

Securities Law

(63/00, 103/00, 34/01, 4/02, 37/02, 31/03)

I. BASIC PROVISIONS

Article 1

(1) This Law hereby determines types of securities, the manner of and conditions for issuance, trading and registration, identification and settlement of transactions in securities, manner and conditions for establishment and operation of the long-term securities market and the Central Depository of Securities, as well as the status and powers of the Securities Commission (hereinafter: Commission).

(2) Provisions of the Company Law will be applied for everything that is not stipulated by this Law.

Securities, Notion

Article 2

(1) Securities, for the purpose of this Law, means instrument/contracting relationship/contract the aim of which is making profit on the bases of entrepreneurship and manager labor of others, including without any limitation shares, bonds, treasury bills, commercial notes, government notes, certificates of deposit and other financial instruments considered as investments according to the Commission on Securities.

(2) Serial securities are securities issued at the same time by the same issuer, conferring equal rights and obligations to the holders.

(3) Securities shall be registered.

(4) Securities shall be issued, transferred and are maintained as electronic records in the Central Depository of Securities. .

(5) Records of treasury bills issued by the National Bank of the Republic of Macedonia shall be maintained at the National Bank of Republic of Macedonia or at the Central Depository of Securities.

Issuers

Article 3

Under this Law, securities may be issued by: the Republic of Macedonia, the National bank of the Republic of Macedonia, municipal bodies, companies and other legal entities (hereinafter: Issuer).

Types of Securities

Article 4

(1) Securities may be either ownership or debt securities.

(2) Ownership securities are securities evidencing the right to ownership of a portion of the basic capital of joint stock companies.

(3) Debt securities are securities evidencing a debt-creditor relation between the security issuer and its holder.

Transfer of Securities

Article 5

Securities in the form of an electronic recording shall be transferred in the manner set forth herein and in the rules of the Commission.

Nominal Value of Securities

Article 6

- (1) Securities shall have nominal value.
- (2) Nominal value is the value stated on the security.
- (3) Securities shall be denominated in Denars or in foreign currencies and on the territory of the Republic of Macedonia are sold and purchased in Denars.
- (4) The issuance of securities without a nominal value is forbidden.

Types of Securities In Accordance With Maturation

Article 7

(1) A security with a maturity period longer than one year following the date of issuance shall be considered a long-term security.

(2) A security with a maturity period up to one year following the date of issuance shall be considered a short-term security.

Obligations of Issuers of Securities

Article 8

An issuer of securities shall meet any obligations emerging from the securities, within dead-lines and under conditions and in a manner as prescribed by this Law, the rules of the Commission and according to the decision to issue securities.

Commencement of Rights and Obligations From Securities

Article 9

The rights and obligations concerning the securities commence as from the moment they are registered in the Central Depository of Securities.

Trading in Securities

Article 10

(1) For the purposes of this Law, trading in securities is the initial sale or subscription of and payment for securities (hereinafter: primary market) and any subsequent sale and/or purchase of securities (hereinafter: secondary market).

(2) Transfer of securities based on compensation, inheritance, gift, enforcement of securities pledged as collateral, and in other manners as provided for herein, shall not be deemed trading in securities.

II. FINANCIAL DERIVATIVES

Derivative Financial Instruments

Article 11

(1) For the purpose of this Law, derivative financial instruments are instruments (rights) the price of which directly or indirectly depends on the price of securities, foreign currencies, stock exchange indices or interest rates, and which do not constitute securities as defined in Article 2 of this Law.

(2) Derivative financial instruments are standardized and non-standardized financial instruments.

(3) Standardized financial instruments, for the purpose of this Law, are derivative financial instruments:

- traded on an organized financial derivatives market, and
- conferring equal rights for their holders.

(4) Standardized financial instruments, for the purposes of this Law, are option and futures contracts.

(5) Options and futures on securities are contracts of strictly prescribed contents. The form and elements of options and futures on securities shall be set forth by the Commission.

Option Contract, Notion

Article 12

(1) An option contract is a contract for future sale of securities under which one of the parties to the contract acquires a right, but not an obligation to buy or sell the underlying security at a previously agreed price, each business day until the expiration of the agreed period, whereas the other party undertakes an obligation to unconditionally deliver or pay for the agreed underlying security, at a request of the option holder.

(2) Option contracts may refer to shares, bonds, foreign currencies, exchange indices and futures contracts.

(3) An option contract may be a buy or a sell option.

Futures Contracts, Notion

Article 13

(1) A futures contract is a contract for future sale, under which one of the parties to the contract undertakes an obligation to deliver the underlying security, whereas the other party undertakes to pay the agreed price on a previously agreed date.

(2) Futures contracts may refer to shares, bonds, foreign currencies, goods, exchange indices and interest rates.

Regulation of Public Offering and Trading in Options and Futures

Article 14

A public offer and purchase of options and futures contracts is carried out in compliance with the rules for regulation of trading with derivative financial instruments prescribed by the Securities Commission

III. TYPES OF SECURITIES

1. SHARE

Share, Notion

Article 15

A share is an ownership security evidencing ownership of an ideal part of the basic capital of a joint stock company.

Types of Shares

Article 16

Shares may be:

- 1) In terms of sequence of issuing: founding (first issue shares) and shares of subsequent issues;
- 2) In terms of the content of the rights: ordinary (regular) and preference (privileged) shares. Preference shares may be cumulative and participating. Cumulative

preference shares give the right to its owner to collect the outstanding cumulative dividends prior to the collection of any dividend of an owner of a share in ordinary shares in accordance with the decision for issuing shares. Participating preference shares, besides the determined dividend gives the right of dividend payment that belongs to owners of ordinary shares in accordance with the decision for issuing shares and

- 3) In terms of voting right: ordinary voting shares, preference non-voting shares and preference voting shares.

Manner of Acquisition of Shares

Article 17

Shares may be acquired by:

- payment at the first issuance;
- purchasing;
- inheriting;
- receiving gifts;
- compensation;
- collateral;
- other ways as provided for in the law.

Contents of the Act on Issuance of Shares

Article 18

(1) Acts on issuance of shares is passed by the authorized body of the issuer.

(2) The acts on issuance of shares shall contain the following elements:

1. Name of the issuer;
2. Type of the shares;
3. Classes of the shares;
4. Total value of the issuance of shares;
5. Nominal value of shares;
6. Voting rights conferred by the shares;
7. Manner of payment of dividends;
8. Time and manner of subscription of shares;
9. Number of shares;
10. Manner and dead-line for payment for shares subscribed;
11. Pre-emption rights and order of execution of such rights where shares are issued in more than one series;
12. Manner of announcing the share issue
13. Procedure for allocation of shares;
14. Manner of possessing the shares;
15. Rights the owner of preference share obtains;

16. Risk submission and issuing guarantee and
17. Other issues related to the issuance.

Elements of Electronic Records of Shares

Article 19

Electronic records of shares in the Central Depository of Securities shall compulsory contain the following data:

1. Type of the shares;
2. Issuance date;
3. Name, head office and unique identity number of the issuer;
4. Holder of the shares (for individuals: name, address and Birth Registry Number of the citizens, i.e. for foreign entities: passport number, for legal entities: name, address and unique identity number);
5. Number of shares
6. Nominal value of the shares;
7. Date of entry of the shares in the Central Depository of Securities.

Issuers' Obligations Regarding Maintaining Records of Shares

Article 20

The issuer shall have the records of shares issued maintained at the Central Depository of Securities, in the manner and procedure as set forth by the Commission.

Issuer's Obligations Regarding Notification of Transfer of Shares

Article 21

(1) Issuers of shares and the Central Depository of Securities shall notify the Commission of any transfer of voting shares by which the buyer, immediately or cumulatively over a period no longer than 12 months, has acquired at least 10 % of the basic principle of the joint stock company.

(2) Buyers as described in paragraph 1 of this Article shall also be: related legal entities with a joint interest of at least 20% of the voting shares; branch of a company; daughter companies and individuals connected by the capital or of up to second instance kinship.

(3) Commission on Securities determines the conditions of Paragraph 2 of this Article.

2. BOND

Notion

Article 22

A bond is a long term debt security binding the issuer to pay the owner of the bond, on a determined date, the nominal value of the bond and the interest, whether in one or in more instalments.

Act on Issuance of Bonds

Article 23

- (1) The authorized body of the issuer passes resolutions on issuance of bonds.
- (2) The act on issuance of bonds contains the following in particular:
 1. Name and seat of the issuer;
 2. Total amount of the issue;
 3. Nominal value of the bond;
 4. Data about the guarantor;
 5. Manner of bonds issuance and subscription;
 6. Purpose for which the bonds are issued;
 7. Type of the bonds and rights conferred by them;
 8. Dead-lines for payment of the nominal value of the bond and the interest;
 9. Amount of interest and manner of calculation and payment of interest;
 10. Amount of the basic capital of the issuer and the percentage of participation of the issue of bonds in the permanent own capital;
 11. Sources of funds from which bonds will be paid;
 12. Structure of denominations and number of the bonds;
 13. Possibilities of conversion with other securities;
 14. Sales price of the bonds.
- (3) The act on issuance of bonds may include special privileges or benefits for the buyers.

Types of Bonds

Article 24

Bonds may be:

- in terms of the manner of securing the rights: secured, unsecured and debentures;

- in terms of the manner of exercising the right to interest: bonds with interest payable at once (zero-coupon bonds) and bonds with interest payable in installments (coupon bond);
- in terms of the interest: zero-interest bonds, bonds with fixed and bonds with floating interest rate;
- in terms of the manner of exercising the right to redeem the nominal value: redeemable in one or in more installments;
- in terms of the special rights: bonds which, in addition to the interest, also entitle the bond holder to a dividend (participating) and bonds which secure a right to convert it into a share or a pre-emption right to buy shares (interchangeable - convertible).

Elements of a Bond

Article 25

Bonds are kept at the Central Depository of Securities as electronic records and are consisted of the following essential elements:

1. the type of bond;
2. series of the bonds (in cases where the issuer has issued more than one series of the same type);
3. date of issuance of the issue of bonds;
4. name, seat and unique number of the issuer;
5. holder of the bonds (for individuals: name, address and Birth Registry Number, or passport number for foreign entities, for legal entities: name, address and unique number);
6. nominal value of the bonds;
7. interest;
8. dead-line and manner of payment of interest; and
9. date of entry of the shares in the Central Depository of Securities.

3. CERTIFICATE OF DEPOSIT

Notion for Certificate of Deposit

Article 26

A certificate of deposit is a security binding the issuer to pay the amount of deposit and interest to the certificate holder, within a determined period of time.

Act on Issuance of Certificates of Deposit

Article 27

Certificate of deposit may be issued by a bank and a savings house upon an act by an authorized body which contains:

1. The aggregate amount and nominal value of the certificates of deposit;
2. The amount of interest and manner of calculation and payment of interest; and
3. The dead-lines for payment.

Types of Certificates of Deposits

Article 28

(1) A certificate of deposit may be:

- 1) In terms of the maturity: short-term and long-term;
- 2) In terms of the nature of the agreement: with fixed maturity, with or without a clause for renewal of the maturity, and with a period required for giving a notice;
- 3) In terms of the interest: zero-interest, with fixed or with floating interest.

(2) The conditions under which a certificate of deposit is issued may not be changed.

Elements of Certificates of Deposit

Article 29

The certificate of deposit are maintained in the Central Depository of Securities as electronic records and contains the following elements:

1. type of the certificate of deposit;
2. series of the certificate of deposit (in case the issuer has issued more than one series of the same type);
3. date of issuance of certificates of deposit;
4. name, seat and unique number of the issuer;
5. owner of the certificate of deposit (for individuals: name, address and Birth Registry Number, or passport number for foreign entity or name, address and unique number in case of legal entities);
6. nominal value of the certificate of deposit,
7. interest;
8. dead-line and manner of payment of interest; and
9. date of registration of the certificate of deposit with the issuer or in the Central Depository of Securities.

4. TREASURY, COMMERCIAL AND GOVERNMENT NOTES

Treasury and Commercial Notes, Notion

Article 30

Treasury and commercial notes are securities binding the issuer to pay the note holders the par value of such securities and the appropriate interest, within the period of maturity.

Issuers of Treasury and Commercial Notes

Article 31

(1) Treasury notes may be issued by the National Bank of the Republic of Macedonia, whereas commercial notes may be issued by joint stock companies (trade companies and other legal entities).

(2) Treasury and commercial notes are short-term securities issued in order to raise funds.

Government Notes, Notion

Article 32

A government note is a short-term security issued for the purpose of raising funds in order to bridge time discrepancies between the inflow of income and covering expenditures of the budget of the Republic of Macedonia.

Act On Issuance of Treasury, Commercial and Government Notes

Article 33

(1) Acts on issuance of treasury or commercial notes shall be passed by the issuer's authorized body.

(2) Acts on issuance of government notes shall be passed by the Government of the Republic of Macedonia.

Contents of Acts on Issuance of Treasury, Commercial and Government Notes

Article 34

Acts on issuance of treasury, commercial or government notes contains the following:

1. The aggregate amount of the issue and nominal value of individual notes;
2. The purpose of the proceeds of the issue;
3. The manner of issuing the note;
4. The amount of interest and manner of calculation and payment of interest; and
5. The maturity dates.

Elements of Electronic Records of Treasury, Commercial and Government Notes

Article 35

Treasury, commercial and governmental notes maintained at the Central Depository of Securities as electronic records shall contain the following elements:

1. type of the treasury, commercial and government notes;
2. series of the treasury, commercial and government notes (in case the issuer has issued more than one series of the same type);
3. date of issuance of certificates of deposit;
4. name, seat and unique number of the issuer;
5. owner of the treasury, commercial and government notes (for individuals: name, address and Birth Registry Number of the citizen or passport number for a foreign person, or name, address and unique number in case of legal entities);
6. nominal value of the treasury, commercial and government notes,
7. interest;
8. dead-line and manner of payment of interest; and
9. date of registration of the treasury, commercial and government notes with the issuer or in the Central Depository of Securities.

Buyers of Treasury, Commercial and Government Notes

Article 36

(1) Treasury notes issued by the National Bank of the Republic of Macedonia may be purchased by banks, savings houses, investment and pension funds

(2) Commercial and governmental notes may be purchased by legal entities and individuals.

IV. ISSUANCE AND PUBLIC OFFER OF SECURITIES

Approval of Issues of Securities

Article 37

- (1) Issuance of short-term and long-term securities (hereinafter: securities) is carried out upon approval of the issue granted by the Securities Commission.
- (2) Under exception of paragraph 1 of this Article, such approval is not required:
- when the issuer is the Republic of Macedonia or the National Bank of the Republic of Macedonia;
 - when the Republic of Macedonia has granted guarantee for the entire issue;
 - at the transformation of one form of company into joint stock company under a condition that the amount of the main principle remains unchanged
 - in case of a simultaneous founding of a joint stock company;
 - when the value of the entire issue does not exceed 25.000 Euros in a Denar counter value;
 - for issuing certificates of deposit by banks and savings houses.
- (3) The securities of paragraph (2) line 5 of this Article may be issued by the same issuer only once in a period of two years.

Contents of the Request of Approval for Issuing Securities

Article 38

- (1) The approval of Article 37, paragraph 1 of this Law is granted by the Securities Commission at a request of the issuer.
- (2) The request of paragraph 1 of this Article shall contain of the following:
- basic data about the issuer of securities;
 - basic data about the persons on the supervisory board, managing board and board of directors;
 - basic data about the issue;
 - data about the business and development policy of the issuer.
- (3) The Securities Commission issues rules to determine the detailed contents of the application for an issue approval, by types of issuers.

Documents Submitted With the Request

Article 39

- (1) In addition to the request, the issuer shall also submit:
1. an act on establishment;
 2. report of a certified auditor for the last three years;
 3. balance sheet and profit and loss account for the last three years;
 4. an act on issuance of securities;
 5. a statement of the person in charge of management that:
 - the issue is in compliance with the law and the acts of the company;

- the data stated in the application are true and correct;
- the public invitation contains all information of significance for the investor, which such a person knows or should know;
- 6. public invitation to subscribe and pay for the securities;
- 7. other documents that the Commission sets forth by issuing rules.

(2) In case when the issuer is a joint stock company and the application refers to a public offer of shares of a second or any consequent issue, the issuer shall also submit the following data:

- value of the previous issues;
- types of the previously issued shares, with a description of the rights reflected by any such shares and their nominal value.

Obligations of Issuers of Issues Not Exceeding 25,000 Euros in Denar Value

Article 40

Issuers of securities, in cases when issues do not exceed 25,000 Euros in Denar value, shall submit to the Commission the act on issuing securities and shall issue an announcement on such an issue, in the manner as provided for herein and stipulated by the Securities Commission.

Deciding on Request

Article 41

(1) On basis of a completely documented request, the Securities Commission shall issue a formal decision to approve or reject such requests, not later than thirty days following the date of receipt.

(2) In case of incomplete documentation, the Securities Commission shall request from the issuer to complete the request within fifteen days following the notice.

(3) If the issuer does not act in compliance with the notice from paragraph (2) of this Article, the Securities Commission shall issue a decision rejecting the request for approval.

(4) The issuer of securities has a right to lodge a complaint to the Government of the Republic of Macedonia against the decision of paragraphs (1) and (3) of this Article, within fifteen days following the receipt of the Commission's decision.

Approving Requests

Article 42

On basis of the documentation of Article 39 herein, the Securities Commission makes an assessment of the truthfulness of the data, credit worthiness of the legal entity and the risk related to the issue, and on the basis of this makes decisions regarding the same matter.

Value of Issues of Securities

Article 43

(1) The lowest value of a single issue of securities of an issuer for which a Securities Commission approval is required is 25.001 Euros in Denar value.

(2) The value of an issue of ownership securities is unlimited.

(3) The highest value of a single issue of debt securities which is not guaranteed for by a bank or another legal entity may amount up to the value of a single amount of issuer's basic capital.

(4) In a case when the issue of debt securities is guaranteed by a bank or other legal entity, the highest value of the issue may amount up to the amount of the given guarantee.

Manner of Sales of Securities

Article 44

The initial (primary) sales of securities may be carried out through a public offer, direct agreement with a known buyer (investment) and bidding auction (tender).

Commencement of Subscription and Purchase Procedures

Article 45

(1) The issuer shall begin the procedure for subscription and payment for publicly offered securities within, but not later than thirty days following the date of receipt of the approval of Article 42 of this Law.

(2) In case the Commission, having approved an issue, obtains information which, had it been obtained in due time, would have been a reason to reject the request, or in case circumstances have changed to such an extent that the Commission will no longer grant its approval, or in the case of both, the Commission may issue a decision to revoke its decision, and the issuer shall immediately cease any further sale of securities.

Public Offer

Article 46

(1) Public offer of securities is a publicly announced invitation, to subscribe for and purchase securities.

(2) The issuer shall publish the invitation for subscription for and purchase of securities in Macedonian language and its Cyrillic alphabet in a daily newspaper published on the territory of the Republic of Macedonia, and shall publish it on the web page of the Stock Exchange on Macedonian and English language, fourteen days prior to the commencement of the subscription for securities.

(3) In case of an issue for a known buyer (investment), the issuer has an obligation to issue not a public invitation, but an announcement notifying the public.

(4) The content of the announcement from the paragraph (3) of this article is prescribed in more details by the Commission.

(5) The content of the data from the paragraph (2) of this article that should be published on the web page of the Stock Exchange is prescribed by the Commission.

(6) The issuer shall provide access to its accounting documentation data published in the public invitation, the charter and the act on establishment of the legal entity, to all interested parties, on all locations at which securities are subscribed for.

Article 46-a

A known buyer, as of Article 44 of this Law, shall be considered an individual and a legal entity stated in the securities issuance act as the buyer of the issue.

Should in the course of the issue realization a change of the buyer occur, that is if instead the entity stated in the decision another entity appear as a buyer or the issue is redirected to the general public, a previous consent of the Commission shall be required.

In case when the issue is intended for a new known buyer, with the request for consent a change of the securities issuance act stating the new buyer of the securities should be enclosed.

When the issue is intended for the general public, along with the request for consent a public invitation for registering and purchasing securities should be enclosed.

Should the securities issuer not request consent from the Commission about the change of the entity to which it shall place the issue (the known buyer) or redirecting it to the general public, the Commission shall pass a decision for annulling the issue of securities.

Content of the Public Invitation

Article 47

(1) A public offer contains basic information on the issuer which enable the buyer of securities (hereinafter: investor) to assess the legal position, financial standing and business capacity of the issuer, as well as the rights contained in the securities.

(2) The public offer must be made available at the seat of the issuer and all locations at which securities may be subscribed for and paid.

(3) The Securities Commission prescribes more detailed contents of the public offer, by types of issuers and by types of securities.

Liability for Damage

Article 48

(1) In the event of a public offer containing false or misleading data, authorized officers of the issuer and the authorized institution for preparation of audit reports shall be held jointly liable for any damage suffered by the investors in such securities, if they were or had to be aware of the fact that the data are false or misleading.

(2) The responsible person of the issuer shall also be held liable for any damage incurred as a result of an omission of any significant data on the issuer and/or security, which might have had influence on the investors' decision to purchase such securities.

Final Content of the Public Offer

Article 49

The final contents of the public offer shall not differ from the version of the public offer approved by the Securities Commission when granting the approval of the issue.

Change in Circumstances During the Issue

Article 50

(1) In the course of a public offer, issuers shall not change the acts on establishment or any other general acts related to the rights of security holders as stated in the Public offer.

(2) Should any changes of the conditions of Article 47 of this Law occur in the course of the public offer, the issuer shall, upon prior approval by the Securities Commission, undertake appropriate coordination of the acts and the Public offer, within a period of not more than three business days following the receipt of the approval.

Subscription Procedure

Article 51

(1) Subscription for publicly offered securities is carried out at the seat of the issuer or at an office of a brokerage house or a bank authorized by the issuer.

(2) Brokerage houses or banks shall secure compliance of the subscription for securities with the law, act on issuance of securities and the public offer.

(3) The procedure of subscription of dematerialized securities shall be prescribed by the Commission.

Issue Realisation Deadline

Article 52

(1) The issue realization deadline shall not be longer than six months. Under exception, the Commission may prolong the realization deadline for another three months, at a request of the issuer.

(2) In the course of the issue realization deadline determined in paragraph(1) of this Article, secondary trading with the newly issued securities cannot be performed.

(3) Not later than 15 days following the expiration of the deadline determined in paragraph (1) of this Article, the issuer shall notify the Commission of the number of subscribed for and paid securities, i.e. of the realization percentage.

(4) The Commission issues separate rules to prescribe the closer content of the notification of subscribed and paid securities, i.e. the realization percentage.

(5) The issuer shall publish the information of paragraph (3) of this Article in at least one daily newspaper in Republic of Macedonia in Macedonian language and its Cyrillic alphabet no later than 15 days from the end of the issue.

(6) In case the issuer is to provide consent of another entity on the records of securities sold, the notification to the Commission of paragraph (3) of this Article shall be submitted following the provision of such consent.

Submission of Annual Reports to the Commission

Article 53

(1) Issuer who has completed a public offer of the debt securities, shall submit to the Commission an annual report verified by a certified auditor within thirty days following the date of receipt of the audited report from the auditor.

(2) The annual report shall contain data about the business results, with explanations and dates of changes to the data stated in the Public offer and shall be made available to the holders of securities of the issuer.

(3) The annual report of paragraph (2) of this Article is submitted until such date when all responsibilities emerging from such a security shall have been fully met.

(4) The issuer is obliged to publish a part of the revised financial report with an opinion by the authorized auditor, in at least one daily newspaper up to 15 days from the day the report was submitted to the Commission.

(5) The Commission may also request from the issuer additional explanations regarding the auditing reports.

(6) The main elements of the form and content of the part of the revised financial report from paragraph (4) of this Article are stipulated by the Securities Commission.

Control of Public Offers of Securities

Article 54

(1) The Securities Commission conducts control over the public offer for subscription and payment for securities.

(2) In the event of irregularities in the public offer procedure, the costs of the control shall be born by the issuer.

Irregularities in the Public Offer Procedure

Article 55

(1) In the event the Securities Commission reveals irregularities and/or non-compliance with the law during a public offer procedure, the Commission issues a decision to impose an obligation on the issuer to remove such irregularities within a determined deadline.

(2) The issuer shall remove any such irregularities within the set dead-line and shall submit a report to the Securities Commission, describing the measures undertaken. The report shall be accompanied by documentation and other evidence to the fact that the revealed irregularities have been removed.

(3) The issuer shall suspend the public offer from the date of receipt of the Commission's decision until the date of removal of the irregularities.

(4) Should the issuer fail to remove the irregularities, the Securities Commission issues a decision to suspend the public offer and publishes it in at least one daily newspaper.

(5) The issuer has a right to lodge a complaint with the Government of the Republic of Macedonia against the decision of suspension of the public offer, within 15 days following the Commission's decision.

(6) The complaint of paragraph 5 of this Article does not put off the execution of the Commission's decision.

Informing the Public

Article 56

(1) Companies and other legal entities that issue securities are obliged to publish the following data:

- returns(total), earnings from the regular activities before the taxation, earnings for the financial year, net cash flow, earnings for the financial year per share, dividend per share
- changes in the ownership structure, determined by a law,
- statutory changes of the company,

-changes in the administrative and managing bodies,
-new issue of securities,
-other operational changes that have a significant influence on the securities,
price.

(2) Companies and other legal entities that issue securities are obliged to publish the data of paragraph (1) of this Article in at least one daily newspaper in Republic of Macedonia and on the Exchange's web site.

(3) Companies and other legal entities that issue securities are obliged to publish the data from paragraph (1), line 1 of this Article up to 15 days from the day the statement of account was adopted by the authorized body.

(4) Companies and other legal entities that issue securities are obliged to publish the data from paragraph (1). line 2, 3, 4, 5 and 6 of this Article up to seven days from the day the change has occurred. i.e. the legal deadline was determined.

(5) Trade companies and other legal entities issuers of securities shall be obligated to publish part of the audited financial report with opinion of an authorised auditor in at least one daily newspaper in the Republic of Macedonia and on the web sites of the Exchange and the Securities and Exchange Commission within 15 days of the enactment of the report at the Shareholders' Assembly.

(6) The Securities and Exchange Commission shall prescribe the scope and content of the part of the audited financial report from paragraph 5 of this Article that should be published.

V. TRADING IN SECURITIES

1. TRADING IN MONEY AND SHORT-TERM SECURITIES

Establishment of Money and Short-term Securities Market

Article 57

For the purpose of provision of conditions necessary for bringing the supply and demand of money and short-term securities together, money and short-term securities market is established.

Operations Performed on the Money and Short-term Securities Market

Article 58

On the money and short-term securities market intermediary operations in the turnover of money and short-term securities are performed.

Form for Establishment of Money and Short-term Securities Market

Article 59

(1) The money and short-term securities market is founded as a joint stock company.

(2) The main capital of the money and short-term securities market amounts to at least Euro 75.000 in Denar value according to the middle course of the National Bank of the Republic of Macedonia on the day the working license was issued.

Founders of Money and Short-term Securities Market

Article 60

(1) The money and short-term securities market may be established by banks and saving houses.

(2) The founders of the money and short-term securities market provide conditions for functioning of the market

Permit for Establishment of Money and Short-term Securities Market

Article 61

The National Bank of the Republic of Macedonia, on a basis of an insight in the documentation necessary for issuing license for establishment and working, issues an approval for commencement and work of the money and short-term securities market and supervises its operations.

Acting of the Money and Short-term Securities Market in the Legal Turnover

Article 62

In the legal turnover, the money and short-term securities market acts on behalf and for account of the participants in the market operations.

Participants in the Operations of Money and Short-term Securities Market

Article 63

(1) Participants in the operations of money and short-term securities market may be banks and savings houses.

(2) An approval for participation in the operations of money and short-term securities market is given by the managing board of the market on the basis of criteria determined in the status of the market.

Acting of the Participants on the Money and Short-term Securities Market

Article 64

Participants in the operations of the money and short-term securities market act on their behalf and for their own account, on their behalf and for account of a third person, as well as on behalf and for account of third person.

Participation of the National Bank of the Republic of Macedonia in the Operations of Money and Short-term Securities Market

Article 65

The National Bank of the Republic of Macedonia shall **participate** in the operations of the money and short-term securities market in regard to regulation of the scope and supply and demand of money and short-term securities

Commission Paid by the Participants in the Operations of Money and Short-term Securities Market

Article 66

The participants in the operations of the money and short-term securities pay commission on the basis of the deals made in the turnover of money and short-term securities.

Information System of the Money and Short-term Securities Market

Article 67

The money and short-term securities market organizes an information system which provides data about the supply and demand of money and short-term securities, about the market value of the securities, the amount of the interest, the solvency of the issuer of the short-term securities, listing of the short-term securities and other relevant information for market operations.

2. TRADING IN LONG-TERM SECURITIES

2.1. Stock Exchange

Establishment of Stock Exchange

Article 68

(1) For the purpose of provision of conditions necessary for bringing the supply and demand of long-term securities together, i.e. organized trading in long-term securities, a Stock Exchange is established (hereinafter: Exchange).

(2) Legal and any other person cannot be registered in the Trade register under the name- stock exchange and in its operations cannot use the name-stock exchange if it is not established as a stock exchange and it has not obtained a licence for establishment and working on the stock exchange.

Article 69 is deleted

Form of Establishment

Article 70

The Exchange is founded as a joint stock company.

Principles of Operation

Article 71

In its operation, the Exchange provides:

- legality in the trading with long-term securities;
- compliance with the rules and standards of the Exchange by the participants in its operation;
- protection of the interests of participants in the operation of the Exchange;
- informing the public on issues relevant for the operation of the Exchange.

Founders of the Exchange

Article 72

(1) An Exchange may be established by domestic and foreign legal entities and individuals.

Terms and Conditions for Establishment of an Exchange

Article 73

(1) An Exchange may be established under the following conditions:

- that it has at least three founding members;

- that the founding members provide the determined minimum amount of the money portion of the basic capital, along with adequate premises for organization of the brokerage activities;
- that a permission for establishment and operation has been obtained; and
- that the Exchange be capable of performing all required operations in terms of staff, technical equipment and organization.

(2) The Exchange shall have at least three employees who have passed an examination on working with securities.

(3) The Exchange shall have an adequate information, computer and communication system to perform clearing transactions regarding deals concluded on the Exchange.

(4) The Exchange shall have organizational departments to provide efficient and uniform performance of all operations.

Submission of Request for Establishment

Article 74

(1) The Founding Committee of the Exchange shall submit an application to the Securities Commission for approval of the establishment and commencement of operation.

(2) In addition to the application of paragraph (1) of this Article, the Founding Committee shall also submit the following:

- Business Plan on the establishment and work of the Exchange;
- act of establishment of the Exchange;
- draft-Charter of the Exchange;
- draft-Rules of the Exchange; and
- evidence on fulfilled obligations set by the draft-agreement on establishment.

Establishment Study for Establishment of the Exchange

Article 75

The study on establishment and operation of the Exchange shall analyse the following:

- macroeconomic conditions under which an Exchange is proposed to be established;
- goals and aims an Exchange is established for;
- functions of the Exchange operations;
- links of the Exchange with the country's banking system and other legal entities and institutions;
- capital relations between the founding members and their financial solvency;
- management and administration models used at the Exchange;
- inner organization of the Exchange;
- space, staff and technical aspects of the work of the Exchange;

- ways of protection of confidential information related to the work of the Exchange;
- internal audit;
- responsibility in the work of the Exchange;
- projection of the development over the next 3 years; and
- other issues related to the work and development of the Exchange.

Content of the Charter

Article 76

The Exchange Charter, in addition to issues determined in Article 251 of the Company Law, shall determine the following:

- membership criteria and duties and rights of members of the Exchange;
- conditions, criteria and documents required for admission of individual members to the Exchange and their rights and duties;
- possible reasons for denying certain participants in the operation of the Exchange the right to presence on the Exchange;
- manner of holding Exchange meetings;
- method of audit conducted by the Exchange itself over operations carried out on the Exchange;
- ways of resolving potential law suits between shareholders, members and participants on the Exchange;
- manner of prevention of abuse of information not accessible to all participants at the Exchange;
- manner of prevention of abuse and ways to secure against failure to fulfil undertaken duties (real security);
- manner of organizing the information system; and
- other issues related to the work of the Exchange.

Contents of the Rules of Operation

Article 77

The Rules of the Exchange shall determine the following:

- types of activities, conditions and manners in which the work of the Exchange will be carried out;
- conditions to be fulfilled by participants in order to be able to trade on the Exchange;
- trading conditions on the Exchange;
- conditions and manner in which participants shall meet their liabilities agreed upon in concluded deals;
- conditions under which the Exchange will prohibit trading in order to avoid manipulative operations;

- provisions to regulate the behavior of brokers and measures against acts contrary to the behavior rules (ethic codes);
- other issues relevant to the work of the Exchange.

Entry Into the Trade Register

Article 78

The Exchange shall submit an abstract from the entry into the trade register to the Commission within 15 days following the registration date, for record keeping purposes.

Acts Subject to Commission Approval

Article 79

- (1) The Exchange shall seek approval from the Commission for:
- its act of establishment and any changes therein;
 - its Charter and any changes therein;
 - the Operating Rules and the changes of the Operating Rules for the Exchange trading procedures;
 - listing rules, amendments and modifications to the listing rules;
 - acts for determining the compensation for realizing the transactions on the Stock Exchange, amendments and modifications to the acts for determining the compensation for realizing the transactions on the Stock Exchange;
 - different forms of connecting and merging the Exchange with other foreign Exchanges;”
 - procedures for clearing and settlement of transactions in securities, modifications and amendments to the procedures for clearing and settlement of transactions in securities; and
 - statutory changes of the Exchange;

(2) For the purpose of investor protection or securing fair and proper trading in securities, the Securities Commission may direct the Exchange to introduce changes or adopt new acts related to the work of the Exchange.

Consent for the appointment of an Exchange director

Article 80

- (1) The Commission gives a consent for appointing an Exchange director.
- (2) Along with the request for consent for appointing an Exchange director, the following documents shall be submitted:
- short biography about the proposed candidate for director;
 - decision of the authorised body for appointing the proposed candidate for director;
 - certificate that the proposed person has not been sentenced in the field of finance and is not under investigation;
 - certificate for educational background;

- program for business and development policy of the Exchange for the following two years.

(3) The Commission shall give reasonable explanation in a case of disapproving the candidate proposed for Director of the Stock Exchange.

(4) The manner and procedure of giving consent on nomination of Director of the Stock Exchange are determined by the Commission.

Entry of Changes Into the Trade Register

Article 81

The Exchange shall report to the Commission any changes regarding the entry into the trade register within 5 days following the entry of any such changes into the trade register.

Amount of Basic Capital of the Exchange

Article 82

(1) The Exchange is established with a basic capital in the form of money and in an amount of at least 500,000 Euros in Denar counter value at the middle exchange rate of the National Bank of the Republic of Macedonia, on the date of obtaining a license to establish and operate an Exchange.

(2) The founder of the Exchange can sell its shares to any legal entity or individual.

Participation of Founders

Article 83

(1) The participation of an individual founder in the basic capital of the Exchange can be up to 10% of the number of shares with rights in the management of the Exchange.

(2) The founders of the Exchange should accept the Act of establishment and the Charter of the Exchange.

Refund of Founding Investment to Founders

Article 84

Money and investments in other kinds may be returned to founding members only in case of permanent termination of the Exchange, following a complete clearance of all liabilities of the Exchange.

Settlement of Disputes Among Members

Article 85

Any disputes between members of the Exchange shall be resolved through arbitration. The arbitration is carried out by the Exchange on the basis of its own Arbitration Rules.

Determination of Conditions, Procedures and Manner of Listing

Article 86

(1) The conditions and manner of, as well as the procedure for listing of long-term securities shall be regulated by separate rules.

(2) The rules of paragraph 1 above are passed by the Exchange, upon a previous approval of the Securities Commission.

Exchange Members

Article 87

Members of the Exchange may only be legal entities - brokerage houses and banks, registered and with a working permit in the Republic of Macedonia.

Membership Terms

Article 88

(1) An Exchange member shall:

- be licensed by the Securities Commission for trading in securities;
- be a company with a minimum basic capital of 75,000 Euros in Denar counter value at the middle exchange rate of the National Bank of the Republic of Macedonia;
- pay an annual membership fee thus gaining the right to a seat as an Exchange intermediary;
- at all times maintain in its securities business a minimum Adjusted Liquid Capital of not less than 15,000 Euros in Denar counter value at the National Bank middle exchange rate, or 5 % of its total indebtedness, whichever is higher;
- have at least two brokers licensed by the Securities Commission and the Exchange;
- be adequately equipped in terms of organization and technical equipment;
- satisfy any other criteria as the Securities Commission and the Exchange may prescribe.

(2) The content of the liquid capital is regulated with a separate decision (rules) by the Commission.

Documentation Required for Membership

Article 89

- A company applying for Membership on the Exchange shall submit the following:
- application in writing and in such form and with such content as determined by the Exchange;
 - a copy of its Charter and the license for trading in securities;
 - evidence of compliance with the requirements for a minimum basic capital of 75,000 Euros in Denar counter value at the middle exchange rate of the National Bank of the Republic of Macedonia;
 - any additional information as the Exchange may require;
 - an approval by the Securities Commission for carrying out operations related to securities.

Exchange Operations, Notion

Article 90

- Exchange operations, as determined by this Law, are:
- market formation of the prices of securities traded on the Exchange;
 - listing of the securities traded on the Exchange;
 - trading in securities;
 - clearing and settlement of the realized transactions in securities;
 - publishing information on the operation of the Exchange.

Exchange Trading, Notion

Article 91

Trading in securities on the Exchange includes all transactions in long-term securities, concluded between the Exchange members in a manner and under conditions determined by the rules and other acts of the Exchange.

Settlement of Transactions in Securities

Article 92

(1) Settlement of transactions in securities on the official Exchange market may be carried out at once, but not later than three (3) days following the transaction date.

(2) Settlement of transactions in securities on the unofficial Exchange market is carried out in accordance with the Exchange rules.

Contents of Exchange Acts

Article 93

The manner and conditions of trading, rights and obligations emerging from concluded transactions in securities, trading documentation, recording of securities, determination of prices of securities, fulfillment of liabilities and public disclosure of information are all determined more specifically by the Charter, Rules and other acts of the Exchange.

Listing of Securities

Article 94

(1) Long-term securities are listed upon written request and application of the issuer.

(2) Long-term securities applying for listing on the Exchange must have all formal features as set by legal and other provisions, as well as by the approval for their issuance.

(3) A general listing condition for long-term securities is that they be fully paid and with unlimited transferability.

(4) Issuers of long-term securities meeting the conditions determined in the listing rules on the Stock Exchange, are obliged to list their securities on the official market of the Stock Exchange, 6 months at the latest from the day this Law comes into effect.

Register of Listed Securities

Article 95

The Exchange shall keep a separate register for each issuer, in which it shall register and keep all relevant data and documents on issuers whose securities are listed on the Exchange.

Exchange Information System

Article 96

The Exchange shall organize an adequate information system through which it shall regularly inform the public of the:

- name of issuer and type of securities traded on the Exchange;
- last buying price, last selling price, highest price, lowest price and last price of individual types of securities;
- number and value of securities traded on the market;
- other information relevant to the operations of the Exchange.

Obligations of Employees and Members of the Exchange

Article 97

(1) Members of the administrative bodies and employees at the Exchange shall not give false and incorrect information likely to influence the prices of securities traded on the Exchange.

(2) The Exchange members must not give false and untrue information that can have influence on the price of the securities which are traded on the Exchange.

(3) Members of the administrative bodies, employees and members of the Exchange shall not participate in any insider dealing related to any long-term security listed or traded on the Exchange, or assist any member or any other person to participate in any such insider dealing.

(4) Misuse of inside information accessible to the members of administrative bodies, employees and members of the Exchange is prohibited.

Supervision Over the Exchange

Article 98

(1) The Securities Commission conducts supervision over the work of the Exchange and its Members involved in dealing in long-term securities.

(2) The Commission carries out the supervision by reviewing the periodical and annual operational reports, as well as the other books and documentation.

(3) The Commission has the power to also conduct supervision of companies listed on the Exchange, regarding the issuance, trading and listing of the securities.

(4) In case the Commission reveals irregularities during the supervision of paragraph 3 of this Article, it may issue a decision to temporarily suspend such companies from listing.

Subject of Supervision

Article 99

In order to perform the control of Article 98 of this Law, the Commission reviews in particular any documentation related to:

- legality of activities related to trading in long-term securities;
- fulfillment of obligations by the issuer as prescribed by law, i.e. the act on issuance of securities;
- legality of trading in long-term securities on the Exchange;

- implementation by the Exchange and the brokers of legal and other regulations related to the operations with long-term securities, as well as their own rules, Charters and other acts on the basis of which a license to operate on the Exchange is issued;
- trading in long-term securities on the Exchange in accordance with prescribed conditions for trading, i.e. whether such activities are performed by authorized brokers;
- control of the financial situation of the Exchange members and
- the manner fulfillment of liabilities related to deals concluded as part of the trading in long-term securities on the Exchange is secured.

Reports on Operation of the Exchange

Article 100

(1) The Exchange shall submit to the Commission daily, weekly and monthly reports on its work.

(2) The Exchange shall submit to the Commission an annual report on its work

(3) The Exchange shall submit to the Commission financial statement audited by a certified auditor, not later than 31 May of the current year, regarding the previous year.

Annual Report

Article 101

(1) The Commission approves the annual report on the operation on the Exchange, in accordance with Article 100, paragraph (2) of this Law.

(2) If, in the opinion of the Commission, a review is needed of certain parts of the annual report on operation of the Exchange, the Commission undertakes supervision measures over the Exchange and its management.

