

KOMERCIJALNA BANKA AD SKOPJE

KOMERCIJALNA BANKA  
AD SKOPJE  
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SKOPJE

RULES OF PROCEDURES

for execution of clients' order forms under  
the most favorable conditions

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## INTRODUCTION

In order to provide internal procedures that will be regulate the procedure for execution of order forms of clients by the employees from the Department for Performance of Services Related to Securities, the managing body of the Bank, pursuant to Article 83 of the Bank's Statute, has adopted these Rules of Procedures for execution of clients' order forms under the most favourable conditions.

These Rules of Procedures is a kind of manual and should be treated as guidelines for daily operations and they should be implemented in the daily practices.

The experience acquired while performing activities, amendments and supplements to the regulation from this area of operation, further advancement of operation shall contribute to complementation and improvement of these Rules of Procedures.

Pursuant to Article 83 of the Bank's Statute, on 16.06.2015, the Board of Directors of Komercijalna Banka AD Skopje adopted the following

## RULES OF PROCEDURES

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### I. GENERAL PROVISIONS

These Rules of Procedures shall regulate the steps undertaken by the Department for Performance of Services Related to Securities (hereinafter as: the Department) in its daily execution of clients' order forms under the most favorable conditions, as a part of its duties and activities.

The Rules of Procedures in details regulate the issues regarding receipt of order forms, documentation attached thereto, manner of realization of order forms by types of order forms, criteria for realization of the order forms under the most favorable conditions for the clients, receipt of special instructions from the clients, place of execution of the order forms, availability of the Rules of Procedures etc.

### II. PLACE AND MANNER OF RECEIPT OF THE CLIENTS' TRADING ORDER FORMS

#### 1. Place of receipt of the clients' trading order forms

During its working hours, the Bank shall receive order forms from clients directly in the Bank's Head Office and in other organizational units of the Bank (branches and city-branches). Realization of the order forms shall be carried out in the Bank's Head Office only.

#### 2. Manner of receipt of the clients' trading order forms

- The Bank shall receive order forms
- directly in the Bank's premises (Head Office, branches and city-branches of the Bank);
  - by phone;
  - by mail or fax.

2.1. The Bank shall receive order forms from clients directly in the Bank's premises (Head Office, ranches and city-branches) - The Bank shall receive order forms in its Head Office, i.e. in the premises of the Department, where the order forms are registered in a Registry for order forms, and after that entered in the BEST system. The first contact between the Department and the client shall be realized when the client comes and asks for services of the Department. There is a separate room in the Department for receipt of clients. An officer of the Department shall inform the client about the capital market and the possibilities for investments as well as about the manner of giving purchase and sale orders.

The client shall give instructions for the exchange trading activities under the information received.

In order to execute the client's instructions the officer shall:

- Identify the client from the presented identification document – I.D. Card or passport;
- Check if the client is entered in the client database of the Bank or if the client has already used a product of the Bank. If the person is not client of the Bank, the officer shall identify the person in accordance with internal acts of the Bank and shall record him/her the client database of the Bank.
- Enter data in the Broker application for registration of clients (if the client uses brokerage services of the Department for the first time).

Once the officer completes the foregoing activities s/he shall commence recording the information regarding the transaction instructed by the client.

The process of acceptance of the order forms at the branches and city-branches of the Bank is identical with the one applied at its Head Office. The authorized officer of the branch/city-branch shall identify the Client, and the instructions for realization of the order shall be forwarded to the Department for further proceeding and realization thereof as well.

2.2 Receipt of order forms by phone – the Bank shall receive order forms by phone at its Department only. The orders provided by phone may be realized only if the ordering Client has an agreement concluded with the Bank for stock exchange trade with securities. In order to provide the necessary information whether the Client has an agreement concluded with the Bank, the officer shall undertake the following activities:

- providing personal data for identification, such as:
  - Personal Reg. No.
  - ID document No.
- check with the Personal Reg. No. and ID document No. whether the Client is registered in the clients' data base of the Bank.

After completing the above stated activities and determining that the entity is Bank's client and has an agreement concluded with the Bank for stock exchange trade with securities, the officer shall start providing information on the transaction the Client wants to realize.

If no data on the client are available in the Bank's database for clients, the officer shall invite the client at the Head Office or the closest branch/city-branch in order to make registration of a client. The whole procedure is technically supported by information-communication and network facility available for the Bank's officer to perform the tasks correctly and in accordance with the applicable rules and regulations.

2.3 Receipt of order forms by mail or fax – the Bank shall receive order forms by mail or by fax only and exclusively if sent by any of the Bank's branches/city-branches. In order to keep the continuity and provide prompt and more efficient service for the clients, the order forms shall be received by the authorized officers of the Bank at the branches/city-branches – assigned for receipt of order forms.

