to that referred to in items 1 or 2 of this paragraph.

Exemptions in relation to initial capital

Article 247

Within the meaning of Articles 244 to 246 of this Law an investment firm shall not be considered the following:

1) credit institutions;
2) local firms;
3) firms which:
   a) do not have an authorization to provide ancillary services and financial instruments management on behalf of clients, including custody and related services such as cash/security instruments management;
   b) provide one or more investment services referred to in Article 206 paragraph 1 items 1, 2, 4 and 5 of this Law;
   c) do not have an authorization for holding money or securities of their clients.

A local firm referred to in paragraph 1 item 2 of this Article shall be a firm dealing for its own account on markets in financial futures or options or other derivatives and on cash markets for the sole purpose of hedging positions on derivatives markets, or dealing for the accounts of other members of those markets and being guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such a firm is assumed by clearing members of the same markets.

Measures to ensure capital adequacy

Article 248

An investment firm shall submit the report to the CMA and a regulated market of which it is participant or member of any fall in the minimum capital of the firm below the levels prescribed by this Law.

An investment firm shall state in the report referred to in paragraph 1 of this Article, reasons that led to the fall of initial capital of the investment firm below the levels prescribed.

In the case referred to in paragraph 1 of this Article, an investment firm shall draw up a liquidity contingency plan in accordance with this Law.

In the case referred to in paragraph 1 of this Article or if an investment firm does not reach initial capital referred to in Articles 244, 245 and 246 of this Law the CMA may order the investment firm the following:

1) prohibition to perform activities;
2) in the period, which may not be longer than six months, to provide initial capital in accordance with Articles 244, 245 and 246 of this Law;
3) limit its business activities;
4) provide the CMA with additional reports on the amount of liquid capital of the investment firm, within the terms defined by the CMA until prescribed levels are reached or exceeded.

Risk management and capital adequacy

Article 249

An investment firm's capital must be at all times equal to the amount of capital needed to cover liabilities, potential losses and risks to which the investment firm is exposed in its operations.

An investment firm shall calculate on daily basis the amount of liquid capital in cash, risks, exposure and qualifying holding.

Detailed manner of calculation of capital referred to in paragraph 2 of this Article and detailed requirements relating to capital adequacy, as well as the coverage of certain types of risks shall be prescribed by the CMA.

An investment firm shall have robust governance arrangements, which include a clear organisational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks and large or potential exposures, adequate internal control mechanisms, including sound administrative and accounting procedures.

Risk exposure

Article 250

An investment firm's exposure referred to in Article 249 of this Law to a client or group of connected clients shall be considered a large exposure where its value is equal to or exceeds 10 % of its eligible capital.

An investment firm’s risk exposure to a client or group of connected clients may not exceed 25 % of its liquid capital.

If exposure to the risk of an investment firm exceeds the limits referred to in paragraphs 1 and 2 of this Article, investment firm shall, without delay, inform the CMA about the risk, in accordance with Article 242 of this Law.

An investment firm may have qualifying holdings the amount of which exceeds 15% of own funds in the firm which is not a credit institution, a financial institution or a company providing banking services such as leasing, factoring, the management of unit trusts, the management of data processing services or any other similar activity.

The total amount of the qualifying holdings of an investment firm referred to in paragraph 4 of this Article, must not exceed 60 % of its liquid capital.

Organizational requirements

Article 251

An investment firm, appropriate to type, scope and complexity of operations and the nature and extent of investment and ancillary services provided shall:

1) establish decision-making and reporting procedures, as well as the organizational structure with clearly defined functions and responsibilities;
2) familiarize responsible employees with reporting procedures at all levels of decision-making and performance of an investment firm;
3) establish, implement and maintain adequate internal control mechanisms, to ensure compliance of decisions and procedures at all levels of an investment firm decision-making procedure;
4) employ qualified personnel for performance of duties and tasks entrusted to them;
5) regularly keep records of operations and internal organization of the firm;
6) ensure that employees perform their work in accordance with the rules of the professional conduct;
7) establish procedures to preserve confidentiality, integrity and availability of information;
8) maintain business continuity and ensure that, in the event of disruption of business or system failures, important data and functions are stored or, where that is not possible, the timely recovery of data and functions and continue to provide investment services;
9) establish accounting procedures for preparation and timely submission of financial statements in accordance with accounting standards and rules;

10) regularly control and evaluate the appropriateness and functionality of its systems and established mechanisms of internal control and other procedures in order to eliminate potential shortcomings.

Treatment of financial instruments and the delegation of tasks

Article 252

An investment firm shall also regularly review financial instruments it offers or markets, taking into account any event that could materially affect the potential risk to the identified target market, to assess at least whether the financial instrument remains consistent with the needs of the identified target market and whether the intended distribution strategy remains appropriate.

An investment firm which manufactures financial instruments shall make available to any distributor all appropriate information on the financial instrument and the product approval process, including the identified target market of the financial instrument.

An investment firm may delegate certain functions to another person in providing investment services to clients, provided that this does not diminish the quality of internal control and the ability to perform supervision over operations of the firm in accordance with this Law.

An investment firm shall, when holding financial instruments belonging to clients, make adequate arrangements so as to safeguard clients' ownership rights, especially in the event of the investment firm's insolvency, and to prevent the use of a client's instruments on own account except with the client's express consent.

An investment firm shall not conclude title transfer financial collateral arrangements with retail clients for the purpose of securing or covering present or future, actual or contingent or prospective obligations of clients.

Compliance

Article 253

An investment firm shall establish, implement and maintain adequate policies and procedures designed to detect any risk of failure by the firm which may lead to non-performance of an investment firm under this Law.

In order to enable the compliance function to discharge its responsibilities stipulated by this Law, investment firms shall ensure that the following conditions are satisfied:

1) a compliance officer must be appointed and must be responsible for the compliance function and for any reporting;
2) the compliance function referred to in item 1 of this paragraph must have the necessary authority, resources, expertise and access to all relevant information;
3) the relevant person referred in paragraph 1 of this Article, involved in the compliance function, must not be involved in the performance of services or activities he monitors;
4) the method of determining the remuneration of the relevant person involved in the compliance function must not compromise his objectivity.

Risk management

Article 254

An investment firm shall:

1) establish, implement and maintain adequate risk management policies and procedures which identify the risks relating to activities, processes and mechanisms of the firm;
2) adopt effective arrangements, processes and mechanisms to manage the risks referred to in item 1 of this paragraph;
3) monitor the following:
   a) the adequacy and effectiveness of the investment firm's risk management policies and procedures;
   b) the level of compliance by the investment firm and its relevant persons with the arrangements, processes and mechanisms adopted in accordance with item 2 of this paragraph;
   c) the adequacy and effectiveness of measures taken to address any deficiencies in those policies, procedures, arrangements, processes and mechanisms, including failures by the relevant persons to comply with such arrangements, processes and mechanisms or follow such policies and procedures.

An investment firm, where appropriate and proportionate in view of the nature, scale and complexity of its business and the nature and range of the investment services and activities undertaken in the course of that business shall establish and maintain a risk management function that operates independently and carries out the following tasks:

1) implementation of the policy and procedures referred to in paragraph 1 of this Article;
2) provision of reports and advice to senior management in accordance with Article 256 paragraph 2 of this Law.

Internal audit

Article 255

An investment firm shall establish and maintain an independent internal audit function, which has the following responsibilities:

1) to establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of the investment firm's systems, internal control mechanisms and arrangements;
2) to issue recommendations based on the result of work carried out in accordance with item 1 of this paragraph;
3) to verify compliance with those recommendations referred to in item 2 of this paragraph;
4) to report in relation to internal audit matters in accordance with Article 256 paragraph 2 of this Law.

Responsibility of senior management

Article 256

An investment firm shall ensure that senior management:

1) responsible for ensuring that the firm complies with its obligations under this Law;
2) assess and periodically to review the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations under this Law;
3) takes the appropriate remedial measures in the event of any deficiencies in firm’s operations.

An investment firm shall ensure that its senior management receive at least annually, written reports on the matters referred to in Articles 253, 254 and 255 of this Law.

Complaints handling

Article 257

Investment firms shall establish, implement and maintain effective and transparent procedures for the reasonable and prompt handling of complaints received from retail clients or potential retail clients, and to keep a record of each complaint and the measures taken for its resolution.

Maintaining investment firm's records

Article 258

An investment firm shall:

1) arrange for records to be kept of all services, activities and transactions undertaken, and in particular to ascertain that the investment firm has complied with all obligations including those with respect to clients or potential clients;
2) the recording of telephone conversations or electronic communications relating to, at least, transactions concluded when dealing on own account and the provision of client order services that relate to the reception, transmission and execution of client orders;
3) take all reasonable steps to record relevant telephone conversations and electronic communications, made with, sent from or received by equipment provided by the investment firm to an employee or contractor or the use of which by an employee or contractor has been accepted or permitted by the investment firm;
4) before providing investment and ancillary services, the investment firm shall notify new and existing clients that telephone communications or conversations between the investment firm and its clients that result or may result in transactions will be recorded.

The provision of investment and ancillary services to a client not notified in accordance with paragraph 1 item 4 of this Article, is prohibited.

Orders may be placed by clients through other channels, however such communications must be made in a durable medium such as mails, faxes, emails or documentation of client orders made at meetings.

An investment firm shall take all reasonable steps to prevent an employee or contractor from making, sending or receiving relevant telephone conversations and electronic communications on privately-owned equipment which the investment firm is unable to record or copy.

An investment firm shall keep records in accordance with the provisions of this Law on a durable medium which ensures:

1) fast access to information to the CMA and reconstruction of key phases of procession of each transaction;
2) a simple determination of corrections or other modifications, as well as the contents of the records prior to corrections or modifications;
3) prevention of manipulation or change in data from the records in other manner.

Detailed manner of making and keeping records maintaining by investment firms in accordance with the provisions of this Law shall be prescribed by the CMA.

Retention of records

Article 259

The investment firm shall keep the records referred to in Article 258 of this Law, for a period of at least five years.

An investment firm shall submit data from the records referred to in paragraph 1 of this Article, or make them available upon the request, to the client and to the CMA.

If the contractual relationship between the investment firm and the client is longer than five years, the investment firm shall keep records referred to in paragraph 1 of this Article until the expiration of the contractual relationship with the client.

The CMA may order an investment firm to keep all or part of the records for a period longer than the period referred to in paragraph 1 of this Article, if necessary for the supervision of the CMA.

The CMA may order an investment firm to which the authorization to provide investment services was terminated before the expiry of the period referred to in paragraph 1 of this Article, to keep records until the expiry of that period.

Record-keeping of services or transactions provided

Article 260

An investment firm shall make a record of the following details referred to in Article 258 of this Law, to the extent they are applicable to the order or decision to deal in question:

1) for a natural person - the name, surname and address of the client, or for a legal person – a business name and a registered office;
2) the name and surname of a representative, or a proxy of a client;
3) buy/sell indicator, financial instrument identification number, unit price and quantity;
4) the nature of the transaction if other than buy or sell;
5) the type of the order;
6) any other details, conditions and particular instructions from the client that specify how the order must be carried out; and
7) the date and exact time of the receipt of the order, or of the decision to deal.

The provision of paragraph 1 of this Article, shall also apply to management companies and investment firms that perform services for the management company or investment fund in accordance with the law governing investment funds.

Immediately after executing a client order, or, in the case of investment firms that transmit orders to another person for execution, immediately after receiving confirmation that an order has been executed, investment firms shall record the following details of the transaction in question:

1) for a natural person - the name, surname and address of the client, or for a legal person – a business name and a registered office;
2) trading day, trading time, buy/sell indicator, financial instrument identification number, unit price, price notation, quantity, quantity notation, the name or other designation of another participant in the transaction and the venue;
3) the total price, being the product of the unit price and the quantity;
4) the nature of the transaction if other than buy or sell;
5) the natural person who executed the transaction or who is responsible for the execution.

If an investment firm transmits an order to another person for execution, the investment firm shall immediately record the following details after making the transmission:

1) for a natural person - the name, surname and address of the client, or for a legal person – a business name and a registered office, whose order has been transmitted;

2) for a natural person - the name, surname and address of the client, or for a legal person – a business name and a registered office, to whom the order was transmitted;
3) the terms of the order transmitted;
4) the date and exact time of transmission.

Provisions of paragraphs 3 and 4 of this Article, shall also apply to management companies and investment firms that perform services for the management company or investment fund in accordance with the law governing investment funds.

Investment firm reports

Article 261

An investment firms shall submit to the CMA the reports for the purpose of the assessment of capital adequacy, internal control of the investment firm and accounting procedures for determining capital adequacy and risk exposure management.

An investment firms shall submit independent auditor's report to the CMA the latest until 30th June of the current for the previous year.

Detailed contents and delivery terms for the reports referred to in paragraph 1 of this Article shall be prescribed by the CMA.

Trading and non-trading book

Article 262

The trading book shall consist of all positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book and which are either free of any restrictive covenants on their tradability or able to be hedged.

Non-trading book shall consist of all positions in financial instruments and commodities which are not covered by a trading book.

Detailed contents of the trading and non-trading book referred to in paragraphs 1 and 2 of this Article shall be prescribed by the CMA.

Principles of safe and good business practice of an investment firm

Article 263

When providing investment or ancillary services to their clients, an investment firm shall put its clients' interests above its own and act honestly, fairly and professionally in accordance with the best interests of its clients.

All information, including marketing communications, addressed by the investment firm to clients or potential clients shall be fair, clear and not misleading.

With the aim to be able to understand the nature and risks of the investment service and of the specific type of financial instrument that is being offered and, consequently, to take investment decisions on an informed basis, an investment firm shall provide appropriate information in a comprehensible form to clients or potential clients about:
1) the investment firm and services it provides;

2) financial instruments and proposed investment strategies, including appropriate guidance on and warnings of the risks associated with investments in those instruments or in respect of particular investment strategies;
3) execution venues, and
4) costs and associated charges.

Information referred to in paragraph 3 of this Article may be provided in a standardised format.

Provisions of paragraphs 3 and 4 of this Article do not apply to an investment service offered as part of a financial product which is already subject to other provisions of Community legislation or common European standards related to credit institutions and consumer credits with respect to information requirements.

Providing investment advice services

Article 264

If an investment firm provides investment advisory services to the client independently of other services, it:

1) shall assess a range of financial instruments available on the market of different types and different issuers or product providers in order to ensure that the investment objectives of the client may be adequately achieved and not limited to financial instruments issued or provided by:
   a) that investment firm or persons related to that investment firm; or
   b) other entities associated with the investment firm organizationally or otherwise which could compromise the independence of an investment firm that provides advice;
2) does not receive a fee, commission, monetary or other benefit provided by a third party or another person on behalf of a third party in connection with the provision of services to clients, in addition to lower non-monetary benefit, which can increase the quality of services provided to the client.

The provision of paragraph 1 item 2 of this Article, shall also apply to portfolio management.

Fee and other inducements

Article 265

An investment firm shall inform the client before providing the appropriate investment or ancillary services on the existence of procedures and means, the amount and a manner of payment of a fee or other benefit, as well as on costs the client is required to pay in relation to the provision of an investment or ancillary service.

In relation to investment or ancillary services, an investment firm shall not pay or be paid by a client any fee or commission or any non-monetary benefit, other than following:

1) a fee, commission or non-monetary benefit paid or provided to or by the client or a person on behalf of the client for investment or ancillary services provided;
2) a fee, commission or non-monetary benefit paid or provided to or by a third party or a person acting on behalf of a third party, where the following conditions are satisfied:
   a) the existence, nature and amount of the fee, commission or benefit, or, where the amount cannot be ascertained, the method of calculating that amount, must be clearly disclosed to the client, in a manner that is comprehensive, accurate and understandable, prior to the provision of the relevant investment or ancillary service;
   b) the payment of the fee or commission, or the provision of the non-monetary benefit must be designed to enhance the quality of the relevant service to the client and not impair compliance with the firm's duty to act in the best interests of the client;

3) proper fees which enable or are necessary for the provision of investment services, such as custody costs, settlement and exchange fees, regulatory levies or legal fees, and which, by their nature, cannot give rise to conflicts with the firm's duties to act honestly, fairly and professionally in accordance with the best interests of its clients.

An investment firm may not charge to another person, other than the client or a person acting for client's account, a fee or commission or other non-monetary benefit for the provision of investment or ancillary services, unless:

1) this is in order to improve the quality of services provided to the client; and
2) it does not affect the investment firm to provide services in accordance with the rules of professional conduct and the best interests of its clients.

An investment firm shall, in its premises, enable access to business rules and the price list of services and publish them on its website.

Investment services as part of contract or package

Article 266

If an investment firm offers an investment service with another service or product as part of a package or as a condition for the conclusion of that agreement or package, it shall inform the client about the possibility of buying individual parts separately and to present fees and expenses for each part separately.

Where the risks associated with the agreement or the package referred to in paragraph 1 of this Article, offered to a retail client are likely to differ from the risks associated with any of the components, the investment firm shall provide a retail client with an adequate description of the components of that instrument and the way in which its interaction increases the risks.

Obtaining information about the client and the assessment of suitability or appropriateness

Article 267

Investment firms, when providing investment advice or portfolio management or other investment services to their clients, shall obtain the necessary information regarding the client's or potential client's knowledge and experience in the investment field relevant to the financial instrument or a service required or offered, so as to enable the firm to recommend to the client or potential client the investment services and financial instruments that are suitable for him.

Information regarding the client's or potential client's knowledge and experience referred to in paragraph 1 of this Article, appropriate to the type of client, the type and extent of service, type of transaction, including the complexity and risks, shall in particular include:

1) the types of service, transaction and financial instrument with which the client is familiar;
2) the nature, volume, and frequency of the client's transactions in financial instruments and the period over which they have been carried out;
3) the level of education, and profession or relevant former profession of the client or potential client.

In case the investment firm considers, on the basis of the information received under paragraphs 1 and 2 of this Article, that the product or service is not appropriate to the client or potential client, the investment firm shall warn the client or potential client.

In cases where the client or potential client elects not to provide the information referred to in paragraphs 1 and 2 of this Article, or where he provides insufficient information regarding his knowledge and experience,

the investment firm shall warn the client or potential client that such a decision will not allow the firm to determine whether the service or product envisaged is appropriate for him and must not recommend investment services or financial instruments to the client or potential client.

Notwithstanding paragraphs 1, 3 and 4 of this Article, investment firms when providing investment services that only consist of execution and/or the reception and transmission of client orders with or without ancillary services to provide those investment services to their clients without the need to obtain the information where all the following conditions are met:

1) the above services relate to shares admitted to trading on a regulated market or in an equivalent third country market, money market instruments, bonds or other forms of securitised debt (excluding those bonds or securitised debt that embed a derivative), UCITS and other non-complex financial instruments;
2) the service is provided at the initiative of the client or potential client;
3) the client or potential client has been clearly informed that in the provision of this service the investment firm is not required to assess the suitability of the instrument or service provided or offered;
4) the investment firm complies with its obligations under Article 301 of this Law which govern prevention of conflict of interests between the investment firm and its clients.

An investment firm may use the information provided by existing or potential clients unless it knows or should have known that the information was outdated, inaccurate or incomplete.

Safe-keeping of clients' information and handling client financial instruments

Article 268

Employees, Board of Directors' members and managers of investment firm shall keep as a professional secrecy, information on balance and turnover on the securities accounts of this firm's clients. Such information shall not be disclosed to third parties and used by the same, other than in the client's interest.

Notwithstanding paragraph 1 of this Article, information about the clients may be disclosed and available as follows:

1) with the client's written consent;
2) during oversight performed by the CMA, CCDC or a regulated market;
3) based on the court order;
4) based on the order of the authority dealing with prevention of money laundering or terrorist financing, i.e. other competent state authority.

An investment firm shall not:

1) pledge or dispose of financial instruments owned by the client without his prior written authorization;
2) execute clients' orders in a manner inconsistent with this Law, articles of association, procedures and rules of the capital market of which an investment firm is a member or participant or where the financial instruments are admitted to trading;
3) buy, sell or borrow for its own account the same financial instruments that are the subject of client's order prior to execution upon the client's order;
4) buy, sell or lend financial instruments based on the contract on financial instruments management exclusively for the purpose of charging commissions or other fees;
5) encourage clients to execute transactions frequently exclusively for the purpose of charging fees and commissions.

Executing orders on terms most favourable to the client

Article 269

When executing orders investment firms shall take all reasonable steps to obtain the best possible result for their clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order and to act in accordance with client's instructions.

Investment firms shall establish and implement an order execution policy, which shall, in respect of each class of instruments, include information on the different venues where the investment firm executes its client orders and the factors affecting the choice of execution venue.

Investment firms shall provide appropriate information to their clients on their order execution policy and obtain the prior consent of their clients to the execution policy.

Where the order execution policy provides for the possibility that client orders may be executed outside a regulated market or an MTF, the investment firm shall, in particular, inform its clients about this possibility and obtain the prior express consent of their clients before proceeding to execute their orders outside a regulated market or an MTF in respect of individual transactions.

Investments firms shall:

1) monitor the effectiveness of their order execution arrangements and execution policy in order to identify and, where appropriate, correct any deficiencies;
2) assess, on a regular basis, whether the execution venues included in the order execution policy provide for the best possible result for the client or whether they need to make changes to their execution arrangements;
3) notify clients of any material changes to their order execution arrangements or execution policy;
4) be able to demonstrate to their clients, at their request, that they have executed their orders in accordance with the firm's execution policy;
5) after execution of transaction on client's behalf, notify the client on execution venue.

Investment firms are not permitted to receive any remuneration, discount or non-monetary benefit for routing client orders in accordance with paragraph 4 of this Article, which would infringe the provisions of this Law relating to conflict of interest or the provisions of Articles 209, 263 and 301 of this Law.

For financial instruments subject to the trading obligation each trading venue and systematic internaliser and for other financial instruments each execution venue makes available to the public, without any charges, data relating to the quality of execution of transactions on that venue on at least an annual basis, and particularly details about price, costs, speed and likelihood of execution for individual financial instruments.

An investment firm which executes client orders shall summarise and make public on an annual basis, for each class of financial instruments, the top five execution venues in terms of trading volumes where they executed client orders in the preceding year and information on the quality of execution obtained.

Contracts with clients and reporting

Article 270

An investment firm shall conclude written agreement with the client that set out the rights and obligations of the parties, and the other terms according to which the firm will provide services to the client.

The agreement referred to in paragraph 1 of this Article, shall in particular, contain a statement that the client is aware of the content of operating rules and the price list of investment firm's services before signing the contract.

An investment firm shall allow the client access to changes made in operating rules and the price list, within the period of seven days following the date of entry into force of these changes.

The client must receive from the investment firm adequate reports in a durable medium on the service provided to its clients.

The investment firm shall, when providing investment advisory services and prior to execution of a transaction, provide the client with a record in a durable medium specifying at least the client's objectives, the recommendation and how the advice given meets the personal characteristics and objectives of the client.

Where the agreement to buy or sell a financial instrument is concluded using a means of distance communication which prevents the prior delivery of the suitability statement, the investment firm may provide the written statement on suitability in a durable medium immediately after the client is bound by any agreement, provided both the following conditions are met:

1) the client has consented to receiving the suitability statement without undue delay after the conclusion of the transaction; and
2) the investment firm has given the client the option of delaying the transaction in order to receive the statement on suitability in advance.

Where an investment firm provides portfolio management or has informed the client that it will carry out a periodic assessment of suitability, the periodic report shall contain an updated statement of how the investment meets the client’s preferences, objectives and other characteristics of the retail client.

Provisions of paragraphs 1 do 7 of this Article shall not apply to investment services in relation to mortgage bonds issued to secure the financing of and having identical terms as the credit agreement relating to residential immovable property.

Provisions of paragraph 1 of this Article shall also apply when an investment firm concludes an agreement on providing investment services with a retail client.

The rights and obligations of investment firms and retail clients may be an integral part of other documents or legal acts.

Client account

Article 271

An investment firm is required to open a client account with an authorized credit institution which shall be kept and managed separately from the assets of the investment firm.

An investment firm may use funds from client account only for the payment of liabilities in connection with investment services and activities it provides for the clients and may not use the same for the payment of other client’s liabilities.

Funds on client account do not belong to an investment firm and are not part of its assets, nor are they a part of its assets, its liquidation or bankruptcy estate, nor may they be the subject of the execution for the purpose of settling a claim against the investment firm.

Securities accounts

Article 272

An investment firm shall open a securities account with CCDC or a custody account for the client (hereinafter referred to as: a proprietary account).

An investment firm shall ensure, on behalf and for the account of its clients that amount of securities purchased or sold for a client is added or subtracted from the proprietary account of a client in accordance with the settlement of transaction.

An investment firm may use securities on the proprietary account only on the basis of the client's order, i.e. may lend those securities in accordance with the agreement referred to in Article 270 of this Law or written authorization of the client.

The profit generated by borrowing client’s securities shall be attributed to a client, and the investment firm has the right to charge services for contracting lending in accordance with the amount determined by investment firm's price list.

An investment firm shall keep its securities account with the CCDC or in case of financial instruments that may be kept out of the CCDC separately from the proprietary accounts of its clients, provided that those securities may be lent to clients, if the client authorized the investment firm to borrow securities by the contract or by a written authorization.

The profit generated by borrowing investment firm’s securities to a client shall be attributed to the investment firm. Investment firm may not charge fee for lending securities of the investment firm to a client.

Securities of investment firms' clients do not belong to an investment firm and are not part of its assets, nor are they a part of its assets, its liquidation or bankruptcy estate, nor may they be the subject of the execution for the purpose of settling a claim against the investment firm.

Client order handling rules

Article 273

An investment firm shall not refuse execution of order in accordance with this Law and shall act in accordance with terms specified in the order by the client.

An investment firm shall implement procedures and arrangements which provide for the prompt, fair and expeditious execution of client orders, relative to other client orders or the trading interests of the investment firm which allow for the execution of otherwise comparable client orders in accordance with the time of their reception by the investment firm.

When an investment firm receives a client limit order in respect of shares admitted to trading on a regulated market which are not immediately executed under prevailing market conditions, the investment firm shall, unless the client expressly instructs otherwise, take measures to facilitate the earliest possible

execution of that order by making public immediately that client limit order in a manner which is easily accessible to other market participant.

It shall be considered that an investment firm complies with the obligation referred to in paragraph 3 of this Article, by transmitting the client limit order to a regulated market, provided that making public of limit orders does not relate to limit orders large in scale compared with normal market size determined by the rules of the regulated market where financial instruments contained in the order are admitted to trading.

Within the meaning of paragraphs 3 and 4 of this Article, an investment firm shall be considered to disclose client limit orders that are not immediately executable if it transmits the order to a regulated market that operates an order book trading system, or ensures that the order is made public and can be easily executed as soon as market conditions allow.

An investment firm shall:

1) keep the order book in written or electronic form, in which clients' orders for purchase or sale of equity as well as cancellations of such orders in a manner that records the time of the order immediately upon receipt of the order and which prevents subsequent change of order in a manner not approved by the client;
2) receive and enter clients' orders only in its business premises, and in case of authorized credit institutions, in the organizational unit which performs dealing in securities.

In the case of an authorized credit institutions business premises referred to in paragraph 6, item 2 of this Article shall be considered as business premises within the organizational unit in that authorized credit institutions dealing in securities.

Notwithstanding paragraph 6 item 2 of this Article, an investment firm may contractually authorize another investment firm to receive the investment firm clients' orders at the other investment firm's business premises on behalf and for the account of the first investment firm, provided that the conditions referred to in Article 237 of this Law are met.

An investment firm may decide to accept clients' orders by means of electronic communication, if authorized to do so by the contract entered into with the client, provided that it applies the appropriate protection mechanisms, such as recording devices, to ensure the accuracy and integrity of orders in the investment firm's records.

Handling of clients orders

Article 274

An investment firm shall:

1) ensure that orders are promptly and accurately recorded and allocated;
2) execute client's orders sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable or the client's interests require otherwise;
3) inform, without delay, a retail client on potential difficulties for the proper execution of orders.

Where an investment firm is responsible for control or organization of settlement of an executed order it shall undertake all measures necessary to promptly and correctly deliver to the account of the appropriate client financial instruments or sums of money, received in settlement of the executed orders shall be promptly and correctly delivered to the account of the appropriate client.

An investment firm shall not misuse information relating to pending orders, and shall take all reasonable steps to prevent the misuse of such information by any of its relevant persons.

Sell order

Article 275

An investment firm may enter a sell order into the regulated market trading system on its own behalf and for the account of the client, or on its own behalf and for its own account, if securities are registered in the proprietary account of the person placing the order or on whose behalf the order is placed, in the amount specified in the sell order.

An investment firm may execute a sell order only when securities are transferred from the securities holder's account into the Securities Register to the account of an investment firm in a depository.

Refusal of acceptance of buy and sell orders

Article 276

An investment firm shall refuse execution of:

1) buy orders when finds that there are not enough funds on the client's account to settle its liabilities that would occur on the basis of execution of buy order;
2) sell orders when establishes that there are not enough securities on the client's security account required to execute the order.

Notwithstanding paragraph 1 of this Article, an investment firm shall not refuse execution of an order if the client's order may be executed in whole or in part:

1) from realized but unsettled transactions;
2) by granting loan with the consent of the client and in accordance the law;
3) by borrowing securities in accordance with the rules governing borrowing of securities.

An investment firm shall refuse:

1) to accept a buy or sell order, after determines that the execution of such order would result in a criminal offense or a misdemeanour;
2) to accept a buy or sell order that must be executed on a particular trading day, when the deadline for submission of that order for its execution has already expired in accordance with regulated market rules on which those securities have been admitted to trading;
3) to accept an order if the order does not meet the requirements prescribed by the law or the agreement, or if any of required information necessary for their execution were not submitted;
4) execution of an order, if there are reasonable grounds for suspicion of money laundering and terrorist financing activities;
5) execution of an order, if an investment firm considers that execution of order may lead to manipulations on a regulated market.

Where the investment firm refuses to accept the order in writing or in electronic form, depending on how the order was received, the investment firm shall notify the client the latest on the next working day following the day of order receipt, stating specific reasons for refusal of the order.

Obligation to execute orders on terms most favourable to the client

Article 277

For the purposes of delivering best possible result for the client, when executing client's orders, an investment firm shall in particular take into account the following:

1) a client, whether retail of professional;
2) a client's order;
3) financial instruments which are the subject matter of a client's order;
4) a trading venue to which such order will be routed.

Where an investment firm executes an order on behalf of a retail client it shall:

1) determine the best possible result for the client in terms of the total consideration, representing the price of the financial instrument and the costs relating to execution, which shall include all expenses incurred by the client which are directly relating to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order;
2) for the purposes of delivering best possible result, where there is more than one competing venue to execute an order for a financial instrument, assess and compare the investment firm's own commissions and the costs for executing the order on each of the eligible execution venues.

An investment firm shall not structure or calculate is fees in a way that would lead to unfair discrimination among trading venues.

Within the meaning of paragraphs 1, 2 and 3 of this Article and Article 278 of this Law, a trading venue shall be a regulated market, MTF, OTF, a systematic internaliser, market maker or an entity which performs similar activities in the third country.

Duty of investment firms carrying out portfolio management and reception and transmission of orders through other entities

Article 278

An investment firm shall provide portfolio management services in accordance with Article 263 paragraph 1 and Article 268 of this Law and to act in accordance with the best interests of their clients when placing orders with other entities for execution that result from decisions by the investment firm to deal in financial instruments on behalf of its client.

The provision of paragraph 1 of this Article shall also apply when providing the service of reception and transmission of orders.

An investment firm shall establish procedures identifying the entities with which the orders are placed or to which the investment firm transmits orders for execution which must have execution arrangements that enable the investment firm to comply with its obligations.

An investment firm shall:

1) monitor on a regular basis the effectiveness of the policy established referred to in paragraph 1 of this Article, and, in particular, the execution quality of the entities identified in that policy and, where appropriate, correct any deficiencies: and
2) review, at least annually, the effectiveness of the procedures applied by other entities in the execution of transmitted orders; and
3) review the obligations referred to in item 1 of this paragraph, whenever a material change occurs that affects the firm's ability to continue to obtain the best possible result for their clients.

Provisions of paragraphs od 1 to 4 of this Article shall not apply when the investment firm that provides the service of portfolio management and/or reception and transmission of orders also executes the orders received or the decisions to deal on behalf of its client's portfolio.

Reporting to retail client prior execution of the order

Article 279

Investment firms shall provide retail clients with the following details on their execution policy in good time prior to the provision of the service in a durable medium or on its website:

1) an account of the relative importance the investment firm assigns referred to in Article 269 of this Law and the criteria referred to in Article 277 of this Law;
2) a list of the execution venues on which the firm places significant reliance in meeting its obligation to take all reasonable steps to obtain on a consistent basis the best possible result for the execution of client orders;
3) a clear and prominent warning that any specific instructions from a client may prevent the firm from taking the steps to obtain the best possible result for the client when executing those orders.

Aggregation and allocation of trading orders

Article 280

An investment firm may execute the client's order or transaction by aggregating them with another client's order if:

1) aggregation of orders and transactions is not detrimental to a client whose order is to be aggregated;
2) notifies the client whose order is to be aggregated that the effect of aggregation may be detrimental in relation to a single order;
3) an order allocation policy must be established and implemented, providing in sufficiently precise terms for the fair allocation of aggregated orders, including how the volume and price of orders determines allocations and the treatment of partial executions.

An investment firm shall, when aggregating orders with one or more orders of other clients allocate the related trades in accordance with its order allocation policy.

Aggregation and allocation of transactions for own account

Article 281

An investment firm which have aggregated transactions for own account with one or more clients' orders do not allocate the related trades in a way that is detrimental to the client.

In the case referred to in paragraph 1 of this Article an investment firm shall:

1) allocate the related transactions in priority over those for own account;
2) be able to demonstrate that it would not have been able to carry out the order on such advantageous terms without aggregation.

In the case referred to in paragraph 1 of this Article, an investment firm shall allocate the transaction for own account proportionally, in accordance with the policy of allocation of orders referred to in Article 280 paragraph 1 item 3 of this Law.

An investment firm shall, through procedures of order allocation referred to in Article 280 paragraph 1 item 3 of this Law also establish the procedures for prevention of reallocation of transactions on own account executed in combination with orders of the client in a manner detrimental to the client.

Orders and transactions of qualified investors

Article 282

An investment firms authorized to execute orders on behalf of clients and/or to deal on own account and/or to receive and transmit orders, may initiate or enter into transactions with qualified investors, without being obliged to comply with the conditions referred to in provisions of Article 263 paragraphs 1 and 2, Articles 264 to 267, Article 269, Article 270 paragraphs 1,2, 8, 9 and 10 and Articles 273 paragraph 2 of this Law.

Within the meaning of paragraph 1 of this Article, qualified investors shall be investment firms, investment funds and their management companies, authorized credit institutions, insurance companies, pension funds and their management companies, other financial institutions, national government offices, including public bodies that manage public debt, central banks, international organisations and other authorized authorities.

Qualified investor status shall be without prejudice to the right of such entities to request treatment as investment firm's client referred to in Articles 263 to 267 and Articles 269, 270 and 273 of this Law.

If a qualified investor referred to in paragraph 3 of this Article, does not ask to be considered as an investment firm client referred to in Articles 263 to 267 and Articles 269, 270 and 273 of this Law, the investment firm shall treat that qualified investor as a professional investor.

The CMA may also recognize a professional client as a qualified investor, in addition to persons referred to in paragraph 2 of this Article.

In the case referred to in paragraph 5 of this Article, an investment firm shall be considered a qualified investor only in relation to services or transactions that may be performed by a professional client.

Confirmation of order execution

Article 283

An investment firm shall, not later than the end of the working day when the order has been executed, issue to a client a written confirmation of execution of the order.

The client may request for notification referred to in paragraph 1 of this Article to be sent to its proxy or another person that represents its interests.

Algorithmic trading

Article 284

An investment firm that engages in algorithmic trading shall, for the purpose of ensuring that its trading systems are resilient and have sufficient capacity:

1) have in place trading thresholds and limits;

2) have in place mechanisms to prevent the sending of erroneous orders or the systems otherwise functioning in a way that may create or contribute to a disorderly market;
3) have in place effective business continuity arrangements to deal with any failure of its trading systems;
4) check on a daily basis and keep records of operations of algorithmic trading system.

An investment firm referred to in paragraph 1 of this Article, shall notify the CMA on algorithmic trading and of the trading venue at which the investment firm engages in algorithmic trading as a member or participant of the trading venue.

An investment firm referred to in paragraph 1 of this Article shall provide a description of the nature of its algorithmic trading strategies, details of the trading parameters or limits to which the system is subject, the key compliance and risk controls and details of the testing of its systems and other information at the request of the CMA.

The CMA shall, without undue delay, communicate the information referred to in paragraph 3 of this Article to the investment firm that manages a trading venue where the investment firm is engaged in algorithmic trading.

An investment firm that engages in a high-frequency algorithmic trading technique shall store in an approved form accurate and time sequenced records of all its placed orders, including cancellations of orders, executed orders and quotations on trading venues and shall make them available to the CMA upon request.

An investment firm referred to in paragraph 1 of this Article shall, for the purposes of pursuing a market making strategy, taking into account the liquidity, scale and nature of the specific market and the characteristics of the instrument traded:
1) carry out this market making continuously during a specified proportion of the trading venue's trading hours, except under exceptional circumstances, with the result of providing liquidity on a regular and predictable basis to the trading venue;
2) enter into a written agreement with the trading venue which shall at least specify the obligations r 1 of this paragraph; and
3) have in place effective systems and controls to ensure that it fulfils its obligations under the agreement referred to in in item 2 of this paragraph.

A market making strategy referred to in paragraph 1 of this Article, as a member or participant of one or more trading venues, its strategy, when dealing on own account, involves posting firm, simultaneous two-way quotes of comparable size and at competitive prices relating to one or more financial instruments on a single trading venue or across different trading venues, with the result of providing liquidity on a regular and frequent basis to the overall market.

Electronic access to a trading venue

Article 285

An investment firm that provides direct electronic access to a trading venue shall:
1) have in place effective systems and controls which ensure a proper assessment and review of the suitability of clients using the service;
2) determine appropriate trading and credit thresholds;
3) control that trading by clients using the service is properly monitored and that appropriate risk controls prevent trading that may create risks to the investment firm itself or that could create or contribute to a disorderly market;

4) prevent trading contrary to the provisions of this Law or the rules of the trading venue or market abuse.

An investment firm referred to in paragraph 1 of this Article, shall notify the CMA without delay on providing services via direct electronic access and the competent authority of the trading venue at which the investment firm provides direct electronic access accordingly.

Providing services via direct electronic access to the trading venue when the conditions referred to in paragraph 1 of this Article are not met is prohibited.

An investment firm that provides direct electronic access shall be responsible for ensuring that clients using that service comply with the requirements of the provisions of this Law and the rules of the trading venue.

The investment firm shall not provide the client direct access to the trading venue prior to entry into an agreement between the investment firm and the client regarding the essential rights and obligations arising from the provision of direct electronic access.

In case of identifying irregularities when providing services referred to in paragraph 1 of this Article, an investment firm shall without delay inform the CMA thereof.

An investment firm that provides direct electronic access to the trading venue shall provide at the CMA's request a description of the systems and controls referred to in paragraph 1 of this Article and evidence that those have been applied.

The CMA shall, at the request of a competent authority of a trading venue in relation to which the investment firm provides direct electronic access, communicate without undue delay the information referred to in paragraph 7 of this Article.

Provisions of paragraphs 1 and 5 of this Article shall also apply to an investment firm that acts as a general clearing member for other persons.

Maintaining records, reporting on transactions executed via direct electronic access to a trading venue

Article 286

Investment firms shall keep records of relevant data relating to transactions in financial instruments which they have carried out, whether on own account or on behalf of a client via electronic access to a trading venue.

Investment firms shall maintain and keep at the disposal of the CMA the records referred to in paragraph 1 of this Article for at least five years.

In the case of transactions carried out on behalf of clients, the records referred to in paragraph 1 of this Article, shall contain all the information and details of the identity of the client stipulated by the law governing money laundering and terrorist financing.

Investment firms which execute transactions in financial instruments admitted to trading on a regulated market shall report in electronic form without delay and no later than the close of the following working day the report which, in particular, include details of:

1) details of the names and numbers of the instruments bought or sold, the quantity, the dates and times of execution;

2) the transaction prices; and
3) means of identifying the investment firms concerned.

The obligation referred to in paragraph 4 of this Article shall apply whether or not such transactions were carried out on a regulated market.

The CMA shall establish the necessary arrangements in order to ensure that information contained in the report referred to in paragraph 4 of this Article, are also received by the competent authority of the most relevant market in terms of liquidity for those financial instruments.

The report referred to in paragraph 4 of this Article, shall be submitted to the CMA either by the investment firm itself, a person acting on its behalf or a data reporting authorized by the CMA, or by the regulated market or MTF through whose systems the transaction was completed.

In cases where the report referred to in paragraph 4 of this Article is submitted directly to the CMA by a regulated market, an MTF, or a data reporting authorized by the CMA, an investment firm shall directly submit the report to the CMA upon its request.

Detailed contents, terms and a manner of submitting the report referred to in paragraph 4 of this Article shall be prescribed by the CMA.

Access to regulated market in Montenegro

Article 287

Investment firms from other Member States which are authorised to execute client orders or to deal on own account have the right of membership or have access to regulated markets established in Montenegro by means of any of the following arrangements:

1) directly, by setting up branches in Montenegro;
2) by becoming remote members of or having remote access to the regulated market in Montenegro without having to be established in Montenegro where the trading procedures and systems of the market in question do not require a physical presence for conclusion of transactions on the market.

Investment firms referred to in paragraph 1 of this Article have the right to use regulated market facility in Montenegro without any additional regulatory or administrative requirements.

Investment firms from other Member States have the right of access to central counterparty, clearing and settlement systems in in Montenegro, for the purposes of finalising or arranging the finalisation of transactions in financial instruments, under conditions applicable to investment firms in Montenegro.

Central counterparty, clearing and settlement arrangements in respect of MTFs

Article 288

Investment firms and market operators from Montenegro that operate an MTF may enter into appropriate arrangements with a central counterparty, a clearing house or a settlement system of another Member State with a view to providing for the clearing and/or settlement of some or all trades concluded by market participants under their systems, unless it prevents regular functioning of an MTF, i.e. is not in accordance with the conditions relating to settlement systems stipulated by this Law.

When accessing regular functioning of an MTF and the conditions stipulated by this Law relating to settlement system the CMA shall take into account the oversight and supervision of the clearing and

settlement system already exercised by the authority competent for supervision of clearing and settlement system in order to avoid undue duplication of control.

The right to designate a settlement system

Article 289

A regulated market and a market operator operating an MTF shall, in accordance with the system capacities, offer to all members or participants the right to designate the system for the settlement of transactions in financial instruments undertaken on that regulated market and an MTF, subject to:

1) such links and arrangements between the designated settlement system and any other system or facility designated by its member or a participant on a regulated market or an MTF as are necessary to ensure the efficient and economic settlement of the transaction in question; and
2) the CMA issued a certificate for clearing and settlement through a designated system which allows the smooth and orderly functioning of financial markets.

The CMA shall, at the request of a member or participant of a regulated market or an MTF issue a certificate referred to in paragraph 1 item 2 of this Article if technical conditions and the rules for clearing and settlement of the designated system allow the smooth and orderly functioning of financial markets.

Requirements to be met when providing services in a durable medium

Article 290

Where information is required to be provided by an investment firm in a durable medium in accordance with this Law it may only be provided in a durable medium other than on paper, in cases stipulated by this Law, if:

1) the client has regular access to the internet which is proven by submitting of an e-mail address by the client; and
2) the person receiving the information chose to receive the information in a durable medium other than on paper.

Where an investment firm, in accordance with Articles 279, 309, 311, 312, 313 and 314 of this Law, publish information to its clients via its website and such information is not addressed personally to the client, the following criteria must be met:

1) the client has regular access to the internet which is proven by submitting of an e-mail address by the client;
2) the client states in an appropriate manner to accept the provision of information by publication on the website;
3) it informed the client in electronic format about the website address and the place on the website where the access to information may be obtained;
4) regularly updates information;
5) ensures the availability of such information on the website within a reasonable period of time.

