CROATIA

SECURITIES MARKETS ACT

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THE CROATIAN PARLIAMENT

Pursuant to Article 88 of the Constitution of the Republic of Croatia I hereby promulgate

SECURITIES MARKET ACT

passed by the Croatian Parliament in its session of 2 July 2002.

No.: 01-081-02-2614/2
Zagreb, 8 July 2002

President
of the Republic of Croatia
(Sgd.) Stjepan Mesić
THE SECURITIES MARKET ACT

PART ