

CLIENT CATEGORIZATION

DIFFERENCES IN TREATMENT BETWEEN RETAIL INVESTORS, PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES

TYPE OF PROTECTION	SUMMARY OF ROLES	RETAIL INVESTOR	PROFESSIONAL INVESTOR	ELIGIBLE COUNTERPARTY
1. General principles & information to clients	Duty to act accordance with the best interest of the client.	Applicable	Applicable	Not applicable
	Duty to act honestly, fairly and professionally.	Applicable	Applicable	Applicable
	Duty to communicate in a way that is fair, clear and not misleading.	Applicable	Applicable	Applicable
	<u>Manufacturing of financial instruments</u> The IF when manufacturing financial instruments for sale to clients must ensure that 1) those financial instruments are designed to meet the needs of an identified target market of end clients within the relevant category of clients; 2) the strategy for distribution of the financial instruments is compatible with the identified target market, and the IF takes reasonable steps to ensure that the financial instrument is distributed to the identified target market; 3) the IF must understand the financial instruments offered or recommended, assess the compatibility of the financial instruments with the needs of the clients to whom it provides investment services, also taking account of the identified target market of end clients, and 4) must ensure that financial instruments are offered or recommended only when this is in the interest of the client.	Applicable	Applicable	Not applicable
	<u>Information /communication:</u> (a) All information, including marketing communications, addressed by the IF to clients must be fair, clear and not misleading, and the marketing communications shall be clearly identifiable as such..	Applicable	Applicable	Not applicable

	<p>(b) Obligation of the IF to provide clients or potential clients in good time before the provision of investment services or ancillary services to clients with a general description of the nature and risks of financial instruments, taking into account, in particular, the client's categorization. That description shall explain the nature of the specific type of instrument concerned, the functioning and performance of the financial instrument in different market conditions, including both positive and negative conditions, as well as the risks particular to that specific type of instrument in sufficient detail to enable the client to take investment decisions on an informed basis.</p>	Applicable	Applicable	Applicable
	<p>(c) Obligation of the IF to disclose prior to the provision of the service to the client the existence, nature and amount of the payment 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. Where applicable, the IF shall also inform the client on mechanisms for transferring to the client the fee, commission, monetary or non-monetary benefit received in relation to the provision of the investment or ancillary service by any party except the client or a person on behalf of the client.</p>	Applicable	Applicable	Not applicable
	<p>(d) Obligation of the IF to inform the client whether it is possible to buy the different components separately and to provide for a separate evidence of the costs and charges of each component, when an investment service is offered together with another service or product as part of a package or as a condition for the same agreement or package. Also, obligation of the IF to provide an adequate description of the different components of the agreement or package and the way in which its interaction modifies the risks, where the risks resulting from such an</p>	Applicable	Applicable	Not applicable

	agreement or package offered to a retail investor are likely to be different from the risks associated with the components taken separately.			
	<p><u>Information on costs and associated charges:</u> Commission's by-law provides very detailed rules as to the provision of information to be provided to clients both <i>ex-ante</i> and <i>ex-post</i>.</p>	Applicable	Applicable. Yet the IF has the right to agree to a limited application of the detailed requirements. Limitation cannot be agreed when the services of investment advice or portfolio management are provided or when, the financial instruments concerned embed a derivative.	Applicable.
	<p><u>Specific information about currency fluctuations:</u> Where the information contains an indication of past performance of a financial instrument, a financial index or an investment service, the IF must ensure that certain conditions are satisfied.</p>	<p>Applicable with the following <u>additional protection:</u> Where the indication relies on figures denominated in a foreign currency, the currency is clearly stated, together with a warning that the return may increase or decrease as a result of currency fluctuation.</p>	Applicable.	Applicable.
	Information about a financial instrument in respect of which prospectus is available.	Applicable. Where an IF provides a retail investor with information about a financial instrument that is the subject of a current offer to the	Not applicable.	Not applicable.

		public and a prospectus has been published in connection with that offer, that IF shall in good time before the provision of investment services or ancillary services to clients inform the client or potential client where that prospectus is made available to the public.		
2. Client Agreements	The IF is required to enter into a written agreement, in paper or another durable medium, with the client setting out the essential rights and obligations of the IF and the client.	Applicable.	Applicable.	Not applicable. Only the obligation of the IF to establish a record that includes the document or documents agreed between the IF and the client that set out the rights and obligations of the parties, and the other terms on which the IF will provide services to the client is applicable.
3. Reporting	The Law and the Commission`s by-law set out specific reporting to client requirements in relation to: (a) Information concerning safeguarding of client financial instruments or client funds. (b) Reporting obligations in respect of execution of orders other than for portfolio management. (c) Special reporting obligations in respect of portfolio	Applicable. Applicable. Applicable.	Applicable. Applicable. Applicable.	Applicable but the IF may enter into agreements with eligible counterparties to determine content and timing of reporting differently than as per the relevant provisions. Applicable, unless the