Personal transaction

Article 291

Personal transaction referred to in Articles 292 and 306 of this Law, means a trade in a financial instrument effected by or on behalf of a relevant person provided that:

1) the relevant person is acting outside the scope of the activities he carries out in that capacity;
2) the trade is carried out for the account of any of the following persons:
   a) the relevant person or with whom he has close links;
   b) a person whose relationship with the relevant person is such that the relevant person has a direct or indirect material interest in the outcome of the trade, other than a fee or commission for the execution of the trade.

Measures for prevention of personal transactions

Article 292

In the case of any relevant person who is involved in activities that may give rise to a conflict of interest, or who has access to inside information within the meaning of Article 128 of this Law or to other confidential information relating to clients or transactions with or for clients, an investment firm shall establish, implement and maintain adequate arrangements aimed at preventing the following activities:

1) entering into a personal transaction which fulfils at least one of the following criteria:
   a) that person is prohibited from entering into that personal transaction;
   b) it involves the misuse or improper disclosure of confidential information contrary to the law;
   c) it conflicts or is likely to conflict with an obligation of the investment company under this Law;
2) advising or procuring, other than in the proper course of his employment or contract for services, any other person to enter into a transaction in financial instruments which, if a personal transaction of the relevant person referred to in item 1 of this paragraph and Article 274 paragraph 3 or Article 306 paragraph 2 items 1 or 2 of this Law is prohibited;
3) disclosing, other than in the normal course of his employment or contract for services, any information or opinion to any other person if the relevant person knows, or reasonably ought to know, that as a result of that disclosure that other person will or would be likely to take either of the following steps:
   a) to enter into a transaction in financial instruments which is, in case of personal transaction of the relevant person referred to in item 1 of this paragraph or Article 274 paragraph 3 or Article 306 paragraph 2 items 1 or 2 of this Law prohibited;
   b) to advise or procure another person to enter into such a transaction.

The arrangements required under paragraph 1 of this Article, an investment firm shall ensure that:

1) each relevant person is aware of the restrictions on personal transactions, and of the measures established by the management company referred to in paragraph 1 of this Article;
2) the investment firm is informed promptly of any personal transaction entered into by a relevant person;
3) a record is kept of the personal transaction notified to the investment firm or identified by it, including any authorisation or prohibition in connection with such a transaction.

Provisions of paragraphs 1 and 2 of this Article shall not apply to the following kinds of personal transactions:

1) personal transactions effected under a discretionary portfolio management service where there is no prior communication in connection with the transaction between the portfolio manager and the relevant person or other person for whose account the transaction is executed;
2) personal transactions in units in collective undertakings which fulfils the requirements established by the Law on investment funds, where the relevant person and any other person for whose account the transactions are effected are not involved in the management of that undertaking;
3) personal transactions in units in collective undertakings that are subject to supervision under the law of a Member State which requires an equivalent level of risk spreading in their assets, where the

relevant person and any other person for whose account the transactions are effected are not involved in the management of that undertaking.

Outsourcing

Article 293

Outsourcing shall be done by a contract on mutual rights and obligations of the investment firm and a service provider to which the firm outsource certain tasks and activities which represent the part of investment firm's activities.

An investment firm may not outsource the necessary or important business process in a manner which should materially impair a quality conduct of internal control.

A business process shall be considered necessary or important in terms of paragraph 2 of this Article, if a defect or failure in its performance would materially impair the continuing compliance of an investment firm with the conditions and obligations of its authorisation or its other obligations under this Law, or its financial performance, or the soundness or the continuity of its investment services and activities.

A business process shall not be considered necessary or important in terms of paragraph 2 of this Article if it relates to:

1) the provision to the firm of advisory services, and other services which do not form part of the investment business of the firm, including the provision of legal advice to the firm, the training of personnel of the firm, billing services and the security of the firm's premises and personnel;
2) the purchase of standardised services, including market information services and the provision of price feeds.

The contract referred to in paragraph 1 of this Article shall provide for obligation of by the service provider to keep records of its own transactions concluded by the relevant person and to submit without delay information from the records to the investment firm upon request.

Conditions for outsourcing

Article 294

In the case of outsourcing, an investment firm shall remain fully responsible for discharging all of their obligations under this Law and comply, in particular, with the following conditions:

1) the outsourcing must not result in the delegation by senior management of its responsibility;
2) the relationship and obligations of the investment firm towards its clients under the terms of this Law must not be altered;
3) none of the other conditions subject to which the firm's authorisation was granted must be removed or modified.

Investment firms shall exercise due skill, care and diligence when entering into, managing or terminating any arrangement for the outsourcing to a service provider of critical or important operational functions or of any investment services or activities.

Investment firms shall in particular take the necessary steps to ensure that the following conditions are satisfied:

1) the service provider must have the ability, capacity, and any authorisation required by law to perform the outsourced functions, services or activities reliably and professionally;
2) the firm must establish methods for assessing the standard of performance of the service provider;
3) the service provider must properly supervise the carrying out of the outsourced functions, and adequately manage the risks associated with the outsourcing;
4) appropriate action must be taken if it appears that the service provider may not be carrying out the functions effectively and in compliance with the law;
5) the investment firm must supervise the outsourced functions effectively and manage the risks associated with the outsourcing;
6) the service provider must disclose to the investment firm any development that may have a material impact on its ability to carry out the outsourced functions effectively and in compliance with the law;
7) the investment firm must be able to terminate the arrangement for outsourcing where necessary without detriment to the continuity and quality of its provision of services to clients;
8) the service provider must cooperate with the competent authorities of the investment firm in connection with the outsourced activities;
9) the investment firm, its auditors and the relevant competent authorities must have effective access to data related to the outsourced activities, as well as to the business premises of the service provider;
10) the service provider must protect any confidential information relating to the investment firm and its clients;
11) the investment firm and the service provider must establish, implement and maintain a contingency plan for disaster recovery and periodic testing of backup facilities, where that is necessary having regard to the function, service or activity that has been outsourced.

Investment firms shall make available, at the request, to the CMA all information relating to outsourcing.

Service providers located in third countries

Article 295

Where an investment firm outsources the investment service of portfolio management provided to retail clients to a service provider located in a third country, that investment firm shall ensure, in addition to the conditions stipulated under Article 294 of this Law, that the following conditions are satisfied:

1) the service provider must be authorised or registered in its home country to provide that service and must be subject to prudential supervision;
2) there must be an appropriate cooperation agreement between the CMA and the supervisory authority of the service provider.

If the conditions referred to in paragraph 1 of this Article are not satisfied, an investment firm may outsource investment services to a service provider located in a third country only with the prior approval of the CMA.

The CMA may approve outsourcing to a service provider located in a third country although the conditions referred to in paragraph 1 of this Article are not met, when it considers that in such cases outsourcing would not impair the ability of investment firms to fulfil their obligations under this Law.

In the case referred to in paragraph 3 of this Article, the CMA shall publish the Guidelines for outsourcing without meeting the conditions referred to in paragraph 1 of this Article.

The CMA shall publish a list of the supervisory authorities in third countries with which they have cooperation agreements referred to in paragraph 1 item 2 of this Article.

Safeguarding of clients' assets

Article 296

For the purposes of safeguarding clients' rights in relation to financial instruments and funds belonging to them, investment firms comply with the following requirements:

1) they must keep such records and accounts as are necessary to enable them at any time and without delay to distinguish assets held for one client from assets held for any other client, and from their own assets;
2) they must maintain their records and accounts in a way that ensures their accuracy, and in particular their correspondence to the financial instruments and funds held for clients;
3) they must conduct, on a regular basis, reconciliations between their internal accounts and records and those of any third parties by whom those assets are held;
4) they must take the necessary steps to ensure that any client financial instruments deposited with a third party, in accordance with Article 297 of this Law are identifiable separately from the financial instruments belonging to the investment firm and from financial instruments belonging to that third party,;
5) they must take the necessary steps to ensure that client funds deposited, in accordance with Article 298 of this Law are held in an account or accounts identified separately from any accounts used to hold funds belonging to the investment firm;
6) they must introduce adequate organisational arrangements to minimise the risk of the loss or diminution of client assets, or of rights in connection with those assets, as a result of misuse of the assets, fraud, poor administration, inadequate record-keeping or negligence.

Detailed measures that investment firms are obliged to take in order to safeguard the clients' assets shall be prescribed by the CMA.

Depositing client financial instruments

Article 297

Investment firms shall deposit financial instruments held by them on behalf of their clients into an account opened with a third party provided that the firms exercises all due skill, care and diligence in the selection, appointment and a review of that third party and of the arrangements for the holding and safekeeping of those financial instrument, and that could adversely affect clients' rights.

Investment firms shall not deposit financial instruments held on behalf of clients with a third party in a third country that does not regulate the holding and safekeeping of financial instruments for the account of another person unless one of the following conditions is met:

1) the nature of the financial instruments or of the investment services requires them to be deposited with a third party in that third country;
2) where the financial instruments are held on behalf of a professional client, that client requests the firm in writing to deposit them with a third party in that third country.

Depositing clients' funds

Article 298

Investment firms, on receiving any client funds, shall promptly place those funds into one or more accounts opened with any of the following:

1) the Central bank;
2) a bank and another credit institution having registered office in Montenegro or a Member State;
3) a bank authorised to operate in a third country; or
4) a qualifying money market fund.

A qualifying money market fund referred to in paragraph 1 item 4 of this Article, means a collective investment undertaking authorised under the law governing investment funds or is a subject to supervision and which satisfies the following conditions:

1) its primary investment objective is to maintain the net asset value of the undertaking either constant at par (net of earnings), or at the value of the investors' initial capital plus earnings;
2) it invests, with a view to achieving the objective referred to in item 1 of this paragraph, exclusively in high quality money market instruments with a maturity or residual maturity of no more than 393 days or regular yield adjustments consistent with such a maturity, and with a weighted average maturity of 60 days and may also achieve this objective by investing in deposits with credit institutions;
3) it provides liquidity through same day or next day settlement.

For the purposes of paragraph 2 item 2 of this Article a money market instrument shall be considered to be of high quality if it has been awarded the highest available credit rating by each competent rating agency which has rated that instrument.

Investment firms shall exercise all due skill, care and diligence in the selection, appointment and a review of the credit institution, bank or money market fund where the funds are placed as well as to take into account the expertise and market reputation of such institutions or money market funds with a view to ensuring the protection of clients' rights, as well as any legal or regulatory requirements or market practices related to the holding of client funds that could adversely affect clients' rights.

A client has the right to oppose the investment fund to place its funds in a qualifying money market fund.

Use of clients' financial instruments

Article 299

Investment firms shall not enter into arrangements for securities financing transactions in respect of financial instruments held by them on behalf of a client, or otherwise use such financial instruments for their own account or the account of another client of the firm, unless the following conditions are met:

1) the client must have given his prior written express consent to the use of the instruments on specified terms;
2) the use of that client's financial instruments must be restricted to the specified terms to which the client consents.

Investment firms shall not enter into arrangements for securities financing transactions in respect of financial instruments which are held on behalf of a client in an omnibus account maintained by a third party, or otherwise use financial instruments held in such an account for their own account or for the account of another client unless, in addition to the conditions set out in paragraph 1 of this Article, have in place systems and controls which ensure that only financial instruments belonging to clients who have given prior express consent in accordance with paragraph 1 item 1 of this Article are so used.

Investments firms shall keep records the client on whose instructions the use of the financial instruments has been effected, as well as the number of financial instruments used belonging to each client who has given his consent, so as to enable the correct allocation of any loss.

Reports by auditors

Article 300

An auditor who performs the statutory audits of annual financial statement or any other task prescribed by law in an investment firm shall have a duty to report promptly to the CMA any fact or decision concerning that investment firm, of which that person has become aware while carrying out that statutory audit and which may bring about any of the following:

1) a material breach of the provisions of this Law;
2) a material threat or doubt concerning the continuous functioning of the investment firm;
3) a refusal to issue an audit opinion on the financial statements or the issuing of a qualified opinion.

The provision of paragraph 1 of this Article shall also relate to an auditor of the person, having close links with the investment firm referred to in paragraph 1 of this Article.

The disclosure to the CMA of any information referred to in paragraphs 1 and 2 of this Article shall not constitute a breach of any contractual or other restriction on disclosure of information.

Conflicts of interest

Article 301

Investment firms shall take all reasonable steps to identify conflicts of interest between themselves, including their managers and employees, tied agents or any person directly or indirectly linked to them by control and their clients or between one client and another that arise in the course of providing any investment or ancillary services.

Where measures referred to in paragraph 1 of this Article are not sufficient to ensure establishing and prevention of conflict of interest, the investment firm shall clearly disclose in the durable medium the general nature and/or sources of conflicts of interest to the client before undertaking business on its behalf.

Disclosure referred to in paragraph 2 of this Article shall include sufficient detail to enable that client to make an informed decision with respect to the service or activity in the context of which the conflict of interest arises.

An investment firm shall organize its operations in a way to minimize the potential conflict of interest of the investment firm and the interests of the Executive Directors and members of the Board of Directors, as well as other employees of the investment firm.

A detailed manner, the measures for detection and prevention of conflicts of interest and the manner of informing the client about the existence of conflicts of interest, as well as the criteria for determining the types of conflicts of interest shall be prescribed by the CMA.

Conflicts of interest detrimental to a client

Article 302

For the purposes of identifying the types of conflict of interest whose existence may damage the interests of a client, an investment firm shall determine if the investment firm, a relevant person or a person linked by way of control to the investment firm:

1) is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
2) has an interest in the outcome of a service or an activity provided to the client or of a transaction carried out on behalf of the client which is distinct from the client's interest in that outcome;
3) has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
4) carries on the same activities as the client;
5) receives or will receive from a person other than the client an inducement in the form of monies, goods or services, other than the standard commission or fee for that service.

Management of conflict of interest

Article 303

An investment firm shall establish and maintain written procedures for the management of conflict of interest depending on the size and organization of the firm, as well as to the type, scope and complexity of operations.

Procedures referred to in paragraph 1 of this Article shall be:

1) investment and ancillary services and activities which the investment firm performs or are performed in his name and the circumstances that constitute or may lead to conflict of interest, which represents the risk of damage to client's interests;
2) measures and procedures for management of conflict of interest.

By procedures and measures referred to in paragraph 2 item 2 of this Article, an investment firm shall ensure that business activities having the risk of causing conflict of interests referred to in paragraph 2 item 1 of this Article are carried out by appropriate persons and especially the following:

1) effective procedures to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more clients;
2) the supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to clients whose interests may conflict, including those of the firm;
3) the removal of any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities;
4) measures to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out investment or ancillary services or activities;
5) measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities, where such involvement may impair the proper management of conflicts of interest.

Records of investment or ancillary services or investment activities in which the conflict of interest arose

Article 304

An investment firm shall maintain and regularly update the records of investment or ancillary services or investment activities provided or provided in its name, in which the conflict of interest arose and that may lead or has led to the risk of damage to client's interests.

Investment research

Article 305

Investment research within the terms of this Law means recommendation, suggestion or any other information relating to an investment strategy concerning one or several financial instruments or the issuers of financial instruments, including any opinion as to the present or future value or price of such instruments, intended for distribution channels or for the public, and in relation to which the following conditions are met:

1) is labelled or described as investment research or in similar terms, or is otherwise presented as an objective or independent explanation of the matters contained in the recommendation;
2) if the research, i.e. recommendation in question was made by an investment firm to a client, it would not constitute the provision of investment advice.

A recommendation that does not meet the conditions referred to in paragraph 1 of this Article, shall be treated as a marketing communication for the purposes of this Law and any investment firm that produces or disseminates the recommendation shall ensure that it is clearly identified as such containing a clear and prominent statement that it has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and that it is not subject to any prohibition on dealing ahead of the dissemination of investment research.

Requirements relating to production and dissemination of investment research

Article 306

An investment firms which produce, or arrange for the production of, investment research that is intended or likely to be subsequently disseminated to clients of the firm or to the public shall ensure the implementation of all the measures referred to in Article 303 paragraph 3 of this Law, in relation to the financial analysts involved in the production of the investment research and other relevant persons whose responsibilities or business interests may conflict with the interests of the persons to whom the investment research is disseminated.

An investment firm referred to in paragraph 1 of this Article shall ensure that the following conditions are satisfied:

1) financial analysts and other relevant persons must not undertake personal transactions or trade, other than as market makers acting in good faith and in the ordinary course of market making or in the execution of an unsolicited client order, on behalf of any other person, including the investment firm, in financial instruments to which investment research relates, or in any related financial instruments, with knowledge of the likely timing or content of that investment research which is not publicly available or available to clients and cannot readily be inferred from information that is so available, until the recipients of the investment research have had a reasonable opportunity to act on it; or
2) financial analysts and any other relevant persons involved in the production of investment research must not undertake personal transactions in financial instruments to which the investment research relates, or in any related financial instruments, contrary to current recommendations, except with the prior approval of an authorized person of an investment firm.

The investment firms themselves, financial analysts, and other relevant persons involved in the production of the investment research must not:

1) accept inducements from those with a material interest in the subject-matter of the investment research;
2) promise issuers favourable research coverage.

Issuers, relevant persons other than financial analysts, and any other persons must not before the dissemination of investment research be permitted to review a draft of the investment research for the purpose of verifying the accuracy of factual statements made in that research, if the draft includes a recommendation or a target price.

The provision of paragraph 1 of this Article shall not apply to an investment firm which disseminates investment research produced by another person to the public if the following criteria are met:

1) the person that produces the investment research is not a member of the group to which the investment firm belongs;
2) the investment firm does not substantially alter the recommendations within the investment research;
3) the investment firm does not present the investment research as having been produced by it;
4) the investment firm verifies that the producer of the research is subject to requirements equivalent to the requirements under this Law in relation to the production of investment research.

Related financial instrument referred to in paragraph 2 of this Article, means a financial instrument the price of which is closely affected by price movements in another financial instrument which is the subject of investment research, and includes a derivative on that other financial instrument.

Distribution of information to retail clients

Article 307

Investment firms shall ensure that all information they address or distribute to retail clients, including marketing communications:

1) has to include the name of the investment firm;
2) has to be accurate and in particular shall not emphasise any potential benefits of an investment service or financial instrument without also giving indication of any relevant risks;
3) has to be presented in a way that is likely to be understood by the recipient; and
4) shall not diminish or obscure important items, statements or warnings.

Where the information referred to in paragraph 1 of this Article, compares investment or ancillary services, financial instruments, or persons providing investment or ancillary services, the following conditions shall be satisfied:

1) the comparison must be meaningful and presented in a fair and balanced way;
2) the sources of the information used for the comparison must be specified;
3) the key facts and assumptions used to make the comparison must be included.

Where the information referred to in paragraph 1 of this Article, contains an indication of past performance of a financial instrument, a financial index or an investment service, the following conditions shall be satisfied:

1) that indication is not the most prominent feature of the communication;
2) the information includes appropriate performance information which covers the immediately preceding five years, or the whole period for which the financial instrument has been offered, the financial index has been established, or the investment service has been provided if less than five years, or such longer period as the firm may decide, and in every case that performance information must be based on complete 12-month periods;
3) the reference period and the source of information must be clearly stated;
4) the information must contain a prominent warning that the figures refer to the past and that past performance is not a reliable indicator of future results;

5) where the indication relies on figures denominated in a currency other than that of the Member State in which the retail client or potential retail client is resident, the currency must be clearly stated, together with a warning that the return may increase or decrease as a result of currency fluctuations;
6) where the indication is based on gross performance, the effect of commissions, fees or other charges must be disclosed.

Where the information referred to in paragraph 1 of this Article, includes or refers to simulated past performance, it must relate to a financial instrument or a financial index, and the following conditions shall be satisfied:
1) the simulated past performance must be based on the actual past performance of one or more financial instruments or financial indices which are the same as, or underlie, the financial instrument concerned;
2) in respect of the actual past performance referred to in item 1 of this paragraph, the conditions set out in paragraph 3 items 1, 5 and 6 of this Article must be complied with;
3) the information must contain a prominent warning that the figures refer to simulated past performance and that past performance is not a reliable indicator of future performance.

Where the information referred to in paragraph 1 of this Article, contains information on future performance, the following conditions shall be satisfied:
1) the information are not based on or refer to simulated past performance;
2) it is based on reasonable assumptions supported by objective data;
3) where the information is based on gross performance, the effect of commissions, fees or other charges must be disclosed;
4) the information contains a warning that such forecasts are not a reliable indicator of future performance.

Where the information referred to in paragraph 1 of this Article refers to a particular tax treatment, it shall prominently state that the tax treatment depends on the individual circumstances of each client and may be subject to change in the future.

The information referred to in paragraph 1 of this Article shall not use the name of any competent authority in such a way that would indicate or suggest endorsement or approval by that authority of the products or services of the investment firm.

Information concerning client categorisation

Article 308

An investment firm shall notify on a durable medium new clients and existing clients if it has newly, in accordance with this Law, categorized clients as a retail client, a professional client or an eligible counterparty.

An investment firm shall inform clients referred to in paragraph 1 of this Article, in a durable medium about any right that client has to request a different categorisation and about any limitations to the level of client protection that it would entail.

Investment firms, either on their own initiative or at the request of the client concerned may treat:
1) as a professional or retail client a client that might otherwise be classified as an eligible counterparty;
2) as a retail client a client that is considered as a professional client.

Information prior to conclusion of contracts for provision of investment or ancillary services

Article 309

Investment firms shall, in good time before a retail client or potential retail client is bound by any agreement for the provision of investment services or ancillary services or before the provision of those services, whichever is the earlier, provide that client or potential client with the following information:

1) the terms of any such agreement;
2) on investment firm referred to in Article 311 of this Law.

Investment firms, in good time before providing investment or ancillary services to retail clients or potential retail clients, shall provide the information required under Articles 311 to 314 of this Law.

Investment firms shall provide professional clients with the information referred to in Article 313 of this Law in good time before providing the service concerned.