Operational Program

Article 102

The Exchange shall furnish the Commission with an Operational Program for the subsequent year, by the end of the current year, for confirmation.

Measures Against Irregular Operation of the Exchange

Article 103

(1) Should the supervision reveal irregularities or illegal activities in the work of the Exchange, the Securities Commission may undertake the following measures:

- issue an order to remedy the revealed irregularities and illegal activities in the operation with long-term securities;

- issue an order for temporary closure of the Exchange;
- publicly disclose the data about the irregularities and illegal activities in the work of legal entities participating on the Exchange and of the Exchange itself;
- temporarily or permanently revoke the approval of the work of the Exchange;
- other measures to improve the financial discipline in the operations with long-term securities.
- a decision for revoking the consent for an Exchange director.

(2) In case of revealed irregularities, all supervision costs shall be born by the Exchange.

2.2 Authorised Participants on the Exchange

Entities Performing Operations Related to Trading in Long-term Securities

Article 104

(1) Activities related to trading in securities may be carried out by brokerage houses and banks (hereinafter: authorized participants in the Exchange)

(2) The provisions of this Law concerning the brokerage houses are valid for the banks, unless otherwise stipulated with this Law.

Forms of Establishment of Brokerage Houses

Article 105

Brokerage houses may be established as joint stock companies.

Operation Performed by the Brokerage Houses

Article 106

(1) A brokerage house shall carry out the following activities:

- receipt and execution of investors' orders for purchase and sale of long-term securities, on behalf and on the account of clients;
- trading in long-term securities on its own behalf and for its own account;
- management of financial property for the account of clients (client's financial property management);
- organization, preparation and purchase of newly issued long-term securities and
- advising clients on issuing and purchasing or selling long-term securities (investment advise);

(2) The Securities Commission issues a decision for an approval for establishment and operation of a brokerage house within 30 days from the day the claim was submitted, if it determines that the brokerage house complies with the conditions for work, explicitly stating the activities approved.

(3) If the Commission does not issue a decision for an approval for establishment and operation of the brokerage house, the founder of the brokerage house is entitled to submit an appeal to the Government of Republic of Macedonia within 15 days from the day the decision for not approving the establishment of operations was received.

Founders of Brokerage Houses

Article 107

(1) A brokerage house may be established by at least two domestic and/or two foreign, legal and natural entities.

(2) With an exception of paragraph 1 of this Article, a bank, savings house and an insurance company may independently establish a brokerage house;

(3) In case when a bank or a savings house is a founder of a brokerage house, it is necessary that it has obtained a license by the National Bank of the Republic of Macedonia.

(4) One and the same legal entity may be a founder of only one and the same brokerage house.

(5) The brokerage house may not purchase and trade with the shares of another brokerage house on its own behalf and for its own account.

Basic Capital of Brokerage Houses

Article 108

(1) A brokerage house is founded with a basic capital of at least 75,000 Euros in Denar counter value at the mid rate of the National Bank of the Republic of Macedonia valid on the date of granting license for operation, provided that the firm is registered for activities set forth in lines 1 and 5 of Article 106 of this Law. The liquid capital of the brokerage house must, at any time, amount to at least EUR 15,000.

(2) A brokerage house is founded with a basic capital of at least 150,000 Euros in Denar counter value at the mid rate of the National Bank of the Republic of Macedonia valid on the date of granting license for operation, provided that the firm is registered for activities set forth in lines 1, 3, 5 of Article 106 of this Law.

(3) The liquid capital of the brokerage house from paragraph 2 of this Article in any time must be at least 30.000 Euros.

(4) A brokerage house is founded with a basic capital of at least 500,000 Euros in Denar counter value at the mid rate of the National Bank of the Republic of Macedonia valid on the date of granting license for operation, provided that the firm is registered for all activities set forth in Article 106 of this Law.

(5) The liquid capital of the brokerage house from paragraph 4 of this Article in any time must be at least 50.000 Euros.

(6) Brokerage houses shall maintain the value of its basic capital at all times during its operation.

Documents Accompanying the Request of Approval

Article 109

(1) Prior to obtaining an approval from the Commission, a brokerage house may not be entered into the court register.

(2) The application for a trading license shall be accompanied by:

- an act of establishment;
- a description of activities of the brokerage house and a business plan for the first two years of operation;
- information on the amount of any holding of the founders in other legal entities;
- in cases when founders of brokerage houses are banks, insurance companies or savings houses, they shall have obtained a previous opinion by the competent supervisory body;
- evidence of the amount of capital in accordance with Article 108 of this Law and
- documentation prescribed by the Commission to prove that the brokerage house is equipped in terms of staff, as well as fit from technical and organizational aspects to perform all activities for which it is founded.

Consent for Appointing the Director of the Brokerage House

Article 110

(1) The Commission gives its consent for appointing the Director of the Brokerage house.

(2) Along with the request for consent for appointing a Director of the Brokerage house, the following documents shall be submitted:

- short biography about the proposed candidate for director;
- decision of the authorised body for appointing the proposed candidate for director;
- certificate that the proposed person has not been sentenced in the field of finance and is not under investigation;
- certificate for educational background;
- program for business and development policy of the Brokerage house for the following two years.

(3) The Commission shall give reasonable explanation in a case of disapproval the nomination of the candidate for Director of the brokerage house.

(4) The manner and procedure on giving consent on nomination of Director of the brokerage house are determined by the Commission.”

Authorized Participants for Work in Brokerage Houses

Article 111

(1) The brokerage house shall operate through its authorized participants, i.e. individuals who have passed a special examination for dealing with securities (brokers).

(2) The manner and conditions for sitting the examination paragraph 1 of this Article are set by the Commission.

Obligations of the Broker

Article 112

(1) In their work, brokers shall:

- strictly follow the instructions given by the clients and the brokerage house;
- act in a manner of conscientious businessmen;
- strictly respect the Exchange rules and Brokers' Ethics;
- inform the brokerage house of the situation on the market and bear in mind the interests of the brokerage house and keep its business secrets;
- respect the Ethical Code of Honor of the Exchange.

(2) Brokers may not execute orders or advise clients to get involved in trading in securities for the sole purpose of earning commission.

(3) Brokers shall not unnecessarily postpone the execution of clients' orders, if market conditions allow such execution.

(4) In case of disrespect of any of these rules, as well as if the broker performs a criminal act related to financial operation, the Commission may revoke the license on dealing with securities from such brokers.

Register of Orders

Article 113

(1) The brokerage house shall keep a register of clients' orders, its own orders and orders related to managing clients' funds, in a time sequence, and shall also keep a record of all cancelled orders.

(2) The manner of keeping the register of orders shall be in an electronic form and shall be prescribed by an act issued by the Commission.

Manner of Managing Funds

Article 114

The brokerage house shall present the balance of long-term securities and funds of clients separately from its own accounts. For the purpose of protection of clients' funds,

the brokerage house shall open a separate account. The funds on the separate account may be used exclusively for purposes agreed upon between the firm and its clients.

Keeping Business Books

Article 115

The brokerage house shall keep the business books in compliance with the accounting standards and the legal provisions.

Forbidden Operations with Long-term Securities

Article 116

(1) The brokerage house shall not get involved in operations with long-term securities which could endanger the stability of the long-term securities market, and in particular they shall not:

- mislead investors to wrong conclusions about prices of securities by performing ostensible activities;
- manipulate with prices of long-term securities on the basis of previous agreements with the other brokers;
- publish or spread misinformation with the aim of causing a movement in prices of securities;
- directly or indirectly get involved in dealing with long-term securities for the purpose of stabilization or increasing of prices of securities; and
- lend clients' securities to others without a written approval from the clients.

(2) The brokerage house may lend and borrow securities in a manner and under conditions set by the Commission.

Obligation of Reporting to the Securities Commission

Article 117

(1) The brokerage house shall regularly report to the Commission on its financial standing, any changes to its status, changes in the ownership structure of its own basic capital, as well as of any events of inability to settle liabilities.

(2) The brokerage house shall submit monthly reports on its operation to the Commission. The form and substance of the monthly reports shall be prescribed by the Commission.

(3) The brokerage house shall regularly submit to the Commission an annual report audited by an authorized auditor at the latest by the end of May for the previous year.

Obligation to Keep Business Secrets

Article 118

(1) Employees in brokerage houses shall keep as a business secret all information they receive in relation to the operation of the firm which are not yet a public knowledge and could influence prices of long-term securities.

(2) In their acts, brokerage houses shall provide protection of business secrets and prevention of abuse of such secrets, as well as control over the flow of business secrets within and outside their business system.

2.3. Supervision Over the Operation of Authorised Participants on the Exchange

Supervision by the Commission

Article 119

The Commission shall conduct control over the operation of the brokers, brokerage houses and the banks. The Commission may review books, acts and other documents of the brokerage houses and the banks that refer to the securities operations.

Subject of Supervision by the Commission

Article 120

(1) When conducting supervision, the Commission may:

- ask for reports and information on business assignments of the brokerage houses and the banks;
- ask for auditor's reports and additional information on the audit of the brokerage house and the bank and
- ask for other documents related to the inspection.

(2) The Commission may carry out sudden inspection of the authorized participants on the Stock Exchange.

Determination of Irregularities in the Operation of Authorized Participants on the Exchange

Article 121

(1) Should the Commission come across any irregularities and illegalities when conducting supervision of brokerage houses related to either the dealing with long-term securities or the keeping of business records, the Commission may decide to impose an obligation onto the firm to deal away with the revealed irregularities within a determined period of time.

(2) The brokerage house and the bank shall correct all irregularities and report to the Commission of the steps undertaken in this direction. The report should be accompanied by documents and other evidence on the irregularities having been corrected.

Violation of Regulations on Operations with Long-term Securities

Article 122

(1) Should the Commission's controls reveal a breach of the rules for dealing with long-term securities by the authorized participants, the Commission shall pass a decision to:

- partially or completely prohibit such authorized participant to perform certain activities for which a certificate is obtained by the Commission;
- temporarily or permanently prohibit the brokerage house to perform certain activities for which a certificate is obtained by the Commission;
- publicly announce that the authorized participant in question has violated the rules concerning the long-term security operations and
- to revoke the consent for the Director of the Brokerage house.

(2) A complaint against the decision of the Commission from paragraph (1) of this Article can be lodged to the Government of Republic of Macedonia within 15 days starting from the day such decision is accepted.

(3) The complaint against the decision from paragraph (2) of this Article does not postpone the execution of the decision from paragraph (1) of this Article.

Supervision Costs

Article 123

If any irregularities are revealed in the work of a brokerage house, the costs of inspection shall be born by the inspected brokerage house.

Revocation of Licenses for Performing Operations with Long-term Securities

Article 124

(1) The Commission may revoke the license for operations with long-term securities from a brokerage house if:

- an authorized participant seriously violates the rules for dealing in long-term securities;
- an authorized participant fails to start operating within 6 months commencing from the date of obtaining the license, or if a brokerage house ceases its operations for a period longer than 6 months;
- the license has been obtained on the basis of false information; and

- an authorized participant fails to meet criteria on continuation of operating as such.

(2) Prior to issuing the decision of paragraph 1 of this Article, the Commission shall enable the authorized participant to present explanation for the reasons which may have led to such a decision.

(3) The authorized participant concerned may lodge a complaint against the decision of paragraph 1 of this Article with the Government of the Republic of Macedonia, within 15 days the revocation decision is accepted.

2.4. Investment Advisors

Entities Performing Operations of Investment Advisors

Article 125

(1) The operations of investment advisor can be carried out by an investment advising company.

(2) The investment advising company carries out its operations through authorized persons who have passed a special professional exam for investment advising (investment advisors).

(3) The Commission determines the manner and the conditions for passing the exam from paragraph (2) of this Article.

Control over Investment Advisors' Work

Article 126

(1) The control over the investment advisors and investment advising companies is carried out by the Securities Commission.

(2) The Commission, with a decision, revokes the approval for carrying out operations of investment advisors if:

- the investment advisor violates the regulations for operation with long-term securities;

- the approval was obtained on the basis of false information and

- the investment advisor does not fulfill the conditions for further operation.

(3) According to the decision of the Commission from paragraph 2 of this Article, the investment advisors have right to lodge a complaint to the Government of Republic of Macedonia within 15 days.

**2.5. Clearing and Settlement of Liabilities Under Transactions
in Securities and Maintenance of Register
of Securities in a Dematerialized Form**

Goals of Establishment of Central Depository of Securities

Article 127

(1) A Central Depository of Securities in Republic of Macedonia shall be founded for the purpose of clearing and settlement of the liabilities on the basis of transactions with long-term securities and maintaining a register of securities.

(2) The decision regarding the foundation of a Central Depository of Securities is published by the Commission in at least one daily newspaper in Republic of Macedonia.

Establishment of a Central Depository of Securities

Article 128

(1) Founders of the Central Securities Depository may be brokerage houses, banks, insurance companies and fund management companies.

(2) The Central Securities Depository shall be established as a joint stock company.

(3) The participation of each founder in the basic capital of the Central Securities Depository may be up to 15% of the shares.

(4) Only the founders of the Central Securities Depository may participate in its operation.

Operation of the Central Securities Depository

Article 128-a

(1) The Central Securities Depository shall operate on a not-for-profit basis up to January 1st, 2006.

(2) Legal entities of Article 128, Paragraph (1) of this Law that by January 1st 2006 will additionally invest in the basic capital of the Central Securities Depository shall obtain equal rights of a founder.

(3) Any surplus of income over expenses that the Central Securities Depository will acquire after the annual statement up to January 1st 2006, shall be used for its development.

Basic Capital of the Central Depository of Securities

Article 129

The Central Depository of Securities shall be established with a basic capital of at least 300,000 Euros in Denar counter value at the middle exchange rate of the National Bank of the Republic of Macedonia, valid on the date of granting license of operation.

Conditions for Granting Approval for Operations of the Central Depository of Securities

Article 130

(1) The Commission grants a license for work of a Central Depository of Securities only if it is satisfied that the Central Depository of Securities meets the following requirements:

- that it has an act of establishment
- that it has rules for operation in place
- that it is equipped for quick and accurate clearance and settlement of liabilities under transactions in securities;
- that it has provided an adequate infrastructure for maintenance of a register of securities in a dematerialized form;
- that it protects the interests of investors and issuers who keep their securities in a dematerialized form;
- that it is equipped in terms of staff, techniques and organisation to perform the functions of a Central Depository of Securities as defined in Article 133 herein.

(2) The Securities Commission sets the closer terms and conditions for granting approval for establishment and commencement of operation of a central depository of securities.

Seeking Consent form the Securities Commission

Article 131

The Central Depository of Securities shall request approval of the Commission for the following:

- changes to the act on establishment and the charter;
- changers in the Operational Rules;
- status changes.

Consent for Appointing the Director of the Central Depository of Securities

Article 132

(1) The Commission on Securities gives its consent as for appointing the Director of the Central Depository of securities.

(2) Along with the request for consent for appointing a Director of the Central Securities Depository, the following documents shall be submitted:

- short biography about the proposed candidate for director;
- decision of the authorised body for appointing the proposed candidate for director;
- certificate that the proposed person has not been sentenced in the field of finance and is not under investigation;
- certificate for educational background;
- program for business and development policy of the Central Securities Depository for the following two years.

(3) Commission shall give reasonable explanation in a case of disapproval the nomination for Director of the Central Securities Depository.

(4) The manner and procedure of giving consent on the nomination of Director of the Central Securities Depository are determine by the Commission.

Basic Functions of the Central Depository of Securities

Article 133

(1) The basic conditions of the Central Depository of Securities shall be:

- maintaining register of securities;
- issuance of international securities identification number (ISIN) for all issues of securities;
- clearance and settlement of securities on the principle "delivery versus settlement";
- provision of additional services to issuers of securities.

Registration of Securities in the Central Depository of Securities

Article 134

(1) The Central Depository of Securities shall maintain records of securities issued and new issues of securities in the Republic of Macedonia, as electronic records.

(2) All joint stock companies in the Republic of Macedonia (trade companies, banks and insurance companies) shall obligatorily have their share registers maintained at the Central Depository of Securities.

(3) The Central Depository of Securities, as a central information base, shall contain electronic data on issued securities, with records of rights conferred in securities, all holders of such rights and rights conferred in the securities that may be owned by third parties.

Accurateness of Data

Article 135

(1) Data maintained at the Central Depository of Securities have a status of assumed accurateness and truthfulness.

(2) The company which securities are maintained at the Central Depository is responsible as for the accurateness of the data submitted to the Central Depository of Securities up to the moment of their submission.

(3) The Central Depository is responsible as for the accurateness of data on companies whose securities are maintained at the Central Depository of Securities, from the moment of their submission.

Clearance and Settlement of Transactions in Dematerialised Securities on an Organised Market

Article 136

Clearance and settlement of transactions in securities realised on an organised securities market shall be carried out in the Central Depository of Securities.

Principle of Constitutions

Article 137

(1) Rights of holders of securities come into effect upon entry of the security onto the account of the holders at the Central Depository of Securities and are transferred by entry of the security onto the account of the new holder at the Central Depository of Securities.

(2) Rights conferred by securities are obtained, limited or transferred by adequate entry onto the Central Depository of Securities, unless otherwise determined by law.

"Delivery Versus Payment" Principle

Article 138

Obligations to transfer securities, resulting from transactions in securities on the Exchange, shall be settled by simultaneous delivery of the securities and payment of the price of securities, in accordance with the "delivery versus payment" principle.

Rules of the Central Depository of Securities

Article 139

- (1) The Central Depository of Securities shall issue separate rules to determine:
- the manner of maintaining the register of securities,
 - the manner and procedure for clearance and settlement of liabilities resulting from transactions in securities on the Exchange;
 - the manner of maintaining of accounts of securities holders;

- the manner of establishment and functioning of a Guarantee Fund;
- the methods of protection against probable errors of the Central Depository of Securities in the performance of its functions.

(2) The Securities and Exchange Commission shall give consent about the rules of paragraph (1) of this Article **and the amendments and modifications thereto**.

(3) The funds form the Guarantee Fund may be also deposited in treasury bills of National Bank of Republic of Macedonia and state securities.

Temporary or Permanent Ban on Operation of Participants in the Central Depository of Securities

Article 140

(1) The Central Depository of Securities shall issue a decision to temporarily or permanently revoke the right to participation in the work of the Central Depository of Securities to participants from Article 128 of this Law in the Central Depository of Securities who, in the course of their operation, disrespect the general acts and procedures of the Central Depository of Securities and fail to fulfil liabilities under the concluded transactions in securities.

(2) Participants may file a complaint against the decision of paragraph (1) of this Article to the Securities Commission, within 15 days following receipt of the decision.

Bankruptcy of Participants in the Central Depository of Securities

Article 141

When the participant from Article 128 of this Law in the Central Depository of Securities, in accordance with the prescribed general acts and procedures, in order to purchase securities uses funds from its own account in amount needed for settlement of transactions in securities, the provisions in the Bankruptcy Law regarding "denial of past transactions " shall not apply in the case of bankruptcy of a participant in the Central Depository of Securities.

Supervision over the Fulfillment of Liabilities

Article 142

The Central Depository of Securities conducts supervision over the settlement of liabilities under transactions in securities carried out on the Exchange, with an aim of revealing any non-compliance with the general acts and procedures prescribed by the Central Depository of Securities or other violations by the participants from Article 128 of this Law in the Central Depository of Securities.

Securities Account

Article 143

(1) An account of securities is an aggregate balance of all securities owned by each individual owner of securities, registered in the Central Depository of Securities.

(2) Accounts shall be opened in the Central Depository of Securities on which balances of securities of individual owners shall be maintained, transfers of rights reflected in securities shall be carried out, and rights emerging from securities assigned to third parties, as well as restrictions on the transfer and terms and conditions for disposal are entered.

(3) Any owner of securities, at their own request, may have more than one securities account at the Central Depository of Securities.

Contents of the Accounts of Securities

Article 144

Securities accounts shall contain data on:

- balance (quantity) of securities, separately for each security;
- owner's rights reflected in securities;
- unique identification (identification number) of the owner of rights conferred by the securities i.e. passport number for foreign entity;
- any restrictions in the exercise of rights;
- rights of third parties resulting from securities (collateral etc.), and
- other data related to the rights conferred by securities, transfer restrictions and ban on disposal.

Services Rendered by the Central Depository of Securities

Article 145

The Central Depository of Securities may render the following services, on behalf and for the account of issuers of securities:

- registration of the holders of securities;
- submission of an updated list of all existing holders of securities; and
- other services related to issued securities (calculation and payment of dividend/interest, distribution of securities, etc.).

Availability of Data

Article 146

(1) The right to obtaining data regarding ownership of securities kept at the Central Depository of Securities shall be enjoyed by the holder of dematerialized securities, issuers of securities and bodies and institutions authorized by law, should such

data be necessary in procedures within their powers or for the needs of their regular operation, in accordance with law.

(2) The Commission shall define the manner and procedure for obtaining data from the Central Depository of Securities.

Notification

Article 147

(1) Each holder of securities registered in the Central Depository of Securities shall be notified of the balance and any changes regarding their securities account.

