

**MACEDONIAN SECURITIES STOCK EXCHANGE  
AD SKOPJE**

**DISCIPLINARY RULES**

<b>Date of adoption by the MSE Board of Directors</b>	<b>Date of receiving of consent from the Securities and Exchange Commission</b>	<b>Date of beginning of implementation</b>
<b>September 12, 2006</b>	<b>February 12, 2007</b>	<b>March 3, 2007</b>

**Skopje, February 2007**

Pursuant to Article 82 of the Securities Law (Official Gazette of the Republic of Macedonia no.95/2005), the Statute of the Macedonian Stock Exchange AD Skopje, the Decision no.02-1740/1 on adoption of the Disciplinary Rules of the Macedonian Stock Exchange AD Skopje and the Decision on implementation of the comments of the Securities Exchange Commission according to the Decision no.08-375/1 dated January 25, 2007 into the text of the Disciplinary Rules of the Macedonian Stock Exchange AD Skopje, the Board of Directors of the Macedonian Stock Exchange AD Skopje at its XLVIII session, held on February 26, 2007, made a consolidated text of:

## **DISCIPLINARY RULES**

### **1. GENERAL PROVISIONS**

#### **Subject of regulation of these Rules**

##### **Article 1**

- 1) These Rules regulate the conducting of Macedonian Stock Exchange (MSE) members, their directors, authorized brokers and licensed brokers with reference to obeying and implementing MSE acts and securities regulations, as well as disciplinary procedures and measures in case of non-obeying of the MSE acts and securities regulations.
- 2) These Rules applies in complementary with laws and other regulations in the Republic of Macedonia that regulate operation with securities.
- 3) The legal entities and individuals of paragraph 1 of this article which are punished for violation of securities regulations by the Securities and Exchange Commission, cannot be punished by the MSE for the same violation.

#### **Definitions**

##### **Article 2**

- (1) Certain terms from these Rules shall have the following meaning:
- “MSE” shall mean Macedonian Stock Exchange AD Skopje;
  - “member” shall mean a brokerage house, bank or subsidiary of a foreign brokerage house, which is registered in the trade registry as a legal entity and has been granted operational license from the Securities and Exchange Commission and which is accepted in the MSE membership;
  - “broker” shall mean a director of the MSE member, authorized broker and licensed broker according to the Membership rules of the MSE;

- MSE acts” shall mean: the Statute, Membership rules, Trading rules, Listing rules, Arbitration rules, Tariff book, this Rules as well as all other decisions and acts brought on a basis of abovementioned rules;

- a person against whom ...

- “Securities regulation ” shall mean: the Law on securities, other laws in the parts that regulates operation with securities and secondary regulations arising from the laws above.

(2) For the purpose of this rules, if otherwise defined, all other terms shall have the same meaning as defined in the Law on Securities and MSE acts.

## **2. PROVISIONS FOR CONDUCTING**

### **Provisions for conducting of the MSE member and/or the broker**

#### **Article 3**

- (1) The MSE member and brokers are obliged in their operation to apply and obey the provisions from the securities regulations.
- (2) The MSE member and brokers are obliged in their operation to apply and obey the provisions from the MSE acts. Non-obeying of the provisions from the MSE acts is punished in accordance with the MSE self-regulated status.
- (3) The MSE member and the brokers in their operation are especially obliged to apply the following conducting principles:
  - to operate conscientiously and professionally;
  - to protect clients interests;
  - to obey its acts, and especially member’s Control procedures;
  - to support high integrity standards and fair trading;
  - to act with appropriate skill and consideration;
  - to try to provide information about client’s investment targets and on timely manner and understandable way to give to the client necessary information and data needed for making a decision for investment and for the nature of eventual investment risks;
  - to avoid conflict of interests, but if it appears, to provide fair treatment to all clients by giving data according the internal confidentiality rules, to abstain of acting and not to put their interests before the client’s interests;
  - not to undertake activities, directly or indirectly, referring to any transaction or activity with securities which should means use of funds or way to deceive a member or person, nor to enter in any activity which means falsify or fraud or if there are prospects that they will use falsify or fraud to other member, broker, client or any other person;
  - to establish cooperation relations with the Securities and Exchange Commission and the MSE;
  - to provide the best execution of client’s orders;

- not to jeopardize public reputation of the MSE or to its members.
- (4) The MSE member in its operation is especially obliged to apply the following conducting principles:
- to provide continued education to the employees in reference to the changes of the legislation, the MSE acts and changes of the member's techniques of operation;
  - to organize and control its internal affairs on responsible manner, to keep precise evidence, to provide its all employees to have appropriate qualifications and to supervise their operation in accordance with law and the MSE acts.