Investment firms shall provide information referred to in paragraphs 1, 2 and 3 of this Article, in a durable medium or by means of a website, provided that the conditions specified in Article 290 paragraph 2 of this Law are met.

Investment firms shall provide retail investors with the information referred to in paragraph 1 of this Article, after that client is bound by any agreement for the provision of investment services or ancillary services, i.e. the information referred to in paragraph 2 of this Article after starting to provide the service, if the firm was unable to comply with the time limits specified in paragraphs 1 and 2 of this Article, because, at the request of the client, the agreement was concluded using a means of distance communication.

An investment firm shall notify a client in good time about any material change to the information provided and submitted in accordance with Articles 311 to 314 of this Law.

Information contained in marketing communication

Article 310

Investment firms shall ensure that information contained in a marketing communication is consistent with any information the firm provides to clients in the course of carrying on investment and ancillary services.

Where a marketing communication contains an offer or invitation of the following nature and specifies the manner of response or includes a form by which any response may be made, it includes such of the information referred to in Articles 311 to 314 of this Law, as is relevant to that offer or invitation:

1) an offer to enter into an agreement in relation to a financial instrument or investment service or ancillary service with any person who responds to the communication, except in order to respond to an offer or invitation contained in the marketing communication, the potential retail client must refer to another document or documents, which, alone or in combination, contain that information;
2) an invitation to any person who responds to the communication to make an offer to enter into an agreement in relation to a financial instrument or investment service or ancillary service.

The content of information about the investment firm and its services

Article 311

Investment firms shall provide retail clients or potential retail clients with the following general information, where relevant:

1) the name and address of the investment firm, and the contact details necessary to enable clients to communicate effectively with the firm;

2) the languages in which the client may communicate with the investment firm, and receive documents and other information;
3) the methods of communication with the client;
4) a statement of the fact that the investment firm is authorised and the name and address of the competent authority that has authorised it;
5) where the investment firm is acting through a tied agent, a statement of this fact specifying the Member State in which that agent is registered;
6) the nature, frequency and timing of the reports on the performance of the service to be provided by the investment firm to the client ;
7) if the investment firm holds client financial instruments or client funds, a summary description of the steps which it takes to ensure their protection, including summary details of any relevant investor compensation or deposit guarantee scheme;
8) further details of that conflicts of interest referred to in Article 303 of this Law policy in a durable medium or by means of a website.

When providing the service of portfolio management, investment firms establish an appropriate method of evaluation and comparison such as a meaningful benchmark, based on the investment objectives of the client and the types of financial instruments included in the client's portfolio, so as to enable the client for whom the service is provided to assess the firm's performance.

In the case referred to in paragraph 2 of this Article, investment firm shall, in addition to the information required under paragraph 1 of this Article submit to the investor:
1) information on the method and frequency of valuation of the financial instruments in the client's portfolio;
2) details of any delegation of the discretionary management of all or part of the financial instruments or funds in the client's portfolio;
3) a specification of any benchmark against which the performance of the client's portfolio will be compared;
4) the types of financial instrument that may be included in the client's portfolio and types of transaction that may be carried out in such instruments, including any possible limits;
5) the management objectives, the level of risk to be reflected in the manager's exercise of discretion, and any specific constraints on that discretion.

Information about financial instruments

Article 312

Investment firms to provide clients or potential clients with a general description of the nature and risks of financial instruments, taking into account, in particular, the client's categorisation as either a retail client or a professional client, enabling the client to take investment decisions on an informed basis.

The description of risks referred to in paragraph 1 of this Article shall particularly include:
1) the risks associated with that type of financial instrument including an explanation of leverage and its effects and the risk of losing the entire investment;
2) the volatility of the price of such instruments and any limitations on the available market for such instruments;
3) financial commitments and other additional obligations of the investor in the case of transaction in such financial instruments;
4) any margin requirements or similar obligations, applicable to financial instrument.

The CMA shall specify the precise terms and the contents required under paragraph 2 of this Article.

If an investment firm provides a retail client or potential retail client with information about a financial instrument that is the subject of a current offer to the public and the prospectus has been published in connection with that offer that firm shall inform the client or potential client where that prospectus is made available to the public.

Where the risks associated with a financial instrument composed of two or more different financial instruments or services are likely to be greater than the risks associated with any of the components, the investment firm shall provide an adequate description of the components of that instrument and the way in which its interaction increases the risks.

In the case of financial instruments that incorporate a guarantee by a third party, the information about the guarantee shall include sufficient detail about the guarantor and the guarantee to enable the retail client or potential retail client to make a fair assessment of the guarantee.

Information requirements concerning safeguarding of client financial instruments or client funds

Article 313

An investment firm which holds financial instruments or funds belonging to retail clients, shall inform the retail client or potential retail client where the financial instruments or funds of that client may be held by a third party on behalf of the investment firm and of the responsibility of the investment firm for any acts or omissions of the third party and the consequences for the client of the insolvency of the third party.

An investment firm shall inform existing or potential retail client where:

1) in accordance with the Law, the financial instruments or funds of that client may be held by a third party referred to in paragraph 1 of this Article, on behalf of the investment firm and of the responsibility of the investment firm and where financial instruments may be held in an omnibus account by a third party, the investment firm shall inform the client of this fact and shall provide a prominent warning of the resulting risks;
2) it is not possible under national law for client financial instruments held with a third party to be separately identifiable from the proprietary financial instruments of that third party or of the investment firm and shall provide a prominent warning of the resulting risks.
3) an account that contains financial instruments or funds belonging to that client or potential client is or will be subject to the law of a jurisdiction other than that of a Member State and shall indicate that the rights of the client or potential client relating to those financial instruments or funds may differ accordingly.

An investment firm shall inform the client about the existence and the terms of any security interest or lien which the firm or a depository have or may have over the client's financial instruments or funds, or any right to netting in relation to those instruments or funds.

An investment firm, before entering into securities financing transactions in relation to financial instruments held by it on behalf of a retail client, or before otherwise using such financial instruments for its own account or the account of another client, shall in good time before the use of those instruments provide the retail client, in a durable medium, with clear, full and accurate information on the obligations and responsibilities of the investment firm with respect to the use of those financial instruments, including the terms for their restitution, and on the risks involved.

Information about costs and associated charges

Article 314

Investment firms shall provide their retail clients and potential retail clients with information on costs and associated charges and particularly on:

1) the total price to be paid by the client in connection with the financial instrument or the investment service or ancillary service, including all related fees, commissions, charges and expenses, and all taxes payable via the investment firm or, if an exact price cannot be indicated, the basis for the calculation of the total price so that the client can verify it;
2) where any part of the total price is to be paid in or represents an amount of foreign currency, an indication of the currency involved and the applicable currency conversion rates and costs;
3) notice of the possibility that other costs, including taxes, related to transactions in connection with the financial instrument or the investment service may arise for the client that are not paid via the investment firm or imposed by it;
4) the arrangements for payment or other performance referred to in items 1 and 3 of this paragraph.

For the purposes of paragraph 1 item 1 of this Article the investment firm shall itemise separately in each individual case the commissions charged by the firm.

Assessment of suitability

Article 315

Investment firms shall obtain from clients or potential clients such information as is necessary for the firm to understand the essential facts about the client and to have a reasonable basis for believing, giving due consideration to the nature and extent of the service provided, that the specific transaction to be recommended, or entered into in the course of providing a portfolio management service, satisfies the following criteria:

1) it meets the investment objectives of the client in question;
2) it is such that the client is able financially to bear any related investment risks consistent with his investment objectives;
3) it is such that the client has the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of his portfolio.

Obligation referred to in paragraph 1 items 2 and 3 of this Article shall not apply to assessment of a professional client.

The information regarding the financial situation of the client or potential client shall include information on the source and extent of his regular income, his assets, including liquid assets, investments and real property, and his regular financial commitments.

The information regarding the investment objectives of the client or potential client shall include information on the length of time for which the client wishes to hold the investment, his preferences regarding risk taking, his risk profile, and the purposes of the investment.

Non-complex instruments

Article 316

A financial instrument which is not specified in Article 3 paragraph 1 item 3 and Article 4 paragraph 1 of this Law shall be considered as non-complex if it satisfies the following criteria:

1) there are frequent opportunities to dispose of, redeem, or otherwise realise that instrument at prices that are publicly available to market participants and that are either market prices or prices made available, or validated, by valuation systems independent of the issuer;

2) it does not involve any actual or potential liability for the client that exceeds the cost of acquiring the instrument;
3) adequately comprehensive information on its characteristics is publicly available and is likely to be readily understood so as to enable the average retail client to make an informed judgment as to whether to enter into a transaction in that instrument.

Reporting obligations in respect of execution of orders other than for portfolio management

Article 317

Where investment firms have carried out an order on behalf of a client, they take the following action in respect of that order:

1) the investment firm must promptly provide the client, in a durable medium, with the essential information concerning the execution of that order;
2) in the case of a retail client, the investment firm must send the client a notice in a durable medium confirming execution of the order as soon as possible and no later than the first business day following execution or, if the confirmation is received by the investment firm from a third party, no later than the first business day following receipt of the confirmation from the third party;
3) supply the client, on request, with information about the status of his order.

In the case of orders for a retail clients relating to units or shares in a collective investment undertaking which are executed periodically the provision of paragraph 1 item 2 of this Article shall also apply.

The notice referred to in paragraph 1 item 2 of this Article shall include such of the following information as is applicable:

1) identification of the reporting investment firm;
2) the name and surname, i.e. other designation of the client;
3) the trading day;
4) the trading time;
5) the type of order;
6) the venue identification;
7) the financial instrument identification;
8) the buy/sell indicator;
9) the nature of the order if other than buy/sell;
10) the quantity;
11) the unit price;
12) the total consideration;
13) a total sum of the commissions and expenses charged;
14) the client's responsibilities in relation to the settlement of the transaction, including the time limit for payment or delivery as well as the appropriate account details where these details and responsibilities have not previously been notified to the client;
15) if the client's counterparty was the investment firm itself or any person in the investment firm's group or another client of the investment firm, the fact that this was the case unless the order was executed through a trading system that facilitates anonymous trading.

The investment firm may provide the client with the information referred to in paragraph 3 of this Article using standard codes if it also provides an explanation of the codes used.

The provision of paragraph 1 item 2 of this Article shall not apply where the confirmation would contain the same information as a confirmation that is to be promptly dispatched to the retail client by another person.

The provision of paragraph 1 of this Article shall not apply where orders executed on behalf of clients relate to bonds funding mortgage loan agreements with the said clients, in which case the report on the transaction shall be made at the same time as the terms of the mortgage loan are communicated, but no later than thirty days after the execution of the order.

Where the order is executed in tranches, the investment firm may supply the client with information about the price of each tranche or the average price.

Where the average price is provided in accordance with paragraph 7 of this Article, the investment firm shall supply the retail client with information about the price of each tranche upon request.

Portfolio management periodic statement

Article 318

Investments firms which provide the service of portfolio management to clients shall provide each such client with a periodic statement in a durable medium of the portfolio management activities carried out on behalf of that client unless such a statement is provided by another person authorized by the investment firm.

In the case of retail clients referred to in paragraph 1 of this Article, the periodic statement required under paragraph 1 of this Article shall include, where relevant, the following information:

1) the name and a registered office of the investment firm;
2) the name or other designation of the retail client's account;
3) a statement of the contents and the valuation of the portfolio, including details of each financial instrument held, its market value, or fair value if market value is unavailable and the cash balance at the beginning and at the end of the reporting period, and the performance of the portfolio during the reporting period;
4) the total amount of fees and charges incurred during the reporting period, itemising at least total management fees and total costs associated with execution, and including, where relevant, a statement that a more detailed breakdown will be provided on request;
5) a comparison of performance during the period covered by the statement with the investment performance benchmark (if any) agreed between the investment firm and the client;
6) the total amount of dividends, interest and other payments received during the reporting period in relation to the client's portfolio;
7) information about other corporate actions giving rights in relation to financial instruments held in the portfolio;
8) for each transaction executed during the period, the information referred to in Article 317 paragraph 3 items 3 to 12 of this Law, unless the client elects to receive information about executed transactions on a transaction-by-transaction basis, in accordance with paragraph 4 of this Article.

In the case of retail clients, the periodic statement referred to in paragraph 1 of this Article, shall be provided by the investment firm once every six months, except in the following cases:

1) where the client so requests, the periodic statement must be provided every three months;
2) in cases referred to in paragraphs 4 and 5 of this Article, the periodic statement must be provided at least once every 12 months;
3) where the agreement between an investment firm and a retail client for a portfolio management service authorises a leveraged portfolio, the periodic statement must be provided at least once a month.

In cases where the client elects to receive information about executed transactions on a transaction-by-transaction basis, to provide promptly to the client, on the execution of a transaction by the portfolio manager, the essential information concerning that transaction in a durable medium.

Where the client referred to in paragraph 4 of this Article is a retail client and a notice confirming the transaction does not contain the same information as a confirmation that is to be promptly dispatched to the retail client by another person, the investment firm must send him a notice confirming the transaction and containing the information referred to in Article 317 paragraph 3 of this Law:

1) no later than the first business day following that execution or;
2) if the confirmation is received by the investment firm from a third party, no later than the first business day following receipt of the confirmation from the third party.

Investment firms shall inform retail clients that they have the right to receive the information referred to in paragraph 4 of this Article.

The provision of paragraph 3, item 2 of this Article shall not apply to transactions in financial instruments referred to in Article 3, paragraph 1, item 3 and Article 4, paragraph 1 of this Law.

Reporting obligations in case of exceeding the threshold

Article 319

Where investment firms provide portfolio management transactions for retail clients or operate retail client accounts that include an uncovered open position in a contingent liability transaction, they shall also report to the retail client any losses exceeding any predetermined threshold, agreed between the firm and the client, no later than the end of the business day in which the threshold is exceeded or, in a case where the threshold is exceeded on a non-business day, the close of the next business day.

Statements of client's financial instruments or client's funds

Article 320

Investment firms that hold client financial instruments or client funds shall submit at least once a year, to each client for whom they hold financial instruments or funds, a statement in a durable medium of those financial instruments or funds unless such a statement has been provided in any other periodic statement.

The statement of client assets referred to in paragraph 1 of this Article shall include the following information:

1) details of all the financial instruments and/or funds held by the investment firm for the client at the end of the period covered by the statement;
2) the extent to which any client financial instruments and/or client funds have been the subject of securities financing transactions;
3) the extent of any benefit that has accrued to the client by virtue of participation in any securities financing transactions, and the basis on which that benefit has accrued.

Investment firms which hold financial instruments or funds and which carry out the service of portfolio management for a client shall include the statement of client assets in the periodic statement referred to in Article 318 paragraph 1 of this Law.

In cases where the portfolio of a client includes the proceeds of one or more unsettled transactions, the information referred to in paragraph 2 item 1 of this Article, may be based either on the trade date or the settlement date, provided that the same basis is applied consistently to all such information in the statement.

Disclosure of information after execution of the transaction

Article 321

An investment firm which, for its own or the client's account, concludes transactions in equity securities that are admitted to trading on a regulated market outside the regulated market or an MTF, shall, in accordance with the provisions of this Law, publish the volume and price of those transactions as well as the time of the execution of the transaction, in real time, on a reasonable commercial basis and in a manner that allows easy access to other market participants.

Position limits

Article 322

The CMA shall establish and apply position limits on the size of a net position which a person can hold at all times in commodity derivatives traded on trading venues and economically equivalent OTC contracts.

The limits shall be set on the basis of all positions referred to in paragraph 1 of this Article, in order to:

1) prevent market abuse;
2) support orderly pricing and settlement conditions, including preventing market distorting positions, and ensuring, in particular, convergence between prices of derivatives in the delivery month and spot prices for the underlying commodity, without prejudice to price discovery on the market for the underlying commodity.

Position limits shall not apply to positions held by or on behalf of a non-financial entity and which are objectively measurable as reducing risks directly relating to the commercial activity of that entity.

Position limits shall specify clear quantitative thresholds for the maximum size of a position in a commodity derivative that persons can hold.

Position management controls

Article 323

An investment firm or a market operator operating a trading venue which trades commodity derivatives shall apply position management controls which shall include at least:

1) monitoring the open interest positions of persons referred to in Article 322 paragraph 1 of this Law;
2) access to information, including all relevant documentation, from persons about the size and purpose of a position or exposure entered into, information about beneficial or underlying owners, any concert arrangements, and any related assets or liabilities in the underlying market;
3) requirement to a person referred to in item 1 of this paragraph, to terminate or reduce a position, on a temporary or permanent basis , and to unilaterally take appropriate action to ensure the termination or reduction if the person does not comply; and

4) where appropriate, requirement to a person referred to in item 1 of this paragraph to provide liquidity back into the market at an agreed price and volume on a temporary basis with the express intent of mitigating the effects of a large or dominant position, if applicable.

The position limits referred to in Article 322 of this Law and position management controls referred to in paragraph 1 of this Article, shall be transparent and non-discriminatory, specifying how they apply to persons and taking account of the nature and composition of market participants and of the use they make of the OTC contracts submitted to trading.

The investment firm or market operator operating the trading venue shall inform the CMA of the details of position management controls.

The CMA shall communicate information referred to in paragraph 3 of this Article to ESMA.

Determining more restrictive positions

Article 324

The CMA may decide to impose more restrictive position limits in accordance with Article 322 of this Law, taking into account the liquidity of the specific market and the orderly functioning of that market, in the period of up to six months, i.e. not exceeding six months at a time if the grounds for the restriction continue to be applicable.

The provisions of Article 323 paragraphs 1 and 2 of this Law shall apply also for the more restrictive position limits referred to in paragraph 1 of this Article.

For the infringements of position limits referred to in Articles 322 and 323 of this Law and paragraph 1 of this Article, the CMA can apply its powers referred to in Article 27 of this Law to:

1) positions held by persons supervised by the CMA which exceed the position limits the CMA has set;
2) positions held by persons supervised by the CMA which exceed the position limits the competent authority of other Member States has set.

Position reporting by categories of position holders

Article 325

An investment firm or a market operator operating a trading venue which trades commodity derivatives or emission allowances or derivatives thereof shall:

1) make public a weekly report with the aggregate positions held by the different categories of persons for the different commodity derivatives or emission allowances or derivatives thereof traded on their trading venue, specifying the number of long and short positions by such categories, changes thereto the percentage of the total open interest represented by each category and the number of persons holding a position in each category in accordance with;
2) communicate the report referred to in item 1 of this paragraph to the CMA;
3) provide the CMA with a complete breakdown of the positions held by all persons, including the members or participants and the clients thereof, on that trading venue, at least on a daily basis;
4) communicate the reports referred to in item 1 of this paragraph to ESMA.

The provision of paragraph 1 item 1 of this Article shall only apply when both the number of persons and their open positions exceed a minimum threshold determined in accordance with Article 322 of this Law.

Investment firms trading in commodity derivatives or emission allowances or derivatives thereof outside a trading venue shall provide the competent authority of the trading venue where the commodity derivatives or emission allowances or derivatives thereof are traded or the central competent authority where the commodity derivatives or emission allowances or derivatives thereof are traded in significant volumes at least on a daily basis with a complete breakdown of their positions taken in commodity derivatives or emission allowances or derivatives thereof traded on a trading venue and economically equivalent OTC contracts, as well as of those of their clients and the clients of those clients until the end client is reached.

Members or participants of regulated markets, MTFs and clients of OTFs shall report to the investment firm or market operator operating that trading venue the details of their own positions held through contracts traded on that trading venue at least on a daily basis, as well as those of their clients and the clients of those clients until the end client is reached for reporting purposes in accordance with Article 322 paragraphs 1 and 3 of this Law.

Persons holding positions in a commodity derivative or emission allowance or derivative thereof shall be:

1) investment firms or credit institutions;
2) investment funds, i.e. an undertaking for collective investments in transferable securities;
3) other financial institutions, including insurance undertakings and reinsurance undertakings and institutions for occupational retirement provision;
4) business organizations, and/or
5) operators, in the case of emission allowances or derivatives thereof.

Positions referred to in paragraph 1 item 1 and the breakdowns referred to in paragraph 1 item 3 of this Article shall differentiate between:

1) positions identified as positions which in an objectively measurable way reduce risks directly relating to commercial activities; and
2) other positions.

Systematic internaliser

Article 326

Systematic internaliser, for the purposes of this Law, means an investment firm which, on an organised, frequent systematic and substantial basis, deals on own account when executing client orders outside a regulated market, an MTF or an OTF without operating a multilateral system.

The frequent and systematic basis shall be measured by the number of OTF trades in the financial instrument carried out by the investment firm on own account when executing client orders.

The substantial basis referred to in paragraph 1 of this Article, shall be measured by the size of the OTF trading carried out by the investment firm in relation to the total trading of the investment firm in a specific financial instrument .

Systematic internaliser regime shall apply only where the pre-set limits for a frequent and systematic basis and for a substantial basis are both crossed or where an investment firm chooses to opt-in that regime.

Detailed requirements relating to determining systematic internaliser regime, the manner and terms of reporting in connection with the intention of an investment firm to opt –in that regime, requirements relating to the manner and time of posting quotes, executing clients' orders and other requirements relating to operations of systematic internaliser shall be prescribed by the CMA.

Supervision of the CMA over investment firms operations

Article 327

The CMA shall supervise and control whether the investment firm has an authorization for the provision of investment and ancillary services referred to in Article 206 of this Law, and fulfils the other conditions set forth in this Law.

The CMA shall perform the direct control of investment firms which were granted the authorization for the provision of investment services at least once a year.

Measures taken against investment firms for which Montenegro is the host Member State

Article 328

If the CMA has evidence that an investment firm from another Member State which provides services or has a branch in Montenegro, violates the provisions of this Law, it shall notify the competent authority of the home Member State of the investment firm.

If an investment firm referred to in paragraph 1 of this Article, despite the measures taken by the competent authority of the home Member State of an investment firm continues to violate the provisions of this Law or by providing services harms investors interests or the proper functioning of the market in Montenegro, the CMA shall take measures necessary to protect investors and the proper functioning of the market or prohibit the operation of that investment firm in Montenegro.

The CMA shall, before taking measures referred to in paragraph 2 of this Article, inform the competent authority of the home Member State and ESMA.

Supervision over operations of authorized credit institutions

Article 329

The CMA shall conduct supervision over the operations of authorized credit institutions in accordance with the provisions of this Law.

The CMA shall submit to the Central Bank of Montenegro the information and data collected during the supervision referred to in paragraph 1 of this Article, as well as measures imposed to authorized credit institutions.

The Central Bank of Montenegro shall act in accordance with their rules of confidentiality as regards the information and data referred to in paragraph 2 of this Article, which are, in accordance with this Law, kept as a business secret.

Investment firm home Member State

Article 330

The home Member State of the investment firm shall be:

1) a Member State where the principal place of business is located if the investment firm is a natural person;
2) a Member State where the registered office of the firm is located if the investment firm is a legal person;
3) a Member State where the principal place of business is located if the investment firm, in accordance with the law, does not have a registered office.

Exemptions

Article 331

Provisions of Articles 205 to 330 and Articles 332 to 339 of this Law which relate to providing investment and ancillary services shall not apply to:

1) insurance undertakings or undertakings carrying on the reinsurance activities;
2) persons which provide investment services exclusively for their parent undertakings, for their subsidiaries or for other subsidiaries of their parent undertakings;
3) persons providing an investment service where that service is provided in an incidental manner in the course of a professional activity in accordance with the law;
4) persons who exclusively deal on own account unless they are market makers or they deal on own account outside a regulated market or an MTF on an organised, frequent and systematic basis, by providing a system accessible to third parties in order to engage in dealings with them;
5) persons who provide investment services consisting exclusively in the administration of employee-participation schemes;
6) persons which provide investment services which only involve both administration of employee-participation schemes and the provision of investment services exclusively for their parent undertakings, for their subsidiaries or for other subsidiaries of their parent undertakings;
7) the members of the European System of Central Banks and other national bodies performing similar functions and other public bodies charged with or intervening in the management of the public debt;
8) collective investment undertakings and pension funds and the depositaries and managers of such undertakings;
9) persons:
   a) who deal on own account, including market makers in commodity derivatives, emission allowances or derivatives thereof, excluding persons who deal on own account when executing client orders; or
   b) excluding persons who deal on own account when executing client orders, or who provide investment services in commodity derivatives or emission allowances or derivatives thereof to the customers or suppliers provided that:
      - that activity is an ancillary activity to their main business on a group basis, and that main business is neither the provision of investment services , nor of banking activities nor market making in commodity derivatives;
      - do not apply a high-frequency algorithmic trading technique;
      - submit annual reports to the CMA on trading referred to in indents 1 and 2 of this item;
10) persons providing investment advice in the course of providing another professional activity to which this Law does not apply, provided that the provision of such advice is not specifically remunerated;
11) persons dealing on own account in financial instruments other than commodity derivatives or emission allowances or derivatives thereof and not providing any other investment services or performing any other investment activities in financial instruments, unless such persons:
   a) are market makers;
   b) are members of or participants in a regulated market or an MTF or have direct electronic access to a trading venue;
   c) apply a high-frequency algorithmic trading technique; or
   d) deal on own account when executing client orders;
12) operators dealing in emission allowances, other than dealing on own account, provided that those persons do not apply a high-frequency algorithmic trading technique.

VIII. DATA REPORTING SERVICE PROVIDERS

Data reporting services

Article 332

Provision of data reporting services may be carried out by a natural or legal person having technical systems and the equipment and qualified persons for provision of data reporting services and an authorization to provide data reporting services issued by the CMA.

Data reporting service provider shall be entered into the Register of data reporting service providers.

The Register referred to in paragraph 2 of this Article shall be kept by the CMA and published on its website.

The Register referred to in paragraph 2 of this Article shall contain information relating to services contained in an authorization to provide data reporting services.

The CMA shall enter the data on withdrawal of an authorization for providing data reporting services, into the Register referred to in paragraph 2 of this Article and keep the same for no less than five years.

Notwithstanding paragraph 1 of this Article, an investment firm or a market operator managing a trading venue shall provide data reporting services to APA, CTP and ARM, provided that it meets the criteria set forth by this Law.

The CMA shall notify ESMA on issuing, i.e. withdrawal of an authorization for providing data reporting services referred to in paragraph 1 of this Article.

Detailed conditions which have to be fulfilled by a data reporting service provider referred to in paragraph 1 of this Article shall be prescribed by the CMA.

The applicationfor authorisation as a data reporting service provider

Article 333

The applicationfor authorisation as a data reporting service provider shall be issued by the CMA to an applicant who meet the requirements stipulated by this Law.

In addition to the applicationreferred to in paragraph 1 of this Article an applicant shall also submit a business plan, the applicant shall submit a business plan stating the type of business envisaged and the organizational structure of the applicant.

Detailed contents of the application and documents to be submitted with the application referred to in paragraph 1 of this Article shall be prescribed by the CMA.

Issuing authorisation to provide data reporting services

Article 334

The CMA must determine the applicationfor an authorisation before the end of the period of six months beginning with the date on which it received the completed application.

The CMA shall issue a license referred to in paragraph 1 of this Article, if the application and documents submitted along with the application is complete and valid and the applicant meets the requirements established by this Law.

In the authorization referred to in paragraph 1 of this Article, data delivery services the provider is authorized to provide shall be determined.

Cancelling authorization to provide data reporting services

Article 335

The CMA shall cancel a person's authorization where a holder of authorization:

1) does not provide data reporting services within 12 months beginning with the date on which the authorisation took effect or requests, or consents to, the cancellation of the authorisation;
2) ceases to provide data reporting services for a period of not less than six months;
3) has obtained authorisation through false statements or other irregular means contrary to the law;
4) no longer meets requirements based on which it was granted an authorization;
5) acts contrary to the provisions of this Law.

Requirements relating to data reporting service provider management bodies

Article 336

Where a data reporting service provider is a legal person, the provisions of the law governing the requirements relating to members of investment firms management bodies shall accordingly apply to the requirements which must be met by members of that service provider management body.

Requirements which must be fulfilled by APA

Article 337

The APA is required to have adequate policies and arrangement in place to make public the information as close to real time as is "technically possible" on a "reasonable commercial basis".

The information shall be made available free of charge 15 minutes after the APA has published it.

APA shall efficiently and consistently disseminate such information in a way that ensures fast access to the information, on a non-discriminatory basis and in a format that facilitates the consolidation of the information with similar data from other sources.

The information referred to in paragraph 2 of this Article include:

1) the identifier of the financial instrument;
2) the price at which the transaction was concluded;
3) the volume of the transaction;
4) the time of the transaction;
5) the time the transaction was reported;
6) the price notation of the transaction;
7) the code for the trading venue the transaction was executed on, or where the transaction was executed via a systematic internaliser the code 'SI' or otherwise the code "OTC";
8) if applicable, an indicator that the transaction was subject to specific conditions.

APA shall maintain effective administrative arrangements designed to prevent conflicts of interest with its clients, in accordance with this Law.

If APA is a market operator or investment firm, it shall treat all information collected in a non-discriminatory fashion and shall operate and maintain appropriate arrangements to separate different business functions.

APA shall have sound security mechanisms in place designed to guarantee the security of the means of transfer of information, minimise the risk of data corruption and unauthorised access and to prevent information leakage before publication.

APA shall have systems in place that can effectively check trade reports for completeness, identify omissions and obvious errors.

Requirements which must be fulfilled by CTP

Article 338

CTP shall have adequate policies and arrangements in place to collect the information made public, consolidate it into a continuous electronic data stream and make the information available to the public as close to real time as is technically possible, on a reasonable commercial basis.

Information referred to in paragraph 1 of this Article, in addition to information referred to in Article 337 paragraph 4 of this Law, information referred to in paragraph 1 of this Article shall include:

1) in the case of algorithmic trading, the fact that a computer algorithm within the investment firm was responsible for the investment decision and the execution of the transaction;
2) if, in accordance with the law, the obligation to make public the information was waived, a flag to indicate which of those waivers the transaction was subject to.

The information shall be made available free of charge 15 minutes after the CTP has published it.

CTP shall efficiently and consistently disseminate such information in a way that ensures fast access to the information, on a non-discriminatory basis and in generally accepted formats that are interoperable and easily accessible and utilisable for market participants.

CTP shall ensure that the data provided is consolidated from all the regulated markets, MTFs, OTFs and APAs.

CTP shall operate and maintain effective administrative arrangements designed to prevent conflicts of interest, in accordance with this Law.

In the case that CTP operates a consolidated tape, it shall treat all information collected in a non-discriminatory fashion and shall operate and maintain appropriate arrangements to separate different business functions.

CTP shall have sound security mechanisms in place designed to guarantee the security of the means of transfer of information and to minimise the risk of data corruption and unauthorised access and to prevent information leakage before publication.

Requirements which must be fulfilled by ARM

Article 339

ARM shall have adequate policies and arrangements in place to report the information as quickly as possible and no later than the close of the working day following the day upon which the transaction took place.

ARM shall operate and maintain effective administrative arrangements designed to prevent conflicts of interest with its clients.

ARM shall have sound security mechanisms in place designed to guarantee the security and authentication of the means of transfer of information, minimise the risk of data corruption and unauthorised access and to prevent information leakage.

ARM shall have systems in place that can effectively check transaction reports for completeness, identify omissions and obvious errors caused by the investment firm as well as to request re-transmission of any such erroneous reports.

ARM shall have systems in place to enable the ARM to detect errors or omissions caused by the ARM itself and to enable the ARM to correct and transmit, or re-transmit as the case may be, correct and complete transaction reports to the CMA.

IX. INVESTOR-COMPENSATION SCHEME

The Investor Compensation Fund

Article 340

The Investor-Compensation Fund (hereinafter referred to as: the Fund) shall conduct activities aimed at protection of investors whose assets or financial instruments are exposed to risk in case of bankruptcy of an investment firm, authorized credit institution and a management company when providing services of portfolio management of clients or financial instruments of a client.

The Fund shall be organized and managed by the CMA or a company authorized by the CMA (hereinafter referred to as: a Fund operator).

A Fund operator shall undertake all measures on behalf and for the account of the Fund and shall represent the same in all procedures before governmental, judicial, administrative and other bodies in the exercise of its rights.

Fund membership

Article 341

The membership of the Fund shall be obligatory for investment firms having their registered office in Montenegro, when providing investment services and activities referred to in Article 206 paragraph 1 of this Law and when ancillary investment services referred to in Article 206 paragraph 2 of this Law are provided by:

1) an investment firm authorized to hold a client's funds or financial instruments;
2) an authorized credit institution;
3) a management company when providing services of portfolio management for clients that are not investment funds and when authorized to hold client's funds or financial instruments.

Provisions of Article 340 paragraphs 1 and 2 of this Article and Articles 342 to 362 of this Law shall also apply to branches of investment firms if they do not participate in the system of investor-compensation in the

State in which they have their registered office or if that system does not provide for the protection of investors which corresponds to the protection established by this Law.

Fund member client

Article 342

Within the meaning of Articles 340 and Articles 343 do 362 of this Law, a client of the Fund member whose claims are secured shall be a natural or legal person whose funds are held or managed by the Fund member on behalf of the client in relation to investment service agreed with the client.

The client of the Fund shall not be:

1) credit institutions;
2) investment funds and investment fund management companies;
3) voluntary pension funds management companies and voluntary pension funds;
4) insurance companies;
5) financial institutions;
6) collective investment undertakings;
7) companies making group with the Fund member who is unable to meet its obligations;
8) natural or legal persons holding more than 5% of voting rights in total capital in the Fund member who is unable to meet its obligations;
9) members of the Board of Directors and the Supervisory Board, or the Board of Directors of the Fund's member who is unable to meet its liabilities, if such persons were members of those bodies or employees in the Fund member on the date of initiation of a bankruptcy or liquidation procedure, the date of publication of the CMA's decision on the occurrence of the insured event either in the current or the previous year compared to the year when such decision was published;
10) persons responsible for preparation and audit of financial statements of the Fund member;
11) members of the Board of Directors, Supervisory Board and persons holding more than 5% of share in the parent company or a subsidiary of the Fund member;
12) clients of the Fund member for whose failure to meet obligations towards a Fund member an insured event occurred.

Claims of Fund’s clients

Article 343

Claims of Fund’s clients shall be the claims which a Fund’s member is unable to execute and/or settle to the client when:

1) bankruptcy proceeding has been initiated over a Fund’s member; or
2) the CMA determinates that a Fund’s member is unable to meet its obligations and/or return financial instruments he held or managed on client’s behalf and when is reasonably expected that such circumstances will not change in the foreseeable future.

The CMA shall prescribe the manner and detailed criteria for determining inability to meet obligations referred to in paragraph 1 of this Article.

Client’s secured claims

Article 344

Clients' secured claims referred to in Article 343 paragraph 1 of this Law shall be:

1) monetary claims owed by a Fund Member to a client or belonging to a client, and which are held on behalf of the client in connection with investment services agreed with the client;
2) financial instruments belonging to a client of a Fund Member and held by him, administered or managed on behalf of the client in connection with investment services agreed with the client.

Claims, referred to in paragraph 1 of this Article shall not be the claims:

1) insured by the law regulating deposit protection in banks and credit institutions having registered office in Montenegro in order to protect those persons in case of deposit inaccessibility;
2) of Fund members' clients stemming from transactions for which it is determined by a final court ruling that relate to money-laundering and financing of terrorism.

The amount of secured claims of a client in one member of the Fund shall be calculated as the total amount of client's claims, regardless of whether they are held on one or more accounts on the basis of one or more contracts and investment services, up to the insured amount in accordance with Article 345 of this Law, including interest up to the date of opening of bankruptcy proceeding against the member of the Fund or the date of publication of the CMA's decision referred to in Article 353 paragraph 2 of this Law.

The amount of secured claims

Article 345

Clients claims are secured up to the amount of EUR 20.000 per each client of the Fund member.

All secured claims up to the amount referred to in paragraph 1 of this Article shall be fully paid.

In the process of compensation on the fixed amount of claims, interest shall be determined and paid up to the date of opening of bankruptcy proceeding against the member of the Fund or the date of publication of the CMA's decision referred to in Article 353 paragraph 2 of this Law.

Fund assets

Article 346

Fund assets shall be provided out of:

1) contributions paid in by the Fund members in accordance with Article 349 of this Law;
2) funds collected in bankruptcy proceedings against a Fund Member;
3) income from Funds assets investment;
4) other income in accordance with the Law.

The contribution paid to the Fund as well as other income referred to in paragraph 1 of this Article obtained by a Fund operator shall be kept on the special account and shall make up the Fund.

Fund assets shall be used by the Fund operator to pay off the clients` secured claims for the purpose set forth in provisions of this Law and shall not be used for other purposes nor can they be subject of enforcement towards a Fund member or the Fund operator.

Fund assets may be invested in:

1) financial instruments issued by Montenegro, the European Union Member State or a state that is a contracting party to the Agreement on the European Economic Area or their central banks;

2) debt securities guaranteed by Montenegro, the European Union Member State or a state that is a contracting party to the Agreement on the European Economic Area;
3) other financial instruments generating revenues, with the approval of the CMA.

The CMA shall regulate a method of disposal, recording and reporting to the CMA in relation to the Fund assets.

The use of Fund's assets

Article 347

The Fund's assets shall be used for the payment of secured claims of clients of the Fund member who is unable to fulfil its obligations in the case referred to in Article 343 paragraph 1 of this Law and after the decision of the CMA referred to in Article 353 paragraph 2 of this Law.

The method of payment of contributions and management by Fund assets shall be determined by the Fund rules adopted by the Fund.

The CMA shall give the approval to the rules of the Fund operator authorized by the CMA.

The rules referred to in paragraph 2 of this Article shall in particular contain:
1) the manner of Fund assets management in accordance with the act referred to in Article 346 paragraph 5 of this Law;
2) the manner and procedure of collection of contribution of Fund members;
3) the manner and procedure of clients compensation;
4) the process of informing the public, in particular a client of the Fund member who is unable to fulfil its obligations;
5) the procedure of withdrawal from membership in the Fund;
6) a fee for Fund management.

Contribution of a Fund's member

Article 348

Fund's members shall regularly calculate and pay in contributions to the Fund in accordance with the provisions of this Law and Fund's operator rules.

A Fund's member shall not pay contribution referred to in paragraph 1 of this Article in the following cases:
1) it ceases to provide investment services referred to in Article 206 of this Law;
2) temporary or permanent withdrawal of license to a Fund's member.

In the event of termination of license, protection of client claims referred to in Articles 343 and 344 of this Law shall relate to claims incurred to the date of termination of a Fund's member license.

Structure of contribution

Article 349

A Fund's member contribution consists of the initial and regular contributions.

The funds paid on behalf of contribution referred to in paragraph 1 of this Article are not refundable.

A Fund's member with a registered office in Montenegro shall, within eight days following the date of obtaining the decision on membership in the CCDC pay the initial amount to the Fund in the amount of EUR 5.000.

The method of calculation and the amount of regular contribution shall be based on the type, scope and complexity of investment services and ancillary services referred to in Article 206 of this Law, provided and performed by a Fund's member.

Fund management fee

Article 350

A Fund's member shall pay a fee to the Fund's operator for the management of the Fund.

Funds collected from the Fund management fee may be used to cover the costs:

1) incurred in the payment of insured amounts;
2) incurred in the process of payment of claims of the Fund's operator from the bankruptcy estate;
3) associated with the investments of Fund assets;
4) for employees in the Fund's operator and
5) other operating costs of the Fund operator relating to insurance of client's funds.

If the Fund does not have sufficient funds for compensation to the Fund client who is unable to meet its obligations, the Fund operator shall obtain the missing funds from the credit line opened with a credit institution for this purpose.

In the case referred to in paragraph 3 of this Article, Fund members shall be jointly and severally liable for the repayment of loans.

Fund operator reports

Article 351

A Fund's operator shall draw up half-yearly and annual financial statement, drawn up in accordance with the rules governing accounting.

A Fund's operator shall submit to the CMA a half-yearly financial statement of the Fund within the period of two months of the end of the first semester.

A Fund's operator shall submit to the CMA the annual financial statement of the Fund together with the audit report within the period of fifteen days following the date of drawing up of the auditor's report and no later than four months from the last day of the financial year.

The CMA shall prescribe a detailed content and a manner of submission of the reports referred to in paragraph 1 of this Article.

The CMA may require the auditor who performed the audit of the annual financial statement of the Fund referred to in paragraph 3 of this Article to provide additional explanations regarding the performed audit and the auditor's report.

If the auditor's report was not drawn up in accordance with the Law, and standards of financial reporting and due professional care, the CMA may reject the auditor's report and require the performance of the audit by other auditor at the expense of a Fund's operator.

Determining the amount of secured claims

Article 352

A Fund operator, when determining the amount of secured claims of individual client of a Fund member, shall ascertain client's claims towards a Fund member taking into account all legal and contractual terms as regards each individual claim, and especially to calculate possible counterclaims, on the day of initiation of bankruptcy procedure or publication of the CMA's decision referred to in Article 353 paragraph 2 of this Law .

The amount of secured claims of a Fund member's client shall be determined on the day of initiation of bankruptcy procedure or publication of the CMA's decision referred to in Article 353 paragraph 2 of this Law.

The value of financial instruments which a Fund Member is obliged to return to the client shall be determined according to their market value, if applicable, on the day of initiation of bankruptcy procedure or publication of the CMA's decision referred to in Article 353 paragraph 2 of this Law.

The CMA shall prescribe a manner of determining financial instruments value when the same may not be determined pursuant to its market value in accordance with paragraph 3 of this Article.

Occurrence of the insured event

Article 353

In case of occurrence of circumstances referred to in Article 343 paragraph 1 item 1 of this Law, the competent court shall, without delay, submit to the CMA and a Fund operator the decision on initiation of bankruptcy procedure over a Fund Member.

In accordance with the decision of the competent court referred to in paragraph 1 of this Article and in case referred to in Article 343 paragraph 1 item 2 of this Law, the CMA shall adopt a decision on occurrence of insured event and shall submit it without delay to Fund operator and a Fund Member which is unable to meet its obligations.

CMA's decision referred to in paragraph 2 of this Article shall be published in the "Official Gazette of Montenegro" and on the CMA's website.

Acting of the Fund operator upon the occurrence of insured event

Article 354

Having received the CMA's decision referred to in Article 353 paragraph 2 of this Law, the Fund operator shall initiate without delay a procedure in order to compensate clients of a Fund member unable to meet its obligations.

Information referred to in paragraph 1 of this Article shall be published by the Fund operator at least in one daily newspaper distributed through the territory of Montenegro.

Fund operator, in co-operation with a certified auditor and an authorized representative of a Fund member unable to meet its obligations, shall determine the amounts of secured claims held by clients of a Fund member within 60 days following the date of release of the CMA's decision in accordance with Article

353 paragraph 3 of this Law, with the balance as of the day of instituting bankruptcy proceedings or publishing the CMA's decision in the "Official Gazette of Montenegro" and shall draw up a record containing the list of those claims.

A Fund operator shall, immediately upon drawing up the records referred to in paragraph 3 of this Article, submit the same to the CMA.

A Fund operator shall, based on information regarding clients of the Fund member unable to meet its obligations, send a notice to each client with an invitation to submit the request for indemnification.

A client of a Fund member may submit the request for indemnification referred to in paragraph 5 of this Article, within the term not longer than five months following the date of publication of the CMA's decision in accordance with Article 353 paragraph 3 of this Law.

Notwithstanding provisions of paragraph 6 of this Article, when the client, from justifiable reasons, was prevented to submit the request for indemnification within the period referred to in paragraph 6 of this Article, such term shall be extended to one year, provided that a client submits evidence that confirms his inability to submit the request within the period prescribed.

The client referred to in paragraph 6 of this Article shall lose the right to reimburse the insured amount after the expiry of five years following the date of publication of the CMA's decision in the "Official Gazette of Montenegro".

The Fund operator shall set out the content of the request for indemnification.

The list of Fund's clients

Article 355

A Fund member unable to meet its obligations shall promptly submit at the request of the Fund operator the following:

1) a list of the clients of a Fund Member having the right to indemnification, with all the records relating to clients' claims, as provided for in this Law, and possible amounts of claims for which the clients are entitled to be indemnified;
2) other information relevant to the exercise of the right to indemnification in accordance with this Law.

Payment of secured claims

Article 356

A Fund operator shall pay the determined amounts of secured claims out of the Fund to the account of a Fund member's client.

A Fund operator shall pay the determined amount of secured claims to a client of the Fund member unable to meet its obligations without delay and at the latest within the period of 90 days from the day of establishing the right to reimburse the secured claim, or the day of determining the amount of the same.

Notwithstanding paragraph 2 of this Article, in case of suspicion that the claims of the Fund member client result from transactions related to money laundering or terrorist financing, payment of client's claims will not be made until the final court decision on the connection of the transaction from which the claim arose with money laundering or terrorist financing.

On the date of payment of the insured amount, client's claims toward the Fund member shall be reduced by the amount paid.

The right to payment of claims protected in accordance with the provisions of this Law, is not transferable, but can be inherited.

Refund of funds paid in case of bankruptcy

Article 357

The Fund is entitled to refund of the paid secured funds in bankruptcy proceeding of the Fund member unable to meet its obligations.

The request for refund in the case referred to in paragraph 1 of this Article shall be submitted by a Fund operator on behalf of the Fund to the competent court.

The Fund is entitled to the settlement of funds from the bankruptcy estate, respecting the priority schedule in accordance with the law governing bankruptcy.

Keeping business books and reporting to the CMA and the Fund operator

Article 358

A Fund member shall organize its operations and keep its business books, business files and any other records relating to clients' claims ensured in accordance with this Law in a manner which enables verification of compliance of a Fund member operations with this Law.

A Fund member having clients whose assets are secured in accordance with the provisions of this Part of the Law shall submit to the CMA and the Fund operator information from the records referred to in paragraph 1 of this Article.

The CMA shall prescribe terms and a manner of submission of information referred to in paragraph 1 of this Article.

Use and protection of data

Article 359

A Fund operator shall keep as a professional secrecy data on balance of individual claims ensured in accordance with the provisions of this Law, as well as all other information, facts and circumstances he learns in performance of his duties and obligations in accordance with the Law governing the protection of data.

A Fund operator may use information referred to in paragraph 1 of this Article exclusively for the purpose for which it obtained the same and shall not make them available to third parties, except in cases stipulated by the Law.

The provision of paragraph 2 of this Article shall also apply to persons employed or who were employed in a Fund operator.

Reporting on Investor-compensation scheme

Article 360

A Fund member shall, in its business premises where it operates with the clients, on a prominent place, in a readily comprehensible manner and in the Montenegrin language disclose information that it is a member of Investor-compensation scheme in accordance with this Law.

At the request of a client or a prospective client, a Fund member shall provide information concerning the conditions under which the clients' claims may be compensated through the Investor -Compensation System.

Supervision over execution of a Fund's member obligations

Article 361

Supervision of performance of obligations of a Fund's member shall be conducted by a Fund's operator.

A Fund's operator shall, without delay, inform the CMA on all identified irregularities and illegalities.

Supervision over the management of the Fund

Article 362

The CMA shall conduct supervision over the management of the Fund, in accordance with the provisions of this Law.

In relation to a Fund operator, the CMA has the authority and takes measures of as for other entities, in accordance with this Law.

X. CENTRAL CLEARING AND DEPOSITARY COMPANY

Organization of CCDC

Article 363

Central Clearing and Depositary Company is a legal entity which is established and operates as a joint stock company in accordance with this Law and the law governing the organization of business organizations.

Activity

Article 364

CCDC shall perform the following activities:

1) keep a Dematerialized Securities Register;
2) manage the system of clearing and settlement of transactions concluded on the regulated market, MTF and OTF or outside the regulated market, MTF and OT;
3) maintain a settlement system as a settlement agent referred to in Article 396 of this Law;
4) determine the unique identification codes of securities registered in the Securities Register;
5) open and maintain securities accounts and issue certificates of account balance;
6) make entry in relation to issuance, cancellation or replacement of dematerialized securities;
7) enter the transfer of dematerialized securities from one account to another;;
8) perform registration, change or deletion of third party rights over dematerialized securities and other legal matters the subject of which are dematerialized securities;
9) participate in the work and cooperate with international organizations dealing with registration, clearing and settlement;
10) perform activities related to corporate activities of issuers of dematerialized securities;

11) perform activities related to takeover of joint stock companies; and
12) perform other activities in accordance with the law.

In addition to activities referred to in paragraph 1 of this Article, CCDC may also perform the following:
1) activities related to payments and other yields from dematerialized securities and other financial instruments;
2) providing services of organizing voting at the General Shareholders Meeting.

CCDC shall not entrust the performance of tasks referred to in paragraphs 1 and 2 of this Article to another person, without the prior approval of the CMA.

Clearing referred to in paragraph 1 item 2 of this Article shall be considered the process of calculating the mutual obligations of buyers and sellers of financial instruments for the exchange of these financial instruments and money.

Settlement referred to in paragraph 1 item 2 of this Article shall be considered the completion of a transaction, wherein the seller transfers securities or financial instruments to the buyer and the buyer transfers money to the seller as well as realization of the transaction.

Initial capital of CCDC

Article 365

The initial capital of CCDC may not be less than EUR 750.000.

Funds for the work of CCDC shall be provided from fees charged for services in accordance with the price list of CCDC, as well as from other sources in accordance with the law.

Provisions of this Law governing acquisition of a qualifying holding in the capital of a market operator referred to in Articles 158 to 167 of this Law shall accordingly apply to acquisition of a qualifying holding in the capital of CCDC.

All CCDC shares are registered and issued in dematerialized form.

If the shares CCDC are kept on the custody account, the custody account must be registered in the name of the custody account holder.

Bodies of CCDC

Article 366

CCDC has the Shareholders Meeting, the Board of Directors and the Executive Director.

The Board of Directors has the Chairman and four members.

The Executive Director may not be the member of the Board of Directors.

In the event of a change in ownership structure, the bodies referred to in paragraph 1 of this Article shall be elected in accordance with the agreement on the establishment of CCDC.

Application for the authorization

Article 367

CCDC activities may be performed by a legal person authorized by the CMA.

In addition to the application for the authorization, the activities referred to in Article 364 of this Law, which CCDC intends to perform shall be specified.

Detailed contents of the application for the issuance of the authorization and the contents of documents to be submitted with the application shall be prescribed by the CMA.

Conditions for issuance of the authorization to CCDC

Article 368

The CMA will issue the authorization to CCDC if the following criteria are met:

1) it is established in accordance with Article 363 of this Law;
2) has the initial capital and qualifying holding in accordance with this Law;
3) the Executive Director and members of the Board of Directors meet the requirements referred to in Article 371 of this Law.

The authorization to CCDC is issued for an indefinite period of time and may not be transferred to another person, i.e. the legal successor of CCDC.

If CCDC ceases to fulfil the conditions laid down in this Law, the CMA shall decide on cancellation of its authorization.

The authorization to perform additional activities

Article 369

If CCDC wants to perform the activities which are not covered by the authorization obtained it shall submit the application for authorization to perform these additional activities.

Provisions of Articles 367 and 368 of this Law shall apply to issuance of authorization referred to in paragraph 1 of this Article.

Revocation of authorization

Article 370

The CMA shall revoke the authorization to CCDC:

1) if CCC does not make use of the authorisation within 12 months from its issuance;
2) the authorisation was issued on the basis of false or incorrect data;
3) if CCDC has performed no activities for which the authorization was granted for the period longer than six months;
4) at the request of CCDC;
5) on the date of initiation of a bankruptcy or liquidation procedure against CCDC;
6) by completion of liquidation.

The CMA shall withdraw the authorization if CCDC:

1) ceases to fulfil the conditions based on which the authorization was granted;
2) acts contrary to this Law;

3) fails to act in accordance with measures imposed by the CMA referred to in Articles 391 and 392 of this Law.

CCDC which has been revoked the authorization may not submit the application for issuance of the authorization within one year following the date of the final decision on revoking the authorization.

Approval for the appointment of the Director and members of the Board of Directors and employees

Article 371

CCDC shall obtain the approval of the CMA for the appointment of the Executive Director and the Board of Directors members.

The provisions of Articles 153, 154 and 155 of this Law shall accordingly apply to the conditions for the election of the Executive Director and the Board of Directors members.

Employees of the CCDC may not be the Executive Director, members of the Board of Directors or employed by the market operator or investment firms, CCDC members or joint stock companies for whose financial instruments clearing and settlement with the CCDC is carried out, i.e. for which CCDC keeps the Register of financial instruments.

The rights and obligations of CCDC shall be subject to the general labour regulations.

General acts of CCDC

Article 372

General acts of CCDC shall be its articles of association, the rules of operation, the rules governing the protection of business secrets and methods of preventing misuse of confidential or insider information, price list and other acts regulating the operations of CCDC.

The CMA shall give approval to general acts of CCDC.

The CMA may impose CCDC to modify the general regulations.

If CCDC fails to modify a general act upon the order of the CMA, this act may be adopted by the CMA.

General acts referred to in paragraphs 1 and 4 of this Article shall be published on the website of CCDC, without delay, after the approval or adoption by the CMA.

Rules of operation

Article 373

Rules of operation of CCDC shall govern:

1) keeping registers;
2) opening and maintaining financial instruments accounts;
3) opening and maintaining payment accounts;
4) safeguarding of financial instruments;
5) clearing and settlement of assets and liabilities arising from the concluded transactions;

6) transfer of rights from financial instruments and transfer of these instruments, as well as the content of such order (hereinafter referred to as: transfer orders) and orders for registration of third party rights over financial instruments (hereinafter referred to as: registration orders);
7) establishment and the use of the guarantee fund and other ways of reducing the risk in the case of non-fulfilment of obligations by a CCDC member;
8) other issues of importance for operations of CCDC in accordance with the law.

CCDC Price list

Article 374

CCDC Price List shall determine the amount of fees and charges which CCDC charges for the provision of services.

CCDC may determine the Price list referred to in paragraph 1 of this Article after the CMA's approval.

CCDC shall notify its users on adopting or amending the Price list at least seven days before the application of the relevant Price list.

Membership in CCDC

Article 375

Membership in CCDC shall be mandatory for:
1) members issuers - issuers of securities and other financial instruments stored in the Securities Register; and
2) members participants - users of clearing and settlement system.

The members of the CCDC may be the state of Montenegro, the Central Bank of Montenegro, investment firms, authorized credit institutions, market operators, the regulated market, fund management companies, foreign legal persons performing clearing and settlement, i.e. the registration of financial instruments as well as other persons if they meet the conditions for membership established by the general acts of CCDC.

Membership CCDC shall be achieved based on the application accompanying by the documentation stipulated by CCDC's act.

CCDC shall, within the period of 30 days of receipt of the application referred to in paragraph 3 of this Article, decide on the CCDC membership.

CCDC shall regularly inform the CMA of any new member and termination of membership and submit to the CMA an updated list of CCDC members.

The manner and terms of informing and submitting a list of the members referred to in paragraph 5 of this Article shall be prescribed by the CMA.

Members rights and obligations

Article 376

Mutual rights and obligations of CCDC and a CCDC member shall be determined by the rules of CCDC.

Members assets

Article 377

Financial instruments and assets of investors and members of CCDC do not belong to CCDC and are not part of its assets, its liquidation or bankruptcy estate, nor may they be the subject of the execution for the purpose of settling a claim against CCDC.

Insolvency

Article 378

The provisions of Articles 393 to 406 of this Law shall apply to the insolvency proceedings against members of the CCDC and the legal consequences of insolvency.

Guarantee fund

Article 379

CCDC shall establish a guarantee fund.

Guarantee fund shall be made up of payments of CCDC members who use the services of clearing and/or settlement.

The assets of the guarantee fund shall be used to settle obligations of members of CCDC when funds in their account are insufficient or financial instruments for settlement, and may not be used for other purposes.

The rules on method of payment of contributions and the use of the guarantee fund shall be determined by CCDC, with the prior approval of the CMA.

Control performed by CCDC

Article 380

CCDC is obliged to establish and implement the measures and methods of control over its members in the part of activities under its jurisdiction.

CCDC shall without delay inform the CMA and the market operator and/or operators of an MTF and/or OTF for the failure to meet obligations by a member in relation to clearing and/or settlement of transactions on a regulated market and/or an MTF and/or OTF, as well as on the violation of this Law or the rules of CCDC made by a CCDC member.

Termination of membership

Article 381

Membership in the CCDC shall be terminated to a CCDC member:

1) by revocation of authorization to a member;
2) if a member ceases to meet the conditions for CCDC membership;
3) if a member substantially and continuously fails to fulfil its obligations to CCDC, i.e. does not comply with other acts of CCDC; and
4) in other cases provided for by a CCDC act.

CCDC may temporarily suspend a member, in accordance with its rules of operation.

Accounts

Article 382

The following types of accounts shall be kept in CCDC:

1) individual account;
2) nominal account;
3) joint proprietary account;
4) collective custody account;
5) custody account in the name of an account holder;
6) collective deposit account;
7) dealer account;
8) account of securities issuer (treasury account);
9) account under the management of a foreign depository (loro account);
10) CCDC account (register) with the foreign depository (nostro account);
11) omnibus account;
12) other accounts, in accordance with CCDC acts.

In the accounts referred to in paragraph 1 of this Article, respective positions of financial instruments, in accordance with the CCDC acts shall be kept.

The following special-purpose accounts shall be opened and kept in CCDC for the payment of:

1) CCDC members;
2) guarantee fund.

CCDC may open special-purpose accounts for the payment of dealing in transactions with financial instruments with the Central Bank of Montenegro.

Acquisition of dematerialized securities

Article 383

Dematerialized securities and rights arising from dematerialized securities shall be acquired at the time of their registration on the account of dematerialized securities of the acquirer or the person who, in accordance with this Law. holds dematerialized securities for the account of the acquirer, unless the moment of acquisition is otherwise determined by separate regulations.

Dematerialized securities and rights arising from dematerialized securities shall be acquired on the basis of a valid legal transaction by transfer from the account of dematerialized securities of a transferor to the account of dematerialized securities of the acquirer or on the basis of a court order, or the order of other competent authority, by inheritance and on the basis of the law.

The provisions of paragraphs 1 and 2 of this Article shall also apply to the disposal of dematerialized securities.

Transfer of dematerialized securities

Article 384

The transfer of dematerialized securities from the account of the transferor to the account of the acquirer on the basis of transactions concluded on the regulated market, MTF, OTF or outside the regulated market,

MTF and OTF, with mediation of a member participant, shall be conducted through a clearing and settlement system.

The transfer of dematerialized securities from the account of the transferor to the account of the acquirer and the transfer of rights to dematerialized securities on the basis of a legal transaction concluded outside the regulated market, MTF or OTF, based on the decision of the court, or the order of other competent authority, by inheritance and under the law shall be conducted by adequate accounting.

Obligations in respect of clearing and settlement

Article 385

Liabilities in respect of clearing and settlement, arising from transactions in financial instruments shall be executed through CCDC, in accordance with the provisions of this Law and CCDC regulations.

The provision of paragraph 1 of this Article shall not apply to transactions in financial instruments of issuers from Montenegro, if such financial instruments are traded outside Montenegro, and the investment firm, i.e. authorized credit institution orders clearing and settlement of these instruments through the systems located outside of Montenegro.

CCDC members shall carry out financial obligations arising from transactions concluded via payment account maintained with the CCDC.

CCDC data system

Article 386

CCDC shall protect the information system and available data from unauthorized access, alteration or loss.

CCDC shall keep the original documents based on which entries in the Dematerialized Securities Register were made, for the period of at least five years.

CCDC shall permanently keep the documents and data recorded on electronic media.

CCDC shall, for the purpose of safe and continuous functioning of an information system, form a secondary database and a secondary computer system for ensuring the continuity of its work in emergency situations (floods, fires, etc.), which must be kept away from places where there is a primary information CCDC system and connected to another power grid.

Data maintained by the CCDC on accounts of holders are confidential and may be disclosed only under conditions and in the manner determined by this Law, by court order, at the request of the CMA or other competent authority.

CCDC shall allow a CCDC member access to the part of CCDC database which relates to that member and its clients, i.e. issue an excerpt containing the data required, in accordance with the CCDC act.

CCDC shall establish and maintain a stable and secure management system that includes:

1) an appropriate organizational structure, supervision procedures and instructions for operations;
2) effective procedures for identification, assessment and control of risks CCDC is faced with in its operations;

3) an effective system of internal control, appropriate administrative, accounting and internal audit procedures;
4) adequate measures to prevent, identify, and resolve conflicts of interest between the CCDC and its member.

The right of access to information

Article 387

The legal holder of the financial instrument and CCDC member who maintain accounts for this holder shall have the right of access to information referred to in Article 386 paragraphs 1, 2 and 3 of this Law.

CCDC is entitled to reimbursement of costs of preparation and submission of data at the request of the persons referred to in paragraph 1 of this Article, in accordance with the Price list.

Availability of data to the public

Article 388

CCDC shall publish on its website and daily update the data on:
1) issue, replacement and deletion of dematerialized securities in the CCDC;
2) all dematerialized securities registered into CCDC;
3) corporate activities carried out via CCDC;
4) holders of the first ten accounts on which the largest amount of any securities and information on the quantity of securities in these accounts was recorded (in absolute and relative values).

Contents of information referred to in paragraph 1 items 2 ad 4 of this Article shall be prescribed by the CMA.

Responsibility for information in CCDC

Article 389

CCDC shall be responsible to the issuer and the legal holder of financial instruments registered in the CCDC, for damage caused by non-execution, i.e. improper execution of the transfer order or the violation of other obligations stipulated by this Law, as well as for damage resulting from incorrect data or data loss.

If an incorrect or illegal registration in CCDC in relation to financial instrument has been caused by a CCDC member or the issuer to whom a member provides services, such member, i.e. issuer shall be liable for damage sustained by acquirers or persons to whom financial instruments are transferred, i.e. the rights arising from them.

A member or issuer shall not be responsible for damage caused by incorrect operation of data processing systems of CCDC, which he did not cause.

Reporting of CCDC

Article 390

CCDC shall provide the CMA with a quarterly report on operations, no later than 30 days from the expiry of the quarter to which the report relates.

CCDC shall provide the CMA with an annual report on operations, no later than three months after the end of the fiscal year.

The contents and manner of submission of reports referred to in paragraphs 1 and 2 of this Article shall be prescribed by the CMA.

Supervision of CCDC operations

Article 391

Supervision over operations of CCDC shall be performed by the CMA.

Supervisory measures

Article 392

If, during the supervision referred to in Article 391 of this Law, the CMA identifies irregularities, the CMA shall order CCDC to eliminate these irregularities within the term prescribed, and also may:

1) impose a public reprimand;
2) issue an order for modification, amendment or adoption of a general act of CCDC;
3) order undertaking other measures in accordance with this Law.

The CMA may prohibit the use of voting rights on the basis of qualifying holding to the person that has qualifying holding in CCDC, i.e. may withdraw the approval to a member of the Board of Directors and the Executive Director of CCDC, if it determines that:

1) the person that has qualifying holding violated the provisions of this Law or CCDC acts;
2) the Executive Director or member of the Board of Directors obtained the authorization on the basis of incorrect or incomplete information or the authorization was issued otherwise contrary to the law;
3) the Executive Director or member of the Board of Directors ceased to fulfil the requirements prescribed for obtaining the approval;
4) the person failed to act within the period and in the manner determined by the decision of the CMA referred to in paragraph 1 of this Article;
5) the Executive Director or member of the Board of Directors of CCDC does not perform adequate supervision over employees in the CCDC whose negligence causes violation of the provisions of this Law and general acts of CCDC, i.e. its employee which violation could have been prevented if the adequate supervision was performed.

The CMA shall publish on its website the decision on the measures taken referred to in paragraphs 1 and 2 of this Article.

XI. SETTLEMENT FINALITY IN FINANCIAL INSTRUMENTS SYSTEMS

Application

Article 393

Provisions of Articles 395 to 406 of this Law shall apply to

1) a system referred to in Article 394 paragraphs 1 and 2 of this Law, operating in European currency or in various currencies which the system converts one against another:

2) any participant in such a system;
3) collateral security provided in connection with:
   a) participation in a system referred to in item 1 of this paragraph, or
   b) operations of the Member States central banks.

Payment and financial instruments settlement systems

Article 394

Financial instruments settlement systems, within the meaning of this Law, shall be the system through which the orders of participants that include the transfer of a financial instrument or the right to a financial instrument by registration into an account are executed, or in any other appropriate manner.

Transfer order by a participant to place at the disposal of a recipient an amount of money by means of a book entry on the accounts of a credit institution, a central bank or a settlement agent, or any instruction which results in the assumption or discharge of a payment obligation as defined by the rules of the system shall be executed through the payment system.

The order referred to in paragraph 2 of this Article may also be executed through a financial instruments settlement system.

The system referred to in paragraph 1 of this Article must:
1) have at least three participants, without counting a system operator, a possible settlement agent, a possible central counterparty, a possible clearing house or a possible indirect participant;
2) have common rules and standardised arrangements for settlement, regardless of whether the calculation through another central counterparty or without its participation or for execution of a transfer order;
3) have determined the moment of entry and the moment of irrevocability of a transfer order;
4) be established in accordance with this Law; and
5) deal in financial instruments, i.e. in euro or other currency or in more currencies which the system converts one against another.

Establishment of financial instrument settlement system

Article 395

Settlement system referred to in Article 394 paragraph 1 of this Article may be established by system participants of which at least one participant has its registered office in Montenegro.

For the establishment and performance of operations within the system referred to in paragraph 1 of this Article, the participants to the system shall conclude an agreement.

Participant in the system

Article 396

Participant in the system referred to in Article 394 paragraph 1 of this Law means an institution, a settlement agent, a central counterparty, a clearing house or a system operator.

The same participant may act as a central counterparty, a settlement agent or a clearing house or carry out part or all of these tasks, in accordance with the rules of the system operation.

Institution, referred to in paragraph 1 of this Article means an entity which participates in the system and which is responsible for fulfillment of financial obligations arising from a transfer order in that system, such as:

1) credit institution with registered office in Montenegro within the terms of law governing credit institutions;
2) credit institution from a Member State or from a third country within the terms of law governing credit institutions;
3) a branch of a foreign credit institution with a registered office in Montenegro;
4) an investment firm with a registered office in Montenegro within the terms of this Law;
5) an investment firm with a registered office outside Montenegro within the terms of this Law;
6) public authorities, local self-government units, legal persons and other persons exercising the activity of public interest in Montenegro and a legal person whose obligations in accordance with the law are guaranteed by Montenegro;
7) competent authorities of Member States and entities whose obligations are guaranteed by a Member State.

Settlement agent referred to in paragraph 1 of this Article means an entity providing to institutions and/or a central counterparty participating in systems, settlement accounts through which transfer orders within such systems are settled and, as the case may be, extending credit to those institutions and/or central counterparties for settlement purposes.

A central counterparty, referred to in paragraph 1 of this Article means an entity which is interposed between the institutions in a system and which acts as the exclusive counterparty of these institutions with regard to their transfer orders.

Clearing house referred to in paragraph 1 of this Article, means an entity responsible for the calculation of the net positions of institutions, a central counterparty and/or a settlement agent;.

System operator referred to in paragraph 1 of this Article means the entity legally responsible for the operation of a system that may also act as a settlement agent, a central counterparty or clearing house.

Indirect participant

Article 397

Indirect participant means an institution, a settlement agent, a central counterparty, a clearing house or system operator with a contractual relationship with an institution participating in a system executing transfer orders, which enables the indirect participant to pass transfer orders through the system, provided that the indirect participant is known to the system operator.

Indirect participant shall be considered a participant in the system within the terms of this Law, while this does not limit the responsibility of the participant through which that indirect participant passes transfer orders to the system.

Netting

Article 398

Netting means the conversion into one net claim or one net obligation of claims and obligations resulting from transfer orders which a participant or participants either issue to, or receive from, one or more other participants with the result that only a net claim can be demanded or a net obligation be owed.

Settlement account

Article 399

Settlement account means an account at the Central Bank of Montenegro, a settlement agent or a central counterparty used to hold funds or financial instruments and to settle transactions between participants in a system.

Interoperable system

Article 400

Interoperable system within the meaning of Articles 401, 402, 403 and 405 of this Law, means a system whose operator entered into agreement with the operator or operators or one or more systems which includes execution of transfer orders between those systems.

An arrangement entered into between interoperable systems shall not constitute a system within the terms of this Law.

The moment of entry and the moment of irrevocability of a transfer order

Article 401

Rules of each system shall regulate the moment in which a transfer order, whether given by a participant in the system or a third party shall be considered accepted into the system.

The moment of irrevocability of a transfer order means a moment determined by the rules of the system from which moment neither a system participant nor a third party may revoke a transfer order.

Rules of the system which is interoperable with other systems must, in relation to the moment of entry and irrevocability, be to the greatest possible extent in compliance with operations of all other interoperable systems.

The moment of entry and the moment of irrevocability of an order determinated by the rules of a certain system are not affected by the rules of other interoperable systems, unless expressly provided for by the rules of all the systems that are party to the interoperable systems.

Insolvency proceeding against a participant in the system

Article 402

Insolvency proceedings against a participant in the system, within the meaning of this Law, means opening of a bankruptcy or liquidation proceeding, in accordance with the law governing bankruptcy proceedings, as well as other measures in accordance with the law, which include temporary or permanent suspension or limit of payment or transfer of financial instruments.

The moment of opening of insolvency proceedings against a participant shall be the moment (date, hour and minute) of the adoption of a relevant decision by the competent court.

Opening of insolvency proceedings against a participant shall neither have retroactive effects on the rights

and obligations of a participant arising from, or in connection with, its participation in a system earlier than the moment of opening of insolvency proceedings, nor on the rights and obligations of a participant in the interoperable system or of the operator of an interoperable system which is not a participant.

Transfer orders and netting in case of opening of insolvency proceeding against the participant in the system

Article 403

In case of opening of insolvency proceedings against the participant in the system or in another interoperable system or against the operator of an interoperable system which is not a participant in that system, transfer orders and netting shall be legally enforceable and binding on third parties, provided that transfer orders were entered into the system, in accordance with the rules of the system prior to the moment of opening of insolvency proceeding.

Notwithstanding paragraph 1 of this Article, where transfer orders are entered into a system after the moment of opening of insolvency proceedings and are carried out within the business day, as defined by the rules of the system, during which the opening of such proceedings occur, they shall be legally enforceable and binding on third parties only if the system operator can prove that, at the time that such transfer orders become irrevocable, it was neither aware, nor should have been aware, of the opening of such proceedings.

The opening of insolvency proceedings against a participant or a system operator of an interoperable system shall not prevent funds or securities available on the settlement account of that participant from being used to fulfil that participant4s obligations in the system or in an interoperable system on the business day of the opening of the insolvency proceedings.

Business day, within the meaning of paragraphs 2 and 3 of this Article shall cover both day and night-time settlements and shall encompass all events happening during the business cycle of a system.

Notification on opening insolvency proceeding against a participant in the system

Article 404

The authority competent for opening of insolvency proceeding shall immediately notify the CMA of the moment of opening of insolvency proceedings against a participant in the system.

The CMA shall immediately forward the notification referred to in paragraph 1 of this Article, to an operator of the system thereof.

The CMA shall immediately notify the competent authority of other Member States on opening of insolvency proceeding referred to in paragraph 1 of this Article.

The CMA shall forward notice on the opening of insolvency proceedings against the participants received from the competent authority of another Member State to the operator of the system against whose participant the insolvency proceeding is opened.

Rights of the recipient of a collateral in the event of insolvency proceedings against the provider of collateral

Article 405

Opening of insolvency proceeding against the participant in a system or another interoperable system, against the operator of an interoperable system who is not a participant, against the counterparty of the Central Bank of Montenegro or against any other third party that has provided the collateral security, shall have no effect on the rights of the operator of the system or a participant or the rights of the Central Bank of

Montenegro to collateral security obtained in connection with the functioning of a system or another interoperable system.

The provision of paragraph 1 of this Article shall accordingly apply to the rights of central banks of Member States, i.e. the European Central Bank to the obtained collateral security.

A collateral security referred to in paragraphs 1 and 2 of this Article, means financial collateral within the meaning of the law governing financial insurance.

Applicable law

Article 406

Where financial instruments or rights in financial instruments are provided as collateral security to participants, operators of the systems and/or the Central Bank of Montenegro, and their rights or the rights of any other person acting on their behalf with respect to the financial instruments are legally recorded in a register, an account or a centralized deposit system, the rights of such entities shall be governed by the law of the state in which the register, account or centralized deposit system is located.

Where financial instruments or rights in financial instruments are provided as collateral security to the central bank of a Member State or the European Central Bank and their rights or the rights of any other person acting on their behalf with respect to the financial instruments are legally recorded in a register, an account or a centralised deposit system of the Member State, their rights shall be governed by the law of the Member State in which the register, account or centralised deposit system is located.

XII. PENALTY PROVISIONS

Article 407

A legal person shall be imposed a fine in the amount ranging from EUR 5.000 to EUR 40.000 for the offence if:

1) in exercising supervision by the CMA fails to provide the CMA access to all documents and records of supervised entities (Article 27 paragraph 1 item 1);

2) in exercising supervision by the CMA fails to provide the CMA information and submission of data from persons involved in transactions in financial instruments (Article 27 paragraph 1 item 2);

3) in exercising supervision by the CMA fails to provide the CMA information from the participants on related spot markets relating to commodity derivatives (Article 27 paragraph 1 item 3);

4) in exercising supervision by the CMA fails to provide the CMA undisturbed direct control in business premises of natural and legal persons authorized by the CMA, with the possibility of temporary seizure of documents and data when suspects that these documents or data relate to the subject of supervision (Article 27 paragraph 1 item 4);

5) in exercising supervision by the CMA fails to provide the CMA access to existing recordings of telephone conversations or electronic communications or other data traffic records held by an investment firm, an authorized credit institution and a financial institution in accordance with the law (Article 27 paragraph 1 item 5);

6) in exercising supervision by the CMA fails to provide the CMA all relevant documents regarding the size and purpose of the position or risk exposure resulting through commodity derivatives, as well as other assets and liabilities in the capital market (Article 27 paragraph 1 item 6);

7) in exercising supervision by the CMA fails to provide the CMA undisturbed exercise of other CMA's powers in accordance with this Law (Article 27 paragraph 1 item 7);

8) fails to draw up and publish the prospectus prospekt before public offering, i.e. prior to admission of securities to trading on a regulated market (Article 50 paragraph 1);

9) publish the prospectus without the approval of the CMA (Article 50 paragraph 4);

10) information contained in the prospectus are not accurate and completed (Article 51 paragraph 3);

11) fails to state in the prospectus the criteria, that is the conditions in accordance with which the final price, the maximum final price and the final number of the offerred securities, if the final offer price and the amount of securities to be publicly offered may not be included in the prospectus (Article 65 paragraph 1 item 1);

12) fails to provide withdrawal the acceptances of the purchase or subscription of securities within the period not less than two working days after the final offer price and amount of securities which will be offered to the public have been filed, if the final offer price and amount of securities which will be offered to the public may not be included into the prospectus (Article 65 paragraph 1 item 2);

13) fails to submit without delay, the information regarding the final offer price and amount of securities to the CMA and publish them in the same manner in which the prospectus was published (Article 65 paragraph 2);

14) fails to enforce all the activities related to public offer or to admission to trading on a regulated market through investment firms which are, in accordance with the provisions of this Law, authorized in Montenegro to provide investment services, when offers securities to the public in Montenegro or submits the application for admission to trading on a regulated market in Montenegro (Article 82 paragraph 3);

15) fails to submit the prospectus to the CMA in an electronic form, publish it in accordance with Article 84 of this Law and to notify the CMA on the manner of publication of the prospectus at the latest at the beginning of the offer to the public or the admission to trading of the securities involved (Article 83 paragraph 1);

16) text and the format of the prospectus, and/or the supplements to the prospectus, published or made available to the public, are not at all times identical to the source document approved by the CMA (Article 85);

17) fails to deliver to the investor, upon his request and free of charge a paper copy of the prospectus, if the prospectus is made available by publication in electronic form (Article 86 paragraph 1);

18) fails to submit its annual financial report to the CMA and to make public the same on its website at the latest three months after the end of each financial year and to ensure that it remains publicly available for at least 10 years following the date of its publication (Article 98 paragraph 1);

19) the annual financial report does not contain information referred to in Article 98 paragraph 2 of this Law;

20) fails to submit a half-yearly financial report covering the first six months of the financial year on its website and submit the same to the CMA at the latest two months after the expiry of the reporting period and to ensure that the half-yearly financial report remains available to the public for at least 10 years following the date of its publication (Article 99 paragraph 1);

21) a half-yearly financial report does not contain information referred to in Article 99 paragraph 2 of this Law;

22) fails to submit its quarterly financial report to the CMA and to make it public on its website, at the latest one month after the end of each quarter and to ensure that it remains publicly available for at least 10 years following the date of its publication, and has a registered office in Montenegro (Article 100 paragraph 1);

23) a quarterly financial report does not contain information referred to in 100 paragraph 2 of this Law;

24) fails to notify the issuer of the percentage of its voting rights if reaches, exceeds or falls below the thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% as a result of the acquisition or disposal of shares, if acquires or disposes of shares of an issuer which shares are admitted to trading on a regulated market (Article 102 paragraph 1 item 1);

25) fails to notify the issuer of the percentage of its voting rights if reaches, exceeds or falls below the thresholds referred to in Article 102 paragraph 1 item 1 of this Law, as a result of events changing the breakdown of voting rights to which the share capital of the issuer is divided or change in number of voting rights attached to these shares, if acquires or disposes of shares of an issuer which shares are admitted to trading on a regulated market (Article 102 paragraph 1 item 2);

26) fails to publish on its website information of any new changes and the new total number of voting shares, At the end of each calendar month, during which the change in number of voting shares to which the share capital of the issuer is divided or the change in number of voting rights attached to these shares (Article 106);

27) fails to make public on its website all of the information contained in the notification on receipt of a notification referred to in Article 107 paragraph 2 of this Law as soon as possible and in any event by not later than the end of the third trading day following receipt of the notification (Article 107 paragraph 5);

28) fails to submit notifications and information submitted to the issuer in accordance with Articles 102, 103, 104, 107 , 108, 110 and 111 of this Law also to the CMA (Article 109 paragraph 1);

29) when acquires or disposes of its own shares, either itself or through a person acting in his own name but on the issuer's behalf, where that proportion reaches, exceeds or falls below the thresholds of 5 % or 10 % of the voting rights, fails to make public the proportion of its own shares, but not later than four trading days following such acquisition or disposal (Article 112 paragraph 1);

30) fails to draw up a report on payments of concession and other fees to the state at consolidated level and is active in the extractive or logging of primary forest industries (Article 113 paragraph 1);

31) fails to make public the report referred to in Article 113 paragraph 1 of this Law at the latest six months after the end of each financial year and to make the same publicly available for at least 10 years following the date of its publication (Article 113 paragraph 2);

32) fails to provide equal treatment for all holders of shares who are in the same position (Article 116 paragraph 1);

33) fails to provide all the facilities and information necessary to enable holders of shares to exercise their rights and that the continuity and integrity of data is preserved (Article 116 paragraph 2);

34) fails to provide information on the place, time and agenda of meetings, the total number of shares and voting rights and the rights of holders to participate in meetings (Article 116 paragraph 3 item 1);

35) fails to make available a proxy form, on paper or, by electronic means, to each person entitled to vote at a shareholders' meeting, together with the notice concerning the meeting or, on request, after delivery of notice of the meeting (Article 116 paragraph 3 item 2);

36) fails to designate as its agent a financial institution through which shareholders may exercise their financial rights (Article 116 paragraph 3 item 3);

37) fails to publish notices or distribute circulars concerning the allocation and payment of dividends and the issue of new shares, including information on any arrangements for allotment, subscription, cancellation or conversion (Article 116 paragraph 3 item 4);

38) fails to ensure that all holders of debt securities ranking pari passu are given equal treatment in respect of all the rights attaching to those debt securities, as well as to ensure that all the facilities and information necessary to enable debt securities holders to exercise their rights and that the continuity and integrity of data is preserved (Article 117 paragraph 1);

39) fails to publish notices, or distribute circulars, concerning the place, time and agenda of meetings of debt securities holders, the payment of interest, the exercise of any conversion, exchange, subscription or cancellation rights, and repayment, as well as the right of those holders to participate therein (Article 117 paragraph 3 item 1);

40) fails to make available a proxy form on paper or, where applicable, by electronic means, to each person entitled to vote at a meeting of debt securities holders, together with the notice concerning the meeting or, on request, after an announcement of the meeting (Article 117 paragraph 3 item 2);

41) fails to designate as its agent a financial institution through which debt securities holders may exercise their financial rights, except in case when the issuer itself provides financial services (Article 117 paragraph 3 item 3);

42) fails to disclose regulated information to the CMA for the purpose of publication of the same on the CMA's website (Article 118 paragraph 1);

43) fails to disclose regulated information referred to in Article 118 paragraph 1 of this Law in the Montenegrin language, where securities are admitted to trading on a regulated market only in Montenegro (Article 119 paragraph 1);

44) fails to make public without delay any change in the rights attaching to shares, including changes in the rights attaching to derivative securities issued by the issuer itself and giving access to the shares of that issuer (Article 122 paragraph 1);

45) fails to notify, without delay, the CMA of details of the financial instruments which they have admitted to trading, for which there has been a request for admission to trading or that have been traded on a trading venue for the first time (Article 126 paragraph 1);

46) fails to notify the CMA when the instrument ceases to be admitted to trading, i.e. that a financial instrument is not admitted to trading any more, unless the information on the above was provided in the notification referred to in Article 126 paragraph 1 of this Law (Article 126 paragraph 2);

47) engages in insider dealing or recommends that another person engage in insider dealing or induce another person to engage in insider dealing or disclose inside information contrary to the provisions of this Law (Article 127);

48) fails to disclose such information to another person, except in case when inside information are disclosed within the normal course of his employment, profession or duties (Article 134);

49) fails to post and maintain on its website for a period of at least five years, all inside information it is required to disclose publicly (Article 135 paragraph 2);

50) fails to combine the disclosure of inside information to the public with the marketing of its activities (Article 135 paragraph 3);

51) fails to disclose without delay inside information concerning emission allowances which it holds in respect of its business, including aviation activities or installations which the participant concerned, or its parent undertaking or related undertaking, owns or controls which include information relevant to the capacity and utilisation of installations, including planned or unplanned unavailability of such installations (Article 135 paragraph 5);

52) fails to discloses any inside information to any third party in the normal course of the exercise of an employment, profession or duties they must make complete and effective public disclosure of that information, simultaneously in the case of an intentional disclosure, and promptly in the case of a non-intentional disclosure (Article 135 paragraph 7);

53) fails to inform the competent authority without delay when delays the disclosure of inside information in accordance with Article 136 paragraph 1 of this Law (Article 136 paragraph 2);

54) fails to notify the competent authority of its intention to delay the disclosure of the inside information and provide evidence that the conditions referred to in Article 137 paragraph 1 of this Law are met (Article 137 paragraph 2);

55) fails to report orders and transactions, including any cancellation or modification thereof, that could constitute insider dealing, market manipulation or attempted insider dealing or market manipulation to the CMA without delay (Article 141 paragraph 2);

56) fails to draw up a list of those persons who have access to inside information including those persons working for them or otherwise performing tasks through which they have access to inside information (Article 142 paragraph 1);

57) fails to regularly update the list referred to in Article 142 paragraph 1 of this Law, and transmit it to the CMA whenever the latter requests it, and to keep the insider list for a period of at least five years after being drawn up or updated (Article 142 paragraph 2);

58) fails to take all reasonable steps to ensure that persons referred to in Article 142 paragraph 1 of this Law maintain inside information in accordance with this Law and the issuer's acts and to ensure that all persons included on the insider list acknowledge in writing the duties stipulated by the law and issuer's acts (Article 142 paragraph 3);

59) fails to notify the CMA on the details of all stabilisation transactions no later than the end of the seventh daily market session following the date of execution of such transactions (Article 147 paragraph 4);

60) operates a regulated market in Montenegro without being licenced to do so by the CMA in accordance with this Law (Article 150 paragraph 1);

61) trades in financial instruments contrary to Article 157 paragraph 1 of this Law;

62) gives advice in relation to trading in financial instruments or choosing an investment firm (Article 157 paragraph 2);

63) without previously obtaining the approval of the CMA for acquisition, i.e. the increase of a qualifying holding acquires, directly or indirectly a qualifying holding in the market operator, or to, directly or indirectly further increases such qualifying holding as a result of which the proportion of the voting rights or of the capital held would reach or exceed 20%, 30% or 50% of a holding in market operator's capital (Article 158 paragraph 1);

64) fails to notify the CMA prior to direct or indirect disposal of a qualifying holding in the market operator below 20%, 30% or 50% of a holding in total capital of the market maker, indicating the size of holding it intends to dispose of (Article 158 paragraph 3);

65) fails to inform the CMA without delay if becomes aware of any acquisitions or disposals of qualifying holdings in its capital, that cause holdings to exceed or fall below the threshold referred to in Article 158 of this Law (Article 165 paragraph 1);

66) fails to inform the CMA no later than 31st March of the current year of the names of shareholders possessing qualifying holdings and the sizes of such holdings as at 1st January of the current year (Article 165 paragraph 2);

67) fails to, before filing the application for the entry of a statutory change in the CRCE, obtain the approval from the CMA for such statutory change (Article 176);

68) fails to, upon request, receive as a member, i.e. a participant, a person who fulfils the conditions referred to in Article 184 paragraph 1 of this Law, within the period of two months following the date of submission of application (Article 184 paragraph 2);

69) fails to inform the CMA without delay: on submitted requests and decisions upon requests for admission of a member, i.e. termination of membership on a regulated market within three working days of the decision-making or on submitted requests and decisions upon requests for admission to listing referred to in Article 195 of this Law, for admission or exclusion of securities to official listing of the regulated market or if the regulated market member is not able to fulfil its financial obligations or if the regulated market member has financial difficulties which, in its opinion, could jeopardize the financial condition and integrity of that member of the regulated market (Article 184 paragraph 3);

70) fails to inform the issuer of the fact that its securities are traded on that regulated market (Article 188 paragraph 3);

71) for financial instruments admitted to trading on a regulated market, fails to make public current bid and offer prices and the depth of trading interests at those prices which are advertised through their systems (Article 190 paragraph 1);

72) provides as its main activity investment and ancillary services without prior authorization issued by the CMA (Article 205 paragraph 2);

73) fails to notify the CMA of any material changes to the conditions under which the authorization was granted (Article 225 paragraph 1);

74) fails to submit a written notification to the CMA ceases to perform activities to which the authorization relates, or any changes to the data entered in the register occur in the period not later than seven days (Article 225 paragraph 2);

75) fails to inform the CMA in writing when a change of data based on which the authorization was issued occurs, within the period of seven days following the date of occurrence of such change (Article 225 paragraph 3);

76) fails to arrange for records to be kept of all services, activities and transactions undertaken, and in particular to ascertain that the investment firm has complied with all obligations including those with respect to clients or potential clients (Article 258 paragraph 1 item 1);

77) fails to the record telephone conversations or electronic communications relating to, at least, transactions concluded when dealing on own account and the provision of client order services that relate to the reception, transmission and execution of client orders (Article 258 paragraph 1 item 2);

78) fails to take all reasonable steps to record relevant telephone conversations and electronic communications, made with, sent from or received by equipment provided by the investment firm to an employee or contractor or the use of which by an employee or contractor has been accepted or permitted by the investment firm (Article 258 paragraph 1 item 3);

79) fails to notify new and existing clients that telephone communications or conversations between the investment firm and its clients that result or may result in transactions will be recorded (Article 258 paragraph 1 item 4);

80) provides investment and ancillary services to a client not notified in accordance with Article 258 paragraph 1 item 4 of this Law (Article 258 paragraph 2);

81) fails to keep records in accordance with the provisions of this Law on a durable medium which ensures fast access to information to the CMA and reconstruction of key phases of procession of each transaction or a simple determination of corrections or other modifications, as well as the contents of the records prior to corrections or modifications or prevention of manipulation or change in data from the records in other manner (Article 258 paragraph 5);

82) fails to submit to the CMA the reports for the purpose of the assessment of capital adequacy, internal control of the investment firm and accounting procedures for determining capital adequacy and risk exposure management (Article 261 paragraph 1);

83) fails to submit to the CMA an independent auditor's report the latest until 30th June of the current for the previous year (Article 261 paragraph 2);

84) fails to inform its clients about this possibility and obtain the prior express consent of their clients before proceeding to execute their orders outside a regulated market or an MTF in respect of individual transactions, where the order execution policy provides for the possibility that client orders may be executed outside a regulated market or an MTF (Article 269 paragraph 4);

85) fails to summarise and make public on an annual basis, for each class of financial instruments, the top five execution venues in terms of trading volumes where they executed client orders in the preceding year and information on the quality of execution obtained (Article 269 paragraph 8);

86) fails to conclude written agreement with the client that set out the rights and obligations of the parties, and the other terms according to which the firm will provide services to the client (Article 270 paragraph 1);

87) fails to open a securities account with CCDC or a custody account for the client (Article 271 paragraph 1);

88) uses securities on the proprietary account only on the basis of the client's order, i.e. lends those securities in accordance with the agreement referred to in Article 270 of this Law or written authorization of the client (Article 272 paragraph 3);

89) refuses execution of order in accordance with this Law and shall act in accordance with terms specified in the order by the client (Article 273 paragraph 1);

90) fails to keep the order book in written or electronic form, in which clients' orders for purchase or sale of equity as well as cancellations of such orders in a manner that records the time of the order immediately upon receipt of the order and which prevents subsequent change of order in a manner not approved by the client (Article 273 paragraph 6 item 1);

91) receives and enters clients' orders out of its business premises (Article 273 paragraph 6 item 2);

92) fails to issue to a client a written confirmation of execution of the order, not later than the end of the working day when the order has been executed (Article 283 paragraph 1);

93) fails to organize its operations and keep its business books, business files and any other records relating to clients' claims ensured in accordance with this Law in a manner which enables verification of compliance of a Fund member operations with this Law (Article 358 paragraph 1);

94) fails to submit to the CMA and the Fund operator information from the records referred to in Article 358 paragraph 1 of this Law, if has clients whose assets are secured in accordance with the provisions of this Law (Article 358 paragraph 2);

95) performs CCDC activities without being authorized to do so by the CMA (Article 367 paragraph 1).