	management.			IF enters into agreements with eligible counterparties to determine content and timing of reporting.
4. Depreciations in value reporting for portfolio management or contingent liability transactions	When providing the service of portfolio management the IF must inform the client where the overall value of the portfolio, as evaluated at the beginning of each reporting period, depreciates by 10 % and thereafter at multiples of 10 %, 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.	Applicable with <u>additional protection</u> : When the IF holds a retail investor account that includes positions in leveraged financial instruments or contingent liability transactions must inform the client, where the initial value of each instrument depreciates by 10 % and thereafter at multiples of 10 %. Reporting should be on an instrument-by-instrument basis, unless otherwise agreed with the client, and shall take place 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.	Applicable.	Not relevant because not possible to be treated as eligible counterparty for that service.
5. Provision of Information on Order Execution Policy	Provision of information on Order Execution Policy: information shall explain clearly, in sufficient detail and in a way that can be easily understood by clients, how orders will be executed by the IF for the client.	Applicable Where the IF executes orders for retail investors, it shall provide those clients with a summary of the relevant policy, focused on the total costs they incur. The summary shall also provide a link to the most recent execution	Applicable	Not applicable.

		quality data published in accordance with article 186 paragraph 6 of the Law for each execution venue listed by the IF in its execution policy.		
	Systematic internalisers shall, while complying with article 186. of the Law, execute the orders they receive from their clients in relation to the shares, depositary receipts, ETFs, certificates and other similar financial instruments for which they are systematic internalisers at the quoted prices at the time of reception of the order.	Applicable.	Applicable but deviation is possible. Systematic internalisers may execute orders they receive from their professional investors at prices different than their quoted ones without having to comply with the aforementioned requirements, in respect of transactions where execution in several securities is part of one transaction or in respect of orders that are subject to conditions other than the current market price.	Applicable but deviation is possible. Systematic internalisers may execute orders they receive from their professional investors at prices different than their quoted ones without having to comply with the aforementioned requirements, in respect of transactions where execution in several securities is part of one transaction or in respect of orders that are subject to conditions other than the current market price.
6. Best execution	The IF is obliged to take all sufficient steps to obtain, when executing orders, the best possible result for its 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. Nevertheless, where there is a specific instruction from the client the IF must execute the order following the specific instruction.	Applicable with the following <u>additional protections</u> : Where the IF executes an order on behalf of a retail investor, the best possible result must be determined in terms of the total consideration, representing the price of the financial instrument and the costs related to	Applicable.	Not applicable.

	<p>When executing client orders, the IF shall take into account certain criteria for determining the relative importance of the factors referred to in article 186. Paragraph 1. of the Law among others: the characteristics of the client including the categorisation of the client as retail or professional, the characteristics of the client order, including where the order involves a securities financing transaction, the characteristics of financial instruments that are the subject of that order, the characteristics of the execution venues to which that order can be directed.</p> <p>The application of and the relative importance of the relevant execution factors adopted by the IF vary depending on the categorisation of the client.</p>	<p>execution, which must include all expenses incurred by the client which are directly related 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.</p> <p>When the IF executes a retail investor's order in the absence of specific client instructions, for the purposes of ensuring that the IF obtains the best possible result for the client, the IF should take into consideration all factors that will enable it to deliver the best possible result in terms of the total consideration, representing the price of the financial instrument and the costs related to execution.</p> <p>Speed, likelihood of execution and settlement, the size and nature of the order, market impact and any other implicit transaction costs may be given precedence over the immediate price and cost consideration only insofar as they are instrumental in delivering the best possible result in terms of the total consideration to the retail investor.</p>		
7. Client order handling	The IF, authorised to execute orders on behalf of clients, is obliged to implement procedures and arrangements which provide for the prompt, fair and expeditious execution of client orders, relative to other client orders or the trading	Applicable with the following <u>additional protection</u> : Obligation to inform a retail investor about any material difficulty relevant	Applicable.	Applicable.

	interests of the IF. Those procedures or arrangements allow for the execution of otherwise comparable client orders in accordance with the time of their reception by the IF.	to the proper carrying out of orders promptly upon becoming aware of the difficulty.		
	Title transfer financial collateral arrangements: Prohibition on conclusion of title transfer financial collateral arrangements with retail investors for the purpose of securing or covering present or future, actual or contingent or prospective obligations of client.	Applicable.	Not applicable.	Not applicable.
8. Assessment of suitability and suitability reports	When providing investment advice or portfolio management the IF shall obtain the necessary information regarding the client's knowledge and experience in the investment field relevant to the specific type of product or service, that person's financial situation including his ability to bear losses, and his investment objectives including his risk tolerance so as to enable the IF to recommend to the client the investment services and financial instruments that are suitable for him and, in particular, are in accordance with his risk tolerance and ability to bear losses. Assumptions: (a) Where the IF provides an investment service to a professional investor, that in relation to the products, transactions and services for which it is so classified, the client has the necessary level of experience and knowledge to understand the risks involved in the transaction or in the management of his portfolio. (b) Where that investment service consists in the provision of investment advice to a "per se" professional investor (as defined in the article 192 of the Law), that the client is able financially to bear any related investment risks consistent with the investment objectives of that client.	Applicable. Assumption not applicable therefore increased protection. Assumption not applicable therefore increased protection.	Applicable. Assumption applicable. Assumption applicable only in relation to a professional investor covered by article 192. of the Law (i.e. per se professional investor).	Not relevant because not possible to be treated as eligible counterparty for those services. Not relevant. Not relevant.
	When providing investment services other than investment advice or portfolio management, the IF asks the client or	Applicable	Applicable	Not applicable

