

## Notification on the term and legal nature of the privileged information



In the event there may be discrepancies which arise between the Serbian and English versions of the document, the Serbian version is the legally binding document.

(along with Forms INS-1 and INS-2)

The Law on the Market of Securities and Other Financial Instruments (“RS Official Gazette”, No 47-2006), (hereinafter: the Law on the Market of Securities) pursuant to EU Market Abuse Directive, the term privileged information has been defined specifically for the purpose of preventing trade of securities based on information not published in the manner stipulated by the Law on the Market of Securities, and/or not available to the public and which may have influence on price of securities.

Article 2, item 7 of the Law on the Market of Securities stipulates that privileged information shall be any information on precisely specified facts pertaining to one or more issuers, buyer and/or seller of securities, or on facts that relate to one or more securities which are not available to the public and may have direct or indirect influence on the issuer, trade of securities, and/or their price in the regulated market. Therefore, privileged information pursuant to Article 2, item 7 of the Law on the Market of Securities shall be information which was not publicly disclosed, information which has precise nature in connection to securities, which would probably have significant influence on the price of securities if it were disclosed to the public.

Two principles of business operations have been defined in the market of securities:

- Principle of equal status of investors, and
- Principle of protecting investors from the abuse of privileged information.

Therefore, Article 71, paragraph 1 of the Law on the Market of Securities stipulates that no person shall acquire, purchase, sell or in any other way dispose of securities by using privileged information. Law on the Market of Securities lists, in particular, specific categories of persons which, due to the nature of work they perform, may have privileged information at their disposal.

Ban on using privileged information shall apply both, to persons that in the course of their work, function or profession gain knowledge on privileged information (employee of the issuer, members of the management and supervisory board of the issuer, auditor, portfolio manager, investment advisor, broker, financial analyst, accountant, bookkeeper, practicing lawyer, actuary, appraiser, court expert or judge), and to persons that have at least 10% holding in the capital of the issuer, to subordinated company of the issuer and all persons that acquired privileged information and know or could have known that it has been acquired from the aforementioned persons (Article 71, paragraph 2 of the Law on the Market of Securities). Persons specified in Article 71, paragraph 2 of the Law on the Market of Securities shall be obliged to keep data on the privileged information as a business secret.

As it is banned to acquire, purchase, sell or in any other way dispose of securities by using privileged information, it is also banned to disclose such information to third parties. Accordingly, third parties must not be recommended to undertake acquisition, purchase and sale of securities based on such information (Article 72, paragraph 1 of the Law on the Market of Securities). Significance of this issue is reflected in Article 72, paragraph 2 of Law on the Market of Securities, which stipulates the duty of the public companies to develop a list of persons with obligation to keep privileged information and to stipulate sanctions for failure to comply with the obligation.

However, persons specified in Article 71, paragraph 2 of the Law on the Market of Securities which pursuant to the Law are considered insiders, shall be allowed to undertake trade of securities (provided that they do not use privileged information), but such persons shall have an obligation to report their transactions to the issuer, the Securities Commission and the Market Organizer in which the trade of securities is being executed. Therefore, Article 71, paragraph 2 of the Law on the Market of Securities specifically lists certain categories of persons that, due to the nature of the work they perform, may have privileged information at their disposal, according to and in the manner defined in technical directives for implementation of the EU Market Abuse Directive (Directive 2004/72/Ec, Directive 2003/125/EC and Directive 2003/124/EC).

With a view to prevent abuse of privileged information, the Securities Commission has the authority to request certain notifications or data from all persons which may have privileged information at their disposal, as well as to launch proceedings in front of the competent state authority should it determine that privileged information has been abused.

The Commission emphasizes that disclosing privileged information, and/or business secret constitutes a criminal offence, specified in Article 240 of the Criminal Code of the Republic of Serbia.

PRESIDENT OF THE COMMISSION

Milko Štimac, signed

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