A responsible person in legal person shall be also imposed a fine in the amount ranging from EUR 500 to EUR 4.000 for the offence referred to in paragraph 1 of this Article.

A natural person shall be imposed a fine in the amount ranging from EUR 500 to EUR 4.000 for the offence referred to in paragraph 1 items 1 to 7, 18 to 44, 47, 48, 51 to 53, 56 to 59, 63 and 64 of this Article.

Article 408

A natural person shall be imposed a fine in the amount ranging from EUR 500 to EUR 4.000 for the offence if:

1) fails to notify the CMA and the issuer, of every transaction conducted on its own account relating to the shares or debt instruments of that issuer or to derivatives or other financial instruments linked thereto (Article 144 paragraph 1 item 1);

2) fails to notify the CMA and the emission allowance market participant, of every transaction conducted on its own account relating to emission allowances, to auction products based thereon or to derivatives relating thereto (Article 144 paragraph 1 item 2).

Article 409

A market operator as a legal person shall be imposed a fine in the amount ranging from EUR 5.000 to EUR 40.000 for the offence if:

1) without being authorized by the CMA to do so, invest Fund's assets in other financial instruments generating revenues (Article 346 paragraph 4 item 3);

2) fails to submit to the CMA a half-yearly financial statement of the Fund within the period of two months of the end of the first semester (Article 351 paragraph 2);

3) fails to submit to the CMA the annual financial statement of the Fund together with the audit report within the period of fifteen days following the date of drawing up of the auditor's report and no later than four months from the last day of the financial year (Article 351 paragraph 3);

4) having received the CMA's decision referred to in Article 353 paragraph 2 of this Law, fails to initiate without delay a procedure in order to compensate clients of a Fund member unable to meet its obligations (Article 354 paragraph 1);

5) uses information referred to in Article 359 paragraph 1 of this Law exclusively for the purpose for which it obtained the same makes them available to third parties, except in cases stipulated by the Law (Article 359 paragraph 2);

6) fails to inform the CMA without delay on all identified irregularities and illegalities found during Supervision of performance of obligations of a Fund's member (Article 361).

A responsible person in market operator shall be also imposed a fine in the amount ranging from EUR 500 to EUR 4.000 for the offence referred to in paragraph 1 of this Article.

Article 410

A CCDC as a legal person shall be imposed a fine in the amount ranging from EUR 5.000 to EUR 40.000 for the offence if:

1) fails to notify the CMA on acquisition, increase or disposal of shareholders participation in total capital of market operator exceeding or falling below the threshold referred to in Article 158 of this Law (Article 165 paragraph 3);

2) entrusts the performance of tasks referred to in Article 364 paragraphs 1 and 2 of this Law to another person, without the prior approval of the CMA (Article 364 paragraph 3);

3) fails to obtain the approval of the CMA for the appointment of the Executive Director and the CCDC Board of Directors members (Article 371 paragraph 1);

4) fails to regularly inform the CMA of any new member and termination of membership and submit to the CMA an updated list of CCDC members (Article 375 paragraph 5);

5) fails to keep the original documents based on which entries in the Dematerialized Securities Register were made, for the period of at least five years (Article 386 paragraph 2);

6) fails to provide the CMA with a quarterly report on operations, no later than 30 days from the expiry of the quarter to which the report relates (Article 390 paragraph 1);

7) fails to provide the CMA with an annual report on operations, no later than three months after the end of the fiscal year (Article 390 paragraph 2).

A responsible person in a CCDC shall be also imposed a fine in the amount ranging from EUR 500 to EUR 4.000 for the offence referred to in paragraph 1 of this Article.

XIII. TRANSITIONAL AND FINAL PROVISIONS

Secondary legislation

Article 411

Secondary legislation for the implementation of this Law shall be adopted within 12 months following the date of entry into force of this Law.

Until adoption of regulations referred to in paragraph 1 of this Article, the secondary legislation adopted on the basis of the Law on Securities shall apply ("Official Gazette of RMNE", Nos. 59/00, 43/05 and 28/06 and "Official Gazette of Montenegro", No. 6/13).

Deadline for compliance with the provisions of this Law

Article 412

Natural and legal persons to which the provisions of this Law apply shall harmonize their operations with the provisions of this Law within 12 months following the date of entry into force of this Law, unless otherwise provided by this Law.

The Capital Market Authority of Montenegro

Article 413

The Capital Market Authority of Montenegro which performs its activities in accordance with the Law on Securities ("Official Gazette of RMNE", Nos. 59/00, 43/05 and 28/06 and "Official Gazette of Montenegro", No. 6/13) shall continue its operations as The Capital Market Authority of Montenegro in accordance with this Law.

The Capital Market Authority of Montenegro shall comply its operations in accordance with this Law within 12 months following the date of its entry into force.

Members of the CMA

Article 414

Members of the CMA appointed in accordance with the Law on Securities ("Official Gazette of RMNE", Nos. 59/00, 43/05 and 28/06 and "Official Gazette of Montenegro", No. 6/13) shall continue to work until the expiry of their term of office.

Issued authorizations and initiated proceedings

Article 415

Authorizations, permits and approvals of the CMA issued by the entry into force of this Law shall remain in full force and effect.

Proceedings initiated before the CMA before the entry into force of this Law shall be completed in accordance with the Law on Securities ("Official Gazette of RMNE", Nos. 59/00, 43/05 and 28/06 and "Official Gazette of Montenegro", No. 6/13).

Investment firms

Article 416

Authorized participants in the securities market that, on the date of entry into force of this Law, have the authorization to deal in securities, shall continue to operate as investment firms in accordance with this Law, based on a valid authorization, as follows:

1) tasks referred to in Article 62 paragraph 1 item 1 of the Law on Securities ("Official Gazette of RMNE", Nos. 59/00, 43/05 and 28/06 and "Official Gazette of Montenegro", No. 6/13) shall continue to be performed as investment services referred to in Article 206 paragraph 1 items 1 and 2 of this Law;
2) tasks referred to in Article 62 paragraph 1 item 2 of the Law on Securities ("Official Gazette of RMNE", Nos. 59/00, 43/05 and 28/06 and "Official Gazette of Montenegro", No. 6/13) shall continue to be performed as investment services referred to in Article 206 paragraph 1 item 3 of this Law;

3) tasks referred to in Article 62 paragraph 1 item 3 of the Law on Securities ("Official Gazette of RMNE", Nos. 59/00, 43/05and 28/06 and "Official Gazette of Montenegro", No. 6/13) shall continue to be performed as investment services referred to in Article 206 paragraph 1 item 4 of this Law;
4) tasks referred to in Article 62 paragraph 1 item 4 of the Law on Securities ("Official Gazette of RMNE", Nos. 59/00, 43/05 and 28/06 and "Official Gazette of Montenegro", No. 6/13) shall continue to be performed as investment services referred to in Article 206 paragraph 1 items 6 and 7 of this Law;
5) tasks referred to in Article 62 paragraph 1 item 5 of the Law on Securities ("Official Gazette of RMNE", No. 59/00, 43/05 and 28/06 and "Official Gazette of Montenegro", No. 6/13) shall continue to be performed as investment services referred to in Article 206 paragraph 1 item 5 of this Law;
6) tasks of margin trading regulated by the Rules on granting authorization to authorized participants in the securities market ("Official Gazette of RMNE", Nos. 16/01 and 26/06 and „Official Gazette of Montenegro“ Nos.52/07 and 28/11) and Rules on the conduct of operations of authorized participants in the securities market („Official Gazette of Montenegro“, Nos. 78/09, 87/09, 72/10, 24/11, 29/11, 32/11, 49/11 and 11/14) shall continue to be performed as ancillary investment services referred to in Article 206 paragraph 2 item 2 of this Law.

Investment firms referred to in paragraph 1 of this Article shall harmonize their operations with the provisions of this Law within 12 months following the date of entry into force of this Law and submit to the CMA a report on the compliance with the provisions of this Law.

Investment firms which perform tasks referred to in Article 62 paragraph 1 item 2 of the Law on Securities ("Official Gazette of RMNE", Nos. 59/00, 43/05 and 28/06 and "Official Gazette of Montenegro", No. 6/13) shall harmonize the amount of initial capital the amount referred to in Article 244 of this Law within the period of 36 months following the date of entry into force of this Law.

In addition to the report referred to in paragraph 2 of this Article investment firms shall submit the documents referred to in Article 218 paragraph 3 of this Law.

If an investment firm fails to act in accordance with provisions of paragraphs 2 and 3 of this Article, the CMA shall revoke the authorization to an investment firm.

In the case referred to in paragraph 4 of this Article an investment firm ceases to operate and shall be deleted from CRCE.

In the case referred to in paragraph 5 of this Article, an investment firm may not apply for authorization in accordance with the provisions of this Law, before the expiry of one year following the date of revocation of authorization.

Examinations and consent to the appointment of management bodies

Article 417

Passed examinations for brokers, dealers and investment managers organized or recognized on the basis of the Law on Securities ("Official Gazette of RMNE" Nos. 59/00, 43/05 and 28/06 and "Official Gazette of Montenegro", No. 6/13) shall be recognized as examinations organized and passed in accordance with this Law.

Consent to the appointment of the Executive Director of an authorized participant on the securities market, given prior to entry into force of this Law, shall be deemed as a consent to the appointment of the Executive Director of an investment firm issued in accordance with this Law, if a person appointed for the Executive Director meets the requirements prescribed by this Law.

Investment firms shall, within the period of 12 months following the date of entry into force of this Law, obtain the consent of the CMA for appointed members of the Board of Directors.

Investor-compensation scheme

Article 418

Provisions of Articles 340 to 362 of this Law governing Investor-compensation scheme, shall apply as of 1 January 2020.

The Investor-Compensation Fund shall be established by 1 January 2020.

An investment firm, authorized credit institution and the management company referred to in Article 341 paragraph 1 of this Law, shall pay an initial contribution to the Fund within the period of eight days of the establishment of the Fund.

Notwithstanding paragraph 3 of this Article the members of the Central Depository Agency who acquired such status before the entry into force of this Law shall pay an initial contribution to the Fund as follows:

1) the amount of EUR 2.000, within eight days following the date of the establishment of the Fund;
2) the amount of EUR 1.500, within three months following the date of the establishment of the Fund;
3) the amount of EUR 1.500, within six months following the date of the establishment of the Fund.

Authorized credit institutions

Article 419

Banks, which on the date of entry into force of this Law have the license to conduct transactions in securities, shall continue to operate as authorized credit institutions in accordance with the provisions of this Law, on the basis of the licence, as follows:

1) tasks referred to in Article 62 paragraph 1 item 1 of the Law on Securities ("Official Gazette of RMNE", Nos. 59/00, 43/05 and 28/06 and "Official Gazette of Montenegro", No. 6/13) shall continue to be performed as investment services referred to in Article 206 paragraph 1 item 1 and 2 of this Law;
2) tasks referred to in Article 62 paragraph 1 item 2 of the Law on Securities ("Official Gazette of RMNE", Nos. 59/00, 43/05 and 28/06 and "Official Gazette of Montenegro", No. 6/13) shall continue to be performed as investment services referred to in Article 206 paragraph 1 item 3 of this Law;
3) tasks referred to in Article 62 paragraph 1 item 3 of the Law on Securities ("Official Gazette of RMNE", Nos. 59/00, 43/05 and 28/06 and "Official Gazette of Montenegro", No. 6/13) shall continue to be performed as investment services referred to in Article 206 paragraph 1 item 4 of this Law;
4) tasks referred to in Article 62 paragraph 1 item 4 of the Law on Securities ("Official Gazette of RMNE", Nos. 59/00, 43/05 and 28/06 and "Official Gazette of Montenegro", No. 6/13) shall continue to be performed as investment services referred to in Article 206 paragraph 1 items 6 and 7 of this Law;
5) tasks referred to in Article 62 paragraph 1 item 5 of the Law on Securities ("Official Gazette of RMNE", br. 59/00, 43/05 and 28/06 and "Official Gazette of Montenegro", No. 6/13) shall continue to be performed as investment services referred to in Article 206 paragraph 1 item 5 of this Law;
6) custody operations contained in the Rules on the conduct of custody operations ("Official Gazette of RMNE", Nos. 59/00, 43/05 and 28/06 and "Official Gazette of Montenegro", Nos 6/13) shall continue to be performed as investment services referred to in Article 206 paragraph 1 item 1 of this Law and ancillary investment services referred to in Article 206 paragraph 2 item 1 of this Law.

The authorized credit institution referred to in paragraph 1 of this Article shall harmonize its operations with the provisions of this Law within the period of 12 months following the date of entry into force of this Law and submit to the CMA a report on the compliance with the provisions of this Law.

In addition to the report referred to in paragraph 2 of this Article, an authorized credit institution shall submit the documents referred to in Article 218 paragraph 2 items 1, 4, 5, 6, 7 and 8 of this Law, as well as documents on fulfilment on conditions referred to in Article 205 paragraph 4 of this Law.

If an authorized credit institution fails to act in accordance with provisions of paragraphs 2 and 3 of this Article, the CMA shall revoke the authorization to an authorized credit institution.

In the case referred to in paragraph 4 of this Article, an authorized credit institution shall cease to operate.

The authorized credit institution may not apply for the authorization in accordance with the provisions of this Law, before the expiry of one year following the date of revocation of authorization.

Central Clearing and Depositary Company

Article 420

The Central Securities Depository Agency JsC Podgorica, which until the date of entry into force of this Law performed duties of the register of dematerialized securities, clearing and settlement of concluded transactions in securities, in accordance with the Law on Securities ("Official Gazette of RMNE", Nos. 59/00, 43/05 and 28/06 and "Official Gazette of Montenegro", No. 6/13), shall continue to operate as the Central Clearing and Depositary Company, in accordance with the provisions of this Law.

The Central Clearing and Depositary Company referred to in paragraph 1 of this Article shall harmonize its operations with the provisions of this Law within the period of 12 months following the entry into the force of this Law, and submit its general acts referred to in Article 372 of this Law for approval.

Notwithstanding paragraph 2 of this Article, the Central Clearing and Depositary Company referred to in paragraph 1 of this Article shall reach the amount of the initial capital prescribed by this Law within the period of 36 months following the date of entry into force of this Law.

Consent to the appointment of the Executive Director of the Central Depositary Agency referred to in paragraph 1 of this Article, given prior to the entry into force of this Law shall be regarded as the consent to the appointment of the Executive Director of the Central Clearing and Depositary Company issued in accordance with this Law, if a person appointed to the position of the Executive Director meets the requirements established by this Law, until the expiration of the period for which it is appointed.

The Central Clearing and Depositary Company shall within 12 months after the entry into force of this Law, obtain the consent of the CMA to the appointed members of the Board of Directors.

Market operator and the regulated market

Article 421

The stock exchange which performs its operations on the basis of a license issued in accordance with the Law on Securities ("Official Gazette of RMNE", Nos. 59/00, 43/05 and 28/06 and "Official Gazette of Montenegro", No. 6/13) shall continue to perform its activities as a market operator, in accordance with the provisions of this Law and shall be responsible to organize itself and harmonize its operations in accordance with the provisions of this Law within the period of 12 months following the date of entry into force of this Law.

The market operator referred to in paragraph 1 of this Article shall be considered as an MTF and OTF operator in terms of this Law.

Stock exchange members referred to in paragraph 1 of this Article, on the date of entry into force of this Law, are authorized to trade on a regulated market, MTF and OTF managed by the market operator.

A market operator shall, within a period referred to in paragraph 1 of this Article, submit to the CMA a report on the compliance and provide evidence thereof.

If, based on the report and submitted evidence referred to in paragraph 4 of this Article, the CMA finds that the market operator complied its operations with the provisions of this Law, the CMA shall issue the authorization to the market operator in accordance with the provisions of this Law.

If the market operator referred to in paragraph 1 of this Article fails to harmonize its operations within the term referred to in paragraph 1 of this Article, the market operator shall cease to operate.

The consent to the appointment of the Executive Director of the stock exchange, given prior to the entry into force of this Law, shall be deemed as the consent to the appointment of the Executive Director of the market operator issued in accordance with the provisions of this Law, if a person appointed to the position of the Executive Director meets the requirements prescribed by this Law.

The Stock Exchange shall, within the period of 30 days following the date of entry into force of this Law, disclose to the CMA the information referred to in Article 126 of this Law in respect of financial instruments for which the application for admission to trading was filed or which have already been admitted to trading before the entry into force of this Law, as well as for financial instruments that are still admitted to trading or traded on that date.

Delayed application

Article 422

Provisions of Article 12 paragraph 3, Article 15 paragraph 1 item 2 to 8, Article 23 paragraph 1 item 15 sub-item b, Article 41 paragraph 4, Article 42, Article 43 paragraph 3, Article 45, Article 53 paragraph 1 item 3, Article 61 paragraph 2, Article 62, Article 63, Article 68 paragraph 2 to 6, Article 72 paragraph 2, Article 73 paragraph 2, Article 76, Article 78, Article 80, Article 81, Article 82 paragraph 2, Article 83 paragraph 2, Article 84 paragraph 1 item 2, Article 93 paragraph 1 item 3, 6, 8 and 9, Article 97, Article 102 paragraph 4 item 4, Article 114 paragraph 2, Article 117 paragraphs 4 and 5, Article 118 paragraph 5, Article 119 paragraphs 2, 3 and 4, Article 120, Article 122 paragraph 3, Article 123 paragraphs 3 and 4, Article 124 paragraph 2 item 2, Article 124 paragraph 4, Article 126 paragraph 4, Article 128 paragraph 1 item 2, Article 136 paragraph 2, Article 140 paragraph 2 item 5, Article 140 paragraphs 3 and 4, Article 147 paragraph 1 item 5, Article 147 paragraph 3 item 4, Article 149, Article 157 paragraph 1 item 2, Article 167, Article 169 paragraph 8, Article 179, Article 183 paragraphs 6, 7 and 8, Article 187 paragraph 5, Article 189 paragraphs 3, 6, 7 and 8, Article 192, Article 200 paragraph 4, Article 202 paragraph 5, Article 203, Article 204, Article 207 paragraph 1 item 2 and 3, Article 219 paragraph 4, Article 220 paragraph 3, Article 221, Article 222 paragraph 2, Article 226, Article 227, Article 228, Article 230, Article 231, Article 233, Article 236 paragraph 2, Article 238 paragraph 6, Article 246 paragraph 2 item 2, Article 263 paragraph 5, Article 287, Article 288, Article 292 paragraph 3 item 3, Article 307 paragraph 3 item 5, Article 311 paragraph 1 item 5, Article 323 paragraph 4, Article 324 paragraph 3 item 2, Article 325 paragraph 1 item 4, Article 328, Article 330, Article 331 paragraph 1 item 7, Article 332 paragraph 7, Article 393 paragraph 1 item 2 sub-item b, Article 396 paragraph 3 items 2 and 7, Article 404 paragraph 3 and 4, Article 405 paragraph 2 and Article 406 paragraph 2 shall apply following the date of accession of Montenegro to the European Union.

Cessation of validity of regulations

Article 423

On the date of entry into force of this Law, the Law on Securities ("Official Gazette of RMNE", Nos. 59/00, 43/05 and 28/06 and "Official Gazette of Montenegro", No. 6/13) shall cease to be valid and the provision of Article 130 of the Law Amending the Law Governing Fines for Violations ("Official Gazette of Montenegro", No. 40/11).

Entry into force

Article 424

This Law shall enter into force on the eighth day following the date of its publication in the "Official Gazette of Montenegro ".

Number: 04-1/17-2/4
EPA 303 XXVI
Podgorica, 26th December 2017
The Parliament of Montenegro of 26th convocation
The President
Ivan Brajović, *MP*