	<p>potential client to provide information regarding that person's knowledge and experience in the investment field relevant to the specific type of product or service offered or demanded so as to enable the IF to assess whether the investment a service or product envisaged is appropriate for the client.</p> <p>Based on the information collected, the IF, shall determine whether that client has the necessary experience and knowledge in order to understand the risks involved in relation to the product or investment service offered or demanded when assessing whether an investment service as referred to in article 180 of the Law is appropriate for a client. The IF is entitled to assume that a professional investor has the necessary experience and knowledge in order to understand the risks involved in relation to those particular investment services or transactions, or types of transaction or product, for which the client is classified as a professional investor.</p>	<p>Assumption not applicable therefore increased protection.</p>	<p>Assumption applicable.</p>	<p>Not applicable.</p>
	<p>(a) The IF shall provide the client with adequate reports on the service provided in a durable medium. Those reports shall include periodic communications to clients, taking into account the type and the complexity of financial instruments involved and the nature of the service provided to the client and shall include, where applicable, the costs associated with the transactions and services undertaken on behalf of the client.</p> <p>(b) Written statement on suitability: When providing investment advice, the IF shall, before the transaction is made, provide the client with a statement on suitability in a durable medium specifying the advice given and how that advice meets the preferences, objectives and other characteristics of the retail investor.</p>	<p>Applicable.</p> <p>Applicable.</p>	<p>Applicable.</p> <p>Applicable.</p>	<p>Applicable.</p> <p>Not relevant because not possible to be treated as eligible counterparty for that service</p>
	<p>When providing investment advice, IF shall provide a report to the retail investor that includes an outline of the advice</p>	<p>Applicable.</p>	<p>Not applicable.</p>	<p>Not relevant because not possible to be treated as eligible</p>

	<p>given and how the recommendation provided is suitable for the retail investor, including how it meets the client's objectives and personal circumstances with reference to the investment term required, client's knowledge and experience and client's attitude to risk and capacity for loss. IF shall draw clients' attention to and shall include in the suitability report information on whether the recommended services or instruments are likely to require the retail investor to seek a periodic review of their arrangements. Where the IF provides a service that involves periodic suitability assessments and reports, the subsequent reports after the initial service is established may only cover changes in the services or instruments involved and/or the circumstances of the client and may not need to repeat all the details of the first report.</p>			counterparty for that service
9. Provision of services in non-complex instruments	<p>A financial instrument which is not explicitly specified in article 180. Paragraph 7. point 1) of the Law shall be considered as non-complex for the purposes of article 180. paragraph 7 point 1) sub point (6) of the Law if, among other criteria, adequately comprehensive information on its characteristics is publicly available and is likely to be readily understood so as to enable the average retail investor to make an informed judgment as to whether to enter into a transaction in that instrument.</p>	Applicable.	Applicable.	Applicable.
10. Remuneration and incentives to staff	<p>The IF when providing investment services to clients is obliged to ensure that it does not remunerate or assess the performance of its staff in a way that conflicts with its duty to act in the best interests of its clients. In particular, the IF is obliged not to make any arrangement by way of remuneration, sales targets or otherwise that could provide an incentive to its staff to recommend a particular financial instrument to a retail investor when the IF could offer a different financial instrument which would better meet that client's needs.</p>	Applicable.	Applicable but no special duty to prevent incentives for recommendations of a particular financial instrument when the IF could offer a different financial instrument which would better meet that client's needs.	Not applicable.

11. Trading obligation	<p>The IF must ensure the trades it undertakes in shares admitted to trading on a regulated market or traded on a trading venue shall take place on a regulated market, MTF or systematic internaliser, or a third-country trading venue assessed as equivalent in accordance with article 237 of the Law, as appropriate, unless their characteristics include that they:</p> <p>(a) are non-systematic, ad-hoc, irregular and infrequent; or (b) are carried out between eligible and/or professional counterparties and do not contribute to the price discovery process.</p>	Applicable.	Not applicable under certain conditions.	Not applicable under certain conditions.
12. Protection of retail investors	<p>The IF is a member of the Investors Protection Fund (hereinafter the "Fund") of Republic of Serbia. Protected claims shall include funds deposited and/or derived on the basis of investment services and activities and financial instruments of a retail client of a Fund Member.</p> <p>The coverage is provided for the claims from a retail client up to a maximum of 20,000 euros in dinar equivalent and it shall apply to the total claims from a retail client against one Fund Member, irrespective of the number of accounts, place of account management and currency.</p>	Applicable for the claims up to maximum of 20.000 Eur in dinar equivalent.	Not applicable	Not applicable.