The officer in charge of receiving the order forms from the branches/city-branches of the Bank shall undertake the following activities in order to obtain information on:

- identification of the Client from the presented document for identification – ID card or passport
- check whether the client is recorded in the Bank's database for clients, i.e. whether the client is already a user of any Bank's product. If not, the client shall be identified in accordance with the internal acts of the Bank and entered into the Bank's database for clients.

The branch/city-branch officer responsible for receipt of the order forms shall be in contact and communication with the officers from the Department where the realization of the orders is made, in order to obtain the necessary information in form of a document and providing stock exchange orders.

The respective officer in charge shall by mail or fax provide the entire documentation necessary for opening a file for a new client.

The orders received at a branch/city-branch of the Bank shall be forwarded to the Department by mail or fax for their realization.

### 3. Providing the most favorable terms and conditions for the client

Regardless of the place the order forms are received at, the Department shall act thereupon in accordance with the rules, regulations and regulatory bodies' acts, as well as the internal acts of the Bank. It shall provide transparent trading with the clients' orders. This procedure shall be deemed as realization of a client's order by the Department under the most favorable terms and conditions.

## III. THE PROCEDURE AND DOCUMENTATION REQUIRED WHEN RECEIVING CLIENTS' TRADING ORDERS

Client identification shall be made in accordance with the internal acts of the Bank.

When identifying the client, the Bank's officer shall be obliged to make prior check whether the client is registered in the Bank's database for clients simultaneously comparing the data registered in the database with the data from the identification documents presented.

Apart from the identification, the client shall be given application form for client's registration if it establishes business relations with the Bank/Department for the first time.

If the client is already registered in the Bank's database for clients and the officer considers that the data available with the Bank are older and do not correspond with the data from the identification documents, the officer shall update the data and the client shall fill out the application.

The identification of the client shall be made on the basis whether it is retail client or a legal entity.

1. Identification of a retail client – the identification and verification of the identity of a retail client shall be made on the basis of a document for identification:

- \* original valid document for identification issued by competent authority, or
- \* notarized copy of the document

The validity term of the ID document should not be less than 6 months from the moment of identification, or of the notarized copy of the document not less than 3 months. The following data from the ID document shall be defined and registered in the database for clients:

- name and surname
- date and place of birth
- place and address of residence or stay

- Personal Reg. No. or ID No.
- the number of the identification document, issuing authority and validity date

A copy of the identification document shall be kept by the Bank's officer in paper or electronic form.

2. Identification of a legal entity (client) – the identification and verification of the identity of the legal entity shall be made on the basis of the following:

- \* original registration document issued by competent authority, or
- \* notarized copy of the document

Registration documents issued by a competent authority of a foreign country should be in Macedonian – translated by an authorized translator. The following data from the ID document shall be defined and registered in the database for clients:

- name
- registered seat
- tax number
- founders
- legal representative
- managing body
- the persons authorized to establish business relations on behalf of the client

A copy of the identification document shall be kept in paper or electronic form.

When the document for identification of the legal entity (non-resident legal entities) does not provide the above stated data, other documents related to the foundation and operation of the entity shall be required (ex. the act of foundation or document issued by other competent authority providing the data missing in the client's registration document).

After identification of the client and its registration in the Bank's database for clients, it shall sign an agreement for cooperation in stock exchange trade and shall be acquainted with the General Conditions of Komercijalna Banka AD Skopje for working with securities, being constituent part of the agreement.

In order to realize the transaction the client shall sign an authorization/power of attorney to a broker and shall sign an order form for purchase/sale of securities.

After identification of an existing client of the Bank and eventual update of its data, the client shall sign an order form for purchase/sale of securities for realization of wanted transaction.

#### IV. TYPES OF ORDER FORMS

Pursuant to the trading rules of the Stock Exchange, the Department works with the following order forms:

1. Market order form – the client does not define limitations in the price, i.e. the client accepts the most favourable price on the market;

2. Limited order form – the client defines the acceptable purchase price (the highest) or sale price (the lowest);

3. Order form at the most favorable price – the client does not define the price it would purchase/sell certain securities, i.e. it gives the member (of the BEST system) discretionary right to decide the price the order will be realized at in the BEST system.

## V. METHOD OF ORDER FORM REALIZATION DEPENDING ON THE TYPE OF THE ORDER FORM

Depending on what type of order form the client decides to submit, the Department shall act thereupon in accordance with the law regulations, the respective by-laws related to trade and the priority in realization of the order form submitted.