### **3. THE MSE SUPERVISION**

#### **The MSE competence for supervision Article 4**

- (1) The MSE is competent to supervise the securities trading on the MSE and in case of ascertained irregularities or non-obeying of the securities regulations, to act in accordance with its authorizations stipulated with the Securities Law and these Rules, in order to provide efficient and fair trading with securities.
- (2) The MSE is competent to supervise the MSE member's acting and/or the broker in reference to the obeying of the MSE acts, and in case of ascertained irregularities or non-compliance with the MSE acts, to act in accordance with its authorizations, in order to provide appropriate and righteousness implementation of the MSE acts.
- (3) If the supervision finds out that the MSE member and/or the broker does not act in accordance with the provisions of paragraphs 1 and 2 of this article, the MSE is authorized to initiate a procedure and to undertake measures and pronounce sanctions in order to prevent or remove the ascertained irregularities, non-compliances and non-obeying of the securities regulations.
- (4) In case of dispute among the MSE members or the MSE members and their clients where the arbitration procedure is in process in accordance with the Arbitration Rules, the MSE does not undertake further activities according these Rules.

#### **Manner of the MSE supervision performance Article 5**

- (1) The MSE supervises the activities connected with securities trading of its members and/or the brokers at the following ways:
  - through special surveillance stations which are connected with the MSE electronic trading system;

- through submission requirements to the members to submit reports and information to the MSE;
  - through control of the documentation connected with received clients orders and/or concluded securities transactions at the MSE;
  - through direct control of the MSE members.
- (2) The MSE may always, when it considers necessary, supervises any member and/or broker, upon its own initiative, upon request (appeal) from interested party or upon request of competent body.
  - (3) The MSE will inform the member and/or the broker for supervision and the reasons for supervision.
  - (4) By exemption, if the MSE considers that the information of paragraph 3 of this article may prevent supervision realization, will not inform the member and/or the broker about the supervision.

### **The member's obligation to cooperate**

#### **Article 6**

In case of supervision realization, the MSE member and/or the broker is obliged to cooperate, to present for inspection the whole necessary documentation, and especially:

- to submit to the MSE data and reports immediately or within the reasonable term determined by the MSE;
- to allow conversations between the MSE or somebody else on behalf of the MSE and the brokers, and to take care the brokers to be accessible for that conversations and to give correct and complete answers to all asked questions;
- to allow access at any time in all premises where the member operates and keeps the documentation; and
- to allow making, control and if it is necessary, coping by the MSE the documents, evidence and any other material which is in its/his possession or under its/his control.

### **Direct control**

#### **Article 7**

- (1) The MSE Chief Executive Officer adopts a decision on establishing control commission, which performs direct control of the MSE member and/or the broker.
- (2) The control commission makes a minutes for realized control and submits it to the MSE member/broker where the control is made, within the 15 days from the day of control.

- (3) The minutes of the realized control contains data for the time and place of the control, the persons in which presence the control is made and for the findings of control.
- (4) The minutes of the made control is submitted to the MSE executive directors.
- (5) The member has a right to submit an objection to the minutes of made control within the term determined by the MSE, which cannot be longer than eight (8) calendar days from the day of receiving the minutes.

### **Procedure upon control findings**

#### **Article 8**

- (1) On the basis of the minutes findings, the MSE executive directors sets up the level of compliance of the MSE member and/or the broker operations with the MSE acts and securities regulations.
- (2) If they determine irregularity and/or non-compliance of the MSE member and/or the broker with the MSE acts, the Chief Executive Officer may:
  - undertake further activities to remove it;
  - when according to the MSE acts the prohibited activity is determined, submit a proposal for initiating a disciplinary procedure.
- (3) If the executive directors estimate that the MSE member and/or the broker made a violation of the provisions on prohibited activities, in accordance with the securities regulations, the Chief Executive Officer may:
  - a) submit a proposal for initiating a disciplinary procedure, and
  - b) inform the Securities and Exchange Commission about that violations.
- (4) In the case of paragraph 3, item a), the disciplinary commission may initiate a procedure in front of the Board of directors which will decide whether there is a violation of the securities regulations and the disciplinary commission will directly inform the Securities and Exchange Commission about the ascertained violations.