(2) Once a year, the Central Depository of Securities shall obligatorily issue a statement of balance to each holder of securities, as on 31 December of the previous year, at latest within 30 days of the current year;

(3) The Central Depository of Securities shall provide a computer statement of recorded data on securities, at a request of the owner.

(4) A list of all holders of securities of a company may be issued to the issuer of securities as well as bodies and services authorised by law.

Obligations of the Management and Employees of the Central Depository of Securities

Article 148

(1) The management and employees in the Central Depository of Securities, as well as certified auditors, shall keep the confidentiality of data learned in the course of their daily operations, unless obliged to disclose such data under this or any other law.

(2) The management and employees of the Central Depository of Securities who have access to data in the course of their duties, may not be members of bodies of the founders from Article 128 of this Law of the Central Depository of Securities and may not perform activities for them.

Fees of the Central Depository of Securities

Article 149

(1) All users of services of the Central Depository of Securities shall pay fees for the services rendered in accordance with a tariff determined by the Central Depository of Securities.

(2) The Commission shall approve the tariff of paragraph (1) of this Article.

Supervision of the Central Depository of Securities

Article 150

(1) The Securities Commission conducts supervision over the work of the Central Depository of Securities.

(2) In conducting supervision of the work of the Central Depository of Securities, the Securities Commission may ask for:

- access to data in the Central Depository of Securities;
- reports and information on cleared and settled transactions in securities;
- reports on audits performed and additional information thereon and
- changes to the general acts regulating its operations.

Measures of the Commission

Article 151

(1) If the supervision reveals that the Central Depository of Securities violates the regulations while working with securities, the Securities Commission may, with a decision, undertake the following measures:

- introduce complete or partial ban on carrying out certain duties of the persons in charge;
- introduce permanent or temporary ban on certain operations of the Central Depository of Securities, in accordance with this Law and
- revoke the consent for the Director of the Central Depository.

(2) The Central Depository of Securities may lodge a complaint to the Government of the Republic of Macedonia against the Commission decision of paragraph 1 of this Article, within 15 days following receipt of such a decision.

2.6. Special Provisions On Operations with Long-term Securities

Insider Information, Notion

Article 152

Inside information, as understood by this Law, means any information related to one or more issuers of long-term securities, such that is not yet public knowledge and, if it did become public knowledge, it might have significant impact on prices of securities or on a purchase or a sale decision of third parties.

Entities obliged to keep inside information

Article 153

(1) Entities, shareholders, members of management boards, supervision

committees or boards of directors and employees of legal entities or individuals working for legal entities under a contract, and individuals who by professional duty have access to inside information, shall not acquire material benefit on the basis of such insider information.

(2) Capital and first relatives are assumed under entities from paragraph 1 of this Article.

Obligations of Persons Who Have Obtained Inside Information

Article 154

An individual who has obtained inside information in terms of Article 153 of this Law, shall not disclose such information to any other person or, on the basis of such information, advise others to buy or sell securities.

Prevention of Trading in Long-term Securities on Basis of Inside Information

Article 155

The manner and procedure for prevention of dealing with securities on the basis of insider information are set by a regulation of the Securities Commission.

2.6-a Confidential data

Confidential data, submitted to the Commission

Article 155-a

Should, when executing the control function, the Commission request information it estimates confidential, the person from whom the information is requested is obliged to keep the information as confidential.

2.7. Over the Counter Trading

Notion for Over the Counter Trading

Article 156

Trading may also be carried out off the Exchange (over the counter trading), under rules set by the Securities Commission.

VI. SECURITIES COMMISSION

Regulation and Supervision Over Operations With Securities

Article 157

(1) The Commission is an autonomous and independent organization, in charge of the implementation of this Law, the Investment Funds Law and the Company Takeover Law, as well as all other regulations passed on basis of these laws.

(2) The Commission regulates and supervises all participants in the operation with securities on the territory of the Republic of Macedonia.

(3) Within its legal powers and authorisations, the Securities Commission is also responsible for the legal and efficient functioning of the long-term market, as well as for investors' rights protection, with the aim of continual building up public trust in the institutions on the market of long-term securities in the Republic of Macedonia.

(4) The Commission has a status of a legal entity.

(5) The Commission establishes a department of qualified personnel managed by a Director, appointed and dismissed by the Commission upon proposal by the President of the Commission. A person who is a citizen of the Republic of Macedonia, has obtained university education and has professional experience in the financial sphere in the last three years prior to the appointment to such function shall be appointed director of the administrative service.

(6) The seat of the Commission is in Skopje.

Structure of the Commission

Article 158

(1) The Securities Commission consists of a president and six members.

(2) At least two members shall be professionally engaged in the Commission's operation.

Appointment and Dismissal of the Commission President and Members

Article 159

(1) The President and members of the Commission shall be appointed and dismissed by the Parliament of the Republic of Macedonia, at a request of the Government of the Republic of Macedonia.

(2) The President and members of the Commission shall serve a term of seven years, with the possibility of being re-elected.

Conditions for Appointment of Commission President and Members

Article 160

(1) Persons fulfilling the following conditions may be appointed president and member of the Commission:

- is a citizen of the Republic of Macedonia;
- have at least a university degree;
- have a reputation of a renowned expert in the field of finance and corporate law;
- is not a member of bodies of political party;
- is not managerial person or member of Management Board of legal entity controlled by the Securities and Exchange Commission, i.e. supervised by the National Bank of the Republic of Macedonia;
- is not a shareholder having over 25% share in the equities in a joint stock company - issuer of securities;
- is not an official managing a state body; and
- is not convicted on the basis of criminal charges and is not subject to investigation.

Article 160-a

- (1) President and members of the Commission must not decide regarding legal entities with which they have contractual relations, i.e. shareholders in the legal entities subject to control and approval by the Commission.
- (2) President and members of the Commission must not give out business secret and internal information they acquired during the operations in the Commission.
- (3) Obligations referred to in paragraph 2 of this Article shall continue to be valid in the following five years from the day of expiry, i.e. termination of term of office.

Dismissal of the Commission President and Members

Article 161

(1) The term of the President and members of the Commission may be terminated only if they:

- are unjustifiably absent from work of the Commission for a period of 6 months;
- submit a voluntary written resignation;
- have been criminally prosecuted;
- lose their ability to perform regular tasks;
- perform the function President and member of Commission in unprofessional and unscrupulous manner;
- give out a business secret learnt in the course of their work in the Commission;

- give out internal information obtained in the course of their work in the Commission.
- (2) In addition to the cases referred to in paragraph (1) of this Article, the term of office of the President and the member of Commission shall also terminate should, during his/her term of office, he/she become:
- member of bodies of political party; or
 - managerial person or member of management board or legal entity controlled by Securities and Exchange Commission, i.e. supervised by the National Bank of the Republic of Macedonia; or
 - shareholder having over 25% share in the equities in a joint stock company - issuer of securities; or
 - an official managing a state body.

Charter of the Commission

Article 162

(1) The Commission has Charter approved by the Parliament of the Republic of Macedonia.

(2) The Charter regulates the organisation, management and running, procedures for passing acts and changes and additions therein, as well as other issues within the powers of the Commission.

Functions of the Commission

Article 163

- (1) The Securities Commission performs the following functions:
1. Undertakes measures to secure the implementation of this Law and other laws within its competence;
 2. Passes acts or rules arising from this Law and other laws within its competence;
 3. Undertakes measures to ensure the implementation of such acts or rules passed in accordance with this Law and other laws within its competence;
 4. Conducts control over the complete documentation of the entities issuers of securities, undertakes measures and makes decisions for the protection of interests of persons that are owners of or are investing in securities and prevents dishonest and illegal activities related to trading in securities;
 5. Issues approvals arising from this Law and other laws within its competence;
 6. Regulates the manner of trading in securities on the Exchange and over the counter;

7. Monitors and controls the activities of brokerage houses and banks in their dealings with securities, as well as authorised investment management companies i.e. investment funds;
8. Performs inspection over the operations of the Central Depository of Securities;
9. Prescribes standards of competition among brokerage houses and banks in their dealings with securities, as well as authorised investment management companies i.e. investment funds, by inspections or in another manner;
10. Gives consent as for appointing and releasing managers from duty from Articles 80, 110 and 132 of this Law as well as managers in investment funds management companies from the Law on Investment Funds;
11. Approves public invitations regarding public offer of securities;
12. Ensures legality, honor and transparency of the securities market;
13. Approves the rules of the securities market related to listing of securities and disclosure and periodical financial statements obligations of listed companies;
14. Co-operates with other institutions in and outside the Republic of Macedonia through exchange of information and in other ways;
15. Prescribes the manner and procedure of trading in securities issued in the Republic of Macedonia which will be traded outside of its borders;
16. Prescribes the conditions for participation of the Exchange's authorised participants in trading on foreign Exchanges;
17. Passes the financial plan and the final statement of the Commission and adopts the annual report on the operations of the Commission;
18. Selects an authorized audit company and adopts the report on audit of the Commission;
19. Passes acts or rules for the internal organization of the Commission; and
20. Performs other activities related to the operations with securities and in accordance with this Law.

(2) The Securities Commission is responsible for its work before the Parliament of the Republic of Macedonia and, once a year, submits report on its work, as well as financial plan and final statement.

Article 163-a

- (1) The audit company shall check and evaluate the final statement of the Commission in accordance with the international standards on audit, for which it prepares audit report pursuant to audit regulations.
- (2) The Commission shall publish part of the audit report with an opinion by the certified auditor in at least one daily newspaper in the Republic of Macedonia, and on the website of the Commission within 15 days from the day it was adopted by the Commission.

Provision of Operational Funds

Article 164

- (1) Funds necessary for the work of the Commission shall be provided from:
1. Fees paid for approval of issues of securities;
 2. Fees paid for a license to be established and operate as an Exchange;
 3. Fees for approval for giving consent for establishing and the operations of a brokerage house and operations of a bank for performing dealings with securities;
 4. Fees for an issued working license to a Central Depository of Securities;
 5. Fees determined by the Law on Investment Funds;
 6. Fees determined by the Company Takeover Law;
 7. Fees for licenses for work in the securities industry;
 8. Fees paid by associations of Exchanges and authorized participants when seeking approval of their acts;
 9. Compensation for locked exchange transactions of which the Exchange is making revenue;”
 10. Compensation from the revenues of brokerage houses.
 11. Compensation from the revenues of the Central Securities Depository and”
 12. Other income that the Commission generates during its operation.
- (2) The Commission passes a Tariff Book which contains the amount of the above fees.
- (3) The excess of revenues over expenditures from the operations of the Commission shall be paid in the Budget of the Republic of Macedonia in the following percentage:
- 50% in 2003;
 - 60% in 2004; and
 - 70% from 2005.
- (4) The shortage of funds needed for the operations of the Commission on Securities will be compensated by the Budget of Republic of Macedonia.
- (5) The Tariff Book of paragraph (2) of this Article is approved by the Government of the Republic of Macedonia.