1. Proceeding under market order form – the market order form is a daily order without price defined. It means that the Client does not define price limits when purchase or sale of securities, i.e. it accepts the most favorable price on the market. In BEST system this order is marked by “market”. The entering of the market order form is in accordance with the limitations for entering and realization of the order forms according to the trading regimes and the phase of the market defined by the Trading Rules of the Macedonian Stock Exchange AD Skopje.

The realization of the order form at market price shall be made immediately after its receipt, provided that the conditions/liabilities of the client for realization thereof are met and if its realization is possible then.

The market order forms shall be entered into the process of continuous trading in the phase prior to trading and in the main trading phase, in accordance with the Trading Rules of the Macedonian Stock Exchange AD Skopje.

2. Proceeding under a limited order form – a limited order form is an order form with entered i.e. defined price allowing concluding of transaction or transactions up to the price limit defined when entering the order form.

The limited order form for purchase defines the highest price that certain securities may be purchased at. Thus, the limited order form for purchase may be realized at the price defined or at lower price.

The limited order form for sale defines the lowest price that certain securities may be sold at. Thus, the limited order form for sale may be realized at the price defined or at higher price.

The BEST system accepts several sub-types of limited order forms:

2.1 Order forms without additional or special conditions

2.2 Order forms with additional conditions related to the realization, such as:

2.2.1 Order form with additional condition for realization – realize or cancel. This order form shall be realized in accordance with the limitations for entrance and realization of the order forms pursuant to the market’s trading regime and phase. The unrealized quantity of the order form shall automatically be removed from the BEST system. Any other additional or special conditions when entering the “realize or cancel” order form are not allowed.

2.2.2 Order form with hidden quantity. This order form does not show the whole quantity of the order form entered into the BEST system. Only the visible quantity/part of the order form is disclosed at the market while the remaining part of the order form is entered into the system as hidden quantity. Any other additional or special conditions when entering the “realize or cancel” order form are not allowed.



2.3 Order forms with additional conditions related to the validity term, such as:

2.3.1 Daily order form. The order form shall be valid only on the date of entering the order form in the BEST system. Unrealized daily order forms shall automatically be removed from the BEST system after closing the trading day.

2.3.2 Order form with validity until certain date. The order form shall be valid from the moment of its entering into the BEST system until the date of its realization or until certain date. This order form validity term may be not less than ninety (90) calendar days from the date of its entering into the system. The BEST system provides a list of order forms that will be deleted within defined future period.

2.4 Order forms with special conditions for realization of the quantity. It is an order form with special condition for realization of the quantity – “all or none”. The order form with special condition for realization of the quantity – “all or none” provides purchasing or sale of securities by single entering up to defined price and within the defined limits where the order form has to be realized in full by a single or several simultaneous transactions. If the order form does not contain all the elements required for this type of order form when entering it, the order form shall be deleted from the BEST system. The use of additional conditions for realization of the order form shall not be allowed.

3. Proceeding under order form at the most favorable price. The order form at the most favorable price has a treatment as special type of order form where the client does not define the price it would purchase/sell certain securities, i.e. the client gives the member (of the BEST system) discretionary right to decide the price the order will be realized at in the BEST system.

The order form at the most favorable price is immediately entered into the BEST system by the broker.

The broker shall, as a good businessman and applying the principle of best realization, act under the order form estimating when the situation at the market is the most favorable for realization of the order form. This obligation of the broker shall be valid until the realization thereof.

The order form at the most favorable price is entered as limited order form, and the client should, within a defined period of time, determine the validity term of the order form, which should not be more than 30 days.

When there are more order forms at the most favorable price, they shall be realized in accordance with the order they have been received at. The realization of the order form at the most favorable price may neither be effected by way of crossed transaction by order of a member as principal, by order of an officer of the Stock Exchange member, by using any type of omnibus account, nor during realization of transactions as block transactions, public Stock Exchange auction of state-owned stakes, when selling packages (“ALL OR NONE”), when selling with an option for partial buying.

The order forms provided by the clients for trading of the same type of securities shall have priority in trading before the order forms provided by the Bank’s employees and their related parties. The realization of the order forms shall be made at the following order:

- Clients’ order forms;
- Order forms provided by the Bank’s employees; and
- Order forms of the Bank.

When there are more than 5 (five) order forms for purchasing or selling securities under identical conditions, the Department shall execute their realization in the BEST trading system simultaneously (order forms on omnibus account).

When the Department uses order form for omnibus account and one or more transactions are traded, it shall distribute the transactions to the appropriate clients in accordance with the following criteria:

- if the transaction/transactions are concluded at the same price and the quantity of securities is not sufficient to cover the individual order forms of all clients for which an order for omnibus account has been created, the first order form that shall be realized in full shall be the one which, in terms of the time, has been received before the order form of the following client, etc.