## **4. DISCIPLINARY PROCEDURE**

### **Term for initiating a disciplinary procedure**

#### **Article 9**

In accordance with these Rules a disciplinary procedure cannot be initiated later than two (2) years of the made violation.

**Procedure in case of irregularity and/or non-compliance with the MSE acts  
which can be removed or for which the member/broker can undertake  
measures and activities in order not to happen in future**

**Article 10**

- (1) When an irregularity and/or non-compliance with the MSE acts which can be removed or for which the member/broker can undertake measures and activities in order not to happen in future is determined, the Chief Executive Officer makes an instruction and/or a decision by which a direction for its removing is given.
- (2) The instruction and/or the decision of the Chief Executive Officer to the MSE member and/or the broker determines a term within the MSE member and/or the broker shall act upon the direction of the Chief Executive Officer. After the determined term, the MSE member and/or the broker is obliged to inform the Chief Executive Officer about the undertaken activities to remove the irregularity and/or non-compliance with the MSE acts or to give a statement with which binds to introduce a change in its operation.
- (3) If the MSE member and/or the broker does not act within the term set in paragraph 2 of this article, the Chief Executive Officer submits a proposal for initiating a disciplinary procedure against that MSE member and/or broker to the disciplinary commission.
- (4) The MSE member and/or the broker to whom the decision of paragraph 1 of this article is referred, may submit an objection to the Board of Directors decision, within 8 days from the receiving of the decision.
- (5) The objection of paragraph 4 of this article is preliminary considered by a disciplinary commission which gives an opinion about it to the Board of Directors.

**Procedure in case when according to the MSE acts  
the prohibited activity is determined**

**Article 11**

When according to the MSE acts the prohibited activity is determined, the Chief Executive Officer submits to the disciplinary commission a proposal for initiating a disciplinary procedure.

**Beginning of disciplinary procedure**

**Article 12**

The disciplinary procedure begins within fifteen (15) calendar days from the day of receiving the objection of article 10, paragraph 4 or the objection of article 11 of these Rules at latest.

### **Disciplinary Commission**

#### **Article 13**

- (1) A disciplinary procedure is performed by established disciplinary commission.
- (2) The disciplinary commission is comprised of president and 4 members, appointed by the Board of Directors with a mandate of two years.
- (3) The disciplinary commission is comprised of:
  - MSE executive director;
  - a broker which is member of the MSE Board of Directors;
  - a representative of the independent members of the Board of Directors;
  - a person which is not employed in the MSE or connected with any shareholder, MSE member or entity licensed participant at the securities market;
  - a broker proposed by the Grouping for securities operation at the Chamber of Commerce of the Republic of Macedonia.
- (4) The disciplinary commission members elect a president from themselves, who leads the disciplinary commission sessions. In president's absence, at the session itself the members elect chairman who replaces the president.
- (5) A presence of at least three members is necessary to hold the disciplinary commission sessions.
- (6) The MSE performs all administrative activities related to preparing and performing the disciplinary procedure and the disciplinary commission operating.

### **Collecting facts and documents**

#### **Article 14**

- (1) In order to establish the factual situation, the disciplinary commission has insight into the whole documentation which is at MSE disposal, and which is related to the procedure's subject.
- (2) The disciplinary commission members are obliged to use the data of documentation of paragraph 1 of this article exclusively for the needs of the procedure and not to inform about it other persons, except the members of the MSE Board of Directors.

### **Invitation of persons**

#### **Article 15**

- (1) In order to establish the factual situation, the disciplinary commission sends a written invitation to invite the MSE member and/or the broker against whom the procedure is conducting or other important persons for the procedure in order to obtain oral information, in form of statements or answers.



- (2) The written invitation shall be sent at least seven (7) calendar days before the day of holding the disciplinary commission session.

### **The written invitation content**

#### **Article 16**

- (1) The written invitation of article 15, paragraph 1 is mandatory consist of:
  - name or title of the invited person;
  - in which feature is invited;
  - description of the violation subject to the disciplinary procedure;
  - day, hour and place of the inquiring;
  - legal instruction about right to attorney into the disciplinary procedure;
  - a right to not coming to the inquiring by submitting a written defense before beginning of the inquiring;
  - signature of the disciplinary commission president.

### **The disciplinary commission session**

#### **Article 17**

- (1) At the beginning of the session the president of the disciplinary commission explains the reasons for initiating the procedure, and then the MSE member and/or the broker against whom the procedure is conducting is giving an opportunity to come out for all circumstances against him and to present all facts of his defense.
- (2) If the MSE member/broker against whom the disciplinary procedure is conducting or their legal representative in spite of regularly delivered invitation are not present at the session, the disciplinary commission decides in their absence i.e. considers their written defense if it was submitted.

### **Minutes of the inquiring**

#### **Article 18**

- (1) The MSE employee takes a minutes during the inquiring.
- (2) The minutes shall written within the three (3) business days from the day of the inquiring and it shall to be delivered to the member and/or the broker against whom the procedure is conducting.
- (3) The MSE member/broker against whom the procedure is conducting and the complainant have a right to control the minutes and to propose supplements, amendments and erase for its correctness. These proposals shall be accepted except the disciplinary commission members consider it inappropriate, and in that case they are notified as unaccepted proposals, for which the MSE member and/or the broker against whom the procedure is conducting are informed.

- (4) The present members of the disciplinary commission at the session sign the minutes.

**The disciplinary commission opinion**  
**Article 19**

- (1) Based on the established factual situation, the disciplinary commission within 5 business days from the day the session was hold makes an opinion about the procedure subject and immediately submits it to the Board of Directors for final decision.
- (2) Enclosed to the opinion, the minutes of the session and the objection on the minutes if there is such, as well as the documentation which is at the disciplinary commission disposal, shall be submitted to the Board of Directors.

**5. DISCIPLINARY DECISION**

**The Board of Directors disciplinary decision**  
**Article 20**

- (1) The Board of Directors adopts a disciplinary decision about the disciplinary procedure subject. The Board of Directors may to confirm the disciplinary commission opinion, return the case to again consideration because of additional facts establishing or may adopt an opposite decision than the disciplinary commission opinion.
- (2) The Board of Directors adopts the disciplinary decision of paragraph 1 within the thirty (30) business days from the day of receiving the disciplinary commission opinion.
- (3) The disciplinary decision of paragraph 1 of this article shall be personally delivered or send by registered mail to the MSE member and/or the broker within the eight (8) business days from the decision adopting.

**Types of disciplinary decision**  
**Article 21**

- (1) The Board of Directors adopts a disciplinary decision by which the procedure is terminated because of non-existence of facts for setting a violation or adopts a disciplinary decision by which the MSE member and/or the broker is proclaimed responsible for the made violation and pronounces a disciplinary measure.
- (2) If during the procedure the MSE member/broker is accused for several violations, in the disciplinary decision shall be precisely quoted for which of them the procedure

is terminated, and for which the MSE member and/or the broker is proclaimed responsible and a disciplinary measure is pronounced.

### **Procedure termination**

#### **Article 22**

The Board of Directors adopts a disciplinary decision for termination of the procedure if:

- the act for which the MSE member and/or the broker is accused is not violation of the MSE acts or the securities regulations;
- for the same violation against the MSE member and/or the broker, the measure has already been pronounced or the procedure has been terminated;
- the terms for initiating the procedure have expired;
- the violation is not proved;
- there are circumstances which exclude the responsibility of the MSE member/broker.

## **6. DISCIPLINARY MEASURES**

### **Disciplinary measures against MSE member**

#### **Article 23**

- (1) In case of adoption a disciplinary decision by which the MSE member is proclaimed responsible for the violation, the Board of Directors may pronounce the following disciplinary measures:
  - (a) to warn the MSE member by delivering a disciplinary decision;
  - (b) to warn the MSE member by informing all the MSE members about the adopted disciplinary decision;
  - (c) to warn the MSE member by public warning through publishing the disciplinary decision at the MSE web site;
  - (d) to warn the MSE member by public warning through publishing the disciplinary decision in one daily newspaper;
  - (e) to pronounce fine to the member in amount of at least 60,000.00 denars;
  - (f) to ask the MSE member to change its acts;
  - (g) to pronounce other measures, to protect the shareholders, security market and/or investment publicity;
  - (h) to pronounce temporal or permanent prohibition to the part or to the all activities of the MSE member connected to securities operation, including suspension of trading or the MSE capacities use on other way; and
  - (i) to exclude temporarily or permanently from the membership.
- (2) The MSE Board of Directors may pronounce cumulative two or more disciplinary measures, quoted in paragraph 1 of this article, for the same violation.

- (3) The disciplinary decision that pronounces disciplinary measure in accordance with paragraph 1 of this article shall be submitted to the Securities and Exchange Commission.

**Disciplinary measures against broker**  
**Article 24**

- (1) In case of adoption a disciplinary decision by which the broker is proclaimed responsible for the violation, the Board of Directors may pronounce the following disciplinary measures:
- (a) to warn the broker by delivering a disciplinary decision;
  - (b) to warn the broker by informing all the MSE members about the adopted disciplinary decision;
  - (c) to warn the broker by public warning through publishing the disciplinary decision at the MSE web site;
  - (d) to warn the broker by public warning through publishing the disciplinary decision in one daily newspaper;
  - (e) temporarily or permanently suspend the broker of trading or using the MSE capacities on other way;
  - (f) to pronounce fine to the broker in amount of at least 10,000.00 denars; and
  - (g) to pronounce other measures, to protect the shareholders, security market and/or investment publicity.
- (2) The MSE Board of Directors may pronounce cumulative two or more disciplinary measures quoted in paragraph 1 of this article.
- (3) The disciplinary decision that pronounces disciplinary measure in accordance with paragraph 1 of this article shall be submitted to the Securities and Exchange Commission.

**Right to appeal**  
**Article 25**

- (1) The MSE member and/or the broker has a right to submit an appeal against the disciplinary decision of the MSE Board of Directors to the Securities and Exchange Commission within the fifteen (15) calendar days from the receiving of the decision. The appeal submitted after the term shall not be considered and the disciplinary measures of the disciplinary decision shall become final.
- (2) The MSE member and/or the broker submits the appeal of paragraph 1 of this article, through the MSE.
- (3) The submission of an appeal in due time postpones the performing of the disciplinary measures, except in certain cases when will be determined that the

disciplinary measures protects the investors interests. In the disciplinary decision adopted by the Board of Directors shall be clearly stated whether the appeal postpones the performing of the disciplinary measures.

## **7. CONFLICT OF INTERESTS AVOIDANCE**

### **Conflict of interests avoidance Article 26**

- (1) In any procedure related to these Rules, any person included in the procedure is obliged to inform about the eventual conflict of interests with the procedure subject, the member and/or the broker against whom the procedure is conducting.
- (2) A person that has a conflict of interests or for whom is justified to assume that has a conflict of interests with the member and/or the broker who is under the control must not be appointed in the control commission of article 7 paragraph 1.
- (3) The disciplinary commission member who has a conflict of interests or for whom is justified to assume that has a conflict of interests with the member and/or the broker against whom the disciplinary procedure is conducting, shall be excepted from the operation and making the opinion of the disciplinary commission for the concrete case and the such exception shall be notified into the minutes.
- (4) The Board of Directors member who has a conflict of interests or for whom is justified to assume that has a conflict of interests with the member and/or the broker against whom the disciplinary procedure is conducting, shall be excepted from the operation and adopting the disciplinary decision by the Board of Directors in the concrete case and the said exception shall be notified into the minutes.

## **8. TRANSITIONAL AND FINAL PROVISIONS**

### **Coming into effect and implementation of the Rules Article 27**

This Rules shall enter into power on the day of its adoption and shall be implemented after expiration of thirty (30) calendar days from the day the approval of the Securities Exchange Commission is received.

**Term for appointment the disciplinary commission members**  
**Article 28**

The Board of Directors shall appoint the disciplinary commission members within the thirty (30) calendar days from the day of receiving of the consent for these Rules by the Securities and Exchange Commission.

**Board of Directors**  
**Zvonko Stankovski, President**