Implementation of the Law on Administrative Procedure

Article 164-a

- (1) If this law does not prescribe something else, in a procedure of decision making the Law on Administrative procedure shall be implemented.
- (2) Against the decision issued in administrative procedure by the Commission, a complaint might be filed with Commission of the Government of the Republic of Macedonia.

(3) In order to protect the rights arising from securities, the Commission can adopt, in certain cases, decision that the appeal to the Government of the Republic of Macedonia does not delay its execution.

VII. SANCTIONS

Criminal Acts

Article 165

(1) The managing body, persons that have special authorization or other employees who during the performance of their work acquire information and pass it to third persons who, on the basis of these information, buy or sell securities and ,having this information, obtain a large property, will be punished with three to five year imprisonment

(2) If, by disclosing the information, the person who has disclosed it, has acquired property, it will be punished with five to ten year imprisonment.

(3) If the managing body and persons with special authorisations in the time limit determined in article 171 do not transfer shareholders books into Central Securities Depositories, will be sentenced from 1 to 3 years of imprisonment.

(4) If the managing body violates the realisation of rights arising from the securities to the owners of securities, will be sentenced from 1 to 3 years imprisonment.”

(5) The managing body and the person with special authorizations of the company – issuer of long-term securities meeting the conditions for listing on the Stock Exchange, will be sentenced to one-year imprisonment should they not list their securities on the official market of the Stock Exchange pursuant to Article 94 paragraph 4 of this Law.

(6) The person that will disclose information referred to in Article 155-a of this Law will be sentenced up to one-year imprisonment.

Violations

Article 166

(1) An issuer shall be fined for business crime by a money fine of 100,000 to 300,000 Denars, if:

1. it issues securities without nominal value (Article 6, paragraph (4));
2. It fails to fulfil obligations emerging from the securities (Article 8);
3. the public offer and trading in option and futures-contracts is not carried out in accordance with Article 14 of this Law;
4. It does not keep records of shares issued at the Central Depository of Securities (Article 20);
5. It fails to notify the Commission in accordance with Article 21 of this Law;
6. Issues securities without the approval of the Securities Commission (Article 37 paragraph (1));

7. Issues securities contrary to Article 37 paragraph (3) of this Law;
8. Fails to submit an act on issuance of securities to the Commission and fails to issue an announcement (Article 40);
9. Performs primary sales of securities, contrary to Article 44 of this Law.
10. Fails to commence the procedure for subscription and purchasing securities within the prescribed deadline (Article 45);
11. Fails to publish the public invitation for subscription and purchase of securities in accordance with this Law (Article 46, paragraph (2));
12. Fails to publish the announcement to the public on the subscription and purchase of securities in accordance with this Law (Article 46, paragraph (3));
13. Does not provide access to the latest accounting records, the Charter or the act of establishment (Article 46 paragraph (5));
14. Does not make the public invitation available in accordance with Article 47 , paragraph (2) of this Law;
15. It be proved that the contents of a Public invitation are false and/or misleading for the investor (article 48, paragraph (1));
16. It be proved that the Public invitation does not contain essential data on the issuer (Article 48, paragraph (2));
17. The final contents of the public invitation published differs from the public invitation approved by the Commission when passing the decision on issuance of securities (Article 49);
18. Fails to adequately co-ordinate the acts previously approved by the Commission, if circumstances change during the public offer (Article 50, paragraph (2));
19. Executes the issuance in a period longer than six months(Article 52, paragraph (1));
20. Following the public offer, fails to notify the Commission of the subscribed and purchased securities (Article 52, paragraph (2));
21. Fails to notify the Commission within the dead line prescribed in Article 52, paragraph (3) of this Law;
22. Fails to publicize information on subscribed and paid securities (Article 52, paragraph (5));
23. Fails to submit an annual report on its work (Article 53, paragraph (1)).
24. Does not act in compliance with Article 53, paragraph (4) of this Law;
25. Does not act in compliance with Article 56 of this Law.
26. Does not request consent from the Commission for the acts referred to in Article 79 of this Law; and
27. Does not act in compliance with Article 155-a of this Law.
 - (2) A fine of 100,000 to 300,000 Denars shall be imposed on joint stock companies that fail to turn over their share registers within the prescribed deadline, in accordance with Article 134, paragraph (2) of this Law.
 - (3) A fine of 100,000 to 300,000 Denars shall be imposed on joint stock companies that will submit to the Central Depository of Securities false data, in accordance with Article 135, paragraph (2) of this Law.
 - (4) A fine of 10,000 to 50,000 Denars shall also be imposed on responsible persons in the company for the violations of paragraphs 1 and 2 of this Article.

Article 166-a

The managing body which violates the realisation of rights arising from securities to owners of securities and in the same time causes greater assets damage, will be charged for misdemeanour in 10- time amount of the caused damage.

Article 167

(1) The Exchange shall be fined with a fine of 100,000 to 300,000 Denars, if it:

1. Fails to ensure the operational principles of the exchange in the course of its operation (Article 71);
2. Fails to ensure entry in the trade register within the prescribed deadline and fails to notify the Commission thereof (Article 78);
3. Fails to act as ordered by the Commission decision (Article 79, paragraph (2));
4. Fails to submit to the Commission data regarding the entry of changes onto the trade register (Article 81);
5. Fails to keep a separate register in compliance with Article 95 of this Law;
6. Fails to provide an appropriate information system in accordance with Article 96 of this Law;
7. Does not respect the provisions of Article 97 of this Law;
8. Fails to submit reports in accordance with Article 100 of this Law;
9. Fails to submit a Program of operation for the subsequent year (Article 102);

(2) A fine of 10,000 to 50,000 Denars shall also be imposed on responsible persons in the company for the violations of paragraphs 1 of this Article.

(3) Founders of an exchange who will found an exchange without a Commission approval shall be fined by 100,000 to 300,000 Denars (Article 72, paragraph (2));

(4) A fine of 100,000 to 300,000 Denars shall be imposed on legal and other entities for registering contrary to Article 78 of this Law.

(5) Employees shall be fined by a fine of 10,000 to 50,000 Denars and Exchange members shall be fined by 100,000 to 300,000 Denars for violations of obligations in Article 97 of this Law.

Article 168

(1) A fine of 100,000 to 300,000 Denars for violation shall be imposed on a brokerage house if it:

1. Fails to maintain the value of its basic capital at all times during its operation (Article 108);
2. Performs activities related to securities prior to obtaining a license (Article 109, paragraph 1);
3. The license for operations with securities has been obtained on a basis of an application containing false data and documentation (Article 109 paragraph 2);

4. employs authorised participant without a certificate for passed qualifying examination (Article 111, paragraph (1));
5. performs activities related to securities likely to endanger the stability of the market (Article 112);
6. fails to keep a register of orders (Article 113, paragraph (1));
7. fails to present the balance of long-term securities and funds of clients separately from its own accounts (Article 114);
8. performs operations from Article 116 of this Law;
9. fails to report to the Commission in accordance with Article 117 of this Law;
10. does not act in accordance with Article 121, paragraph (2) of this Law..

(2) A fine of 10,000 to 50,000 Denars shall also be imposed on responsible persons and individuals employed in the company for the violations of paragraphs 1 of this Article.

(3) Employees of brokerage houses shall be fined by a fine of 10,000 to 50,000 Denars and brokerage houses shall be fined by 100,000 to 300,000 Denars for violations of obligations in Article 118 of this Law..

Article 169

(1) The Central Depository of Securities shall be fined by 100,000 to 300,000 Denars for failure to act in compliance with Article 147 of this Law.

(2) A fine of 10,000 to 50,000 Denars shall be imposed on the managing staff and employees of the Central Depository of Securities, as well as the authorised auditors, for acting contrary to Article 148 of this Law..

(3) The responsible person in the legal entity shall also be fined for violations defined in paragraph 1 of this Article, with a fine of 10,000 to 50,000 Denars.

VIII. INTERIM AND FINAL PROVISIONS

Article 170 is deleted

Article 171

(1) The Commission shall pass separate rules to define the manner of transfer of share registers to the Central Depository of Securities and the manner of issuing new issues of securities.

(2) Until the establishment of the Central Depository of Securities, the activities related to clearing and settlement of liabilities based on transactions in securities and the maintenance of a register of dematerialized securities, shall be performed by the institution authorized by the Commission.

(3) Joint stock companies of Article 134, paragraph (2) of this Law shall transfer their registers of securities to the authorized institution of paragraph (2) of this Article within six months following the receipt of Commission authorization.

Article 172

Definition of the part of the ZPP which will perform the role of a Central Depository of Securities will be determined with a decision of the Government of the Republic of Macedonia.

Article 173

(1) Authorized participants involved in the securities business shall co-ordinate their organization, operation and general acts with the provisions of this Law and renew their license within one year following the date this Law comes into effect.

(2) Companies which will fail to co-ordinate and renew the license within the dead-line of paragraph 1 of this Article shall cease their operations with securities according to this Law after the set date.

(3) The Exchange is obligated to bring into line its organisational structure, operation and general acts with the provisions of this Law within 45 days after this Law comes into effect.

Article 174

(1) Until 31 December 2003, trading in already issued securities not listed on the official market of the Exchange shall be carried out on its unofficial market.

(2) Trading contrary to paragraph (1) of this Article shall be null and void.

Article 175

The banks that carry out activities related to securities in accordance with Article 87 of this Law will be able to become authorized participants in the Stock Exchange, from 01 January 2002.

Article 176

The Securities Commission shall issue the regulations in accordance with this Law not later than six months after the date this Law comes into effect.

Article 177

(1) On the date this Law comes into effect, the Law on Issuance and Trading in Securities ("Official Gazette of the Republic of Macedonia" No.7/97, 15/97, 11/99, and 81/99) ceases to be in effect, except for the provisions concerning the part for physical issuance of securities until the commencement of the operations of the Central Depository of Securities.

(2) The Commission announces the day the Central Depository of Securities commences its operations in at least one daily newspaper in Republic of Macedonia.

Article 177-a

Transactions in securities in which an international financial institution appears as buyer or seller, notwithstanding Article 138 of this Law, can be settled up to January 1, 2005, in the manner and procedure prescribed by the Securities and Exchange Commission.

Article 177-b

The obligation referred to in Article 94 paragraph 4 of this Law ceases on December 31, 2003.

Article 178

This Law comes into effect on the eighth day following its publication in the "Official Gazette of the Republic of Macedonia".