- if the transaction/transactions have been concluded at different prices, the first individual order form that shall be realized at the most favorable price (the highest selling or lowest buying price) shall be the one which, in terms of the time, has been received before the order form of the following client, etc.

When the Department receives an order form of a client being an attorney of or representing more than one seller or buyer who, with the power of attorney issued, have provided identical instructions for sale or purchase of certain type of securities, the Department may use an omnibus account with a power of attorney.

## VI. IMPORTANT ELEMENTS WHEN REALIZING ORDER FORM FOR TRADING UNDER THE MOST FAVORABLE CONDITIONS FOR THE CLIENT

When realizing the clients' order forms, the Department shall undertake all necessary activities for their realization under the most favorable conditions for the respective client. In the process of realization of the order forms under the most favorable conditions for the client, the Department shall estimate and take into account the following important elements:

- the status of the client (small or large investor);
  - the type of the order form (market, limited, order form at the most favorable price);
- and
- the securities being subject to trade

Based on the prior obtained information on the client and its knowledge about the capital market, the above stated elements shall be supplemented by several additional factors, such as: information obtained from the client on its experience regarding investments in securities, financial capabilities, as well as the evaluation of the risk from investments in certain type of securities.

When defining the most favorable results for the clients, the Department shall also take into account the following factors relevant for the realization of the order form:

- the price of the securities;
- transaction costs;
- the manner, speed and probability of realization;
- the size and type of the client's order form; and
- other circumstances relevant for the realization of the order form

## VII. OPTION FOR THE CLIENTS TO GIVE SPECIAL INSTRUCTIONS FOR REALIZATION OF THE LIMITED ORDER FORMS AND WAY OF THEIR RECEIPT

The Department shall receive limited order forms with special instructions.

Special instructions are considered the specific instructions given by the client containing exactly defined conditions. The Department shall execute the order form in accordance with the specific instructions of the client, which makes the obligation of the Bank to act under the most favorable conditions for the client fulfilled.

The Department may receive limited order forms with specific instructions for realization from all existing clients having active agreement for cooperation in the stock exchange trading and from any possible client.

The Department shall, at its own assessment, decide whose limited order forms with specific instructions shall receive and execute.

The client shall give clear and unambiguous instructions. The Department shall exclusively act under specific instructions if they are given in written by the client directly in the business premises of the Department where trading is to be performed.

The Department shall not accept amendment to the specific instructions for realization of the limited order forms.

The Department shall take no responsibility for the outcome of such execution of the order form which is not favorable for the client in certain cases.

## VIII. PLACE OF EXECUTION OF THE ORDER FORM

Macedonian Stock Exchange shall be the place of execution of the clients' orders.

## IX. CLOSING PROVISIONS

The stock exchange operations in trading with securities on behalf and for account of clients shall be carried out in accordance with the law regulations.

These Rules of Procedure are available on the official web site of the Bank. They are also available in paper form in the Bank's premises – Head Office (in the Department), branches and city-branches.

The client shall accept the Rules of Procedure for execution of clients' order forms under the most favorable conditions by signing a Statement of Consent. The Statement is attached thereto and is constituent part of these Rules of Procedure.

### ATTACHMENT 1: Statement of Consent

The employees competent to perform the stock exchange activities must perform their assignments duly and properly and must adhere to the law regulations and these Rules of Procedure, otherwise they shall be responsible pursuant to acts of the Bank.

Any amendment and supplement to the Rules of Procedure shall be made in accordance with the law regulations, amendments and supplements arising therefrom and the changes in the technological development of the Bank's operation.

These Rules of Procedure shall enter into force as from the date of their adoption.

**BOARD OF DIRECTORS OF THE BANK**  
**CHIEF FINANCE OFFICER**  
(signature)

\_\_\_\_\_  
Maja Stevkova Shterieva, Ph.D.

**CHIEF OPERATIVE OFFICER**  
(signature)

\_\_\_\_\_  
Ilija Iloski

**CHIEF EXECUTIVE OFFICER**  
(signature)

\_\_\_\_\_  
Hari Kostov

STATEMENT

for acceptance of the Rules of Procedure for execution of clients' order forms under the most favorable conditions

I \_\_\_\_\_, from \_\_\_\_\_ (place) \_\_\_\_\_ (state), with ID/Passport No. \_\_\_\_\_, am familiar with the contents of the Rules of Procedure for execution of clients' order forms under the most favorable conditions.

I, hereby declare that I accept the Rules of Procedure for execution of clients' order forms under the most favorable conditions.

Given by

\_\_\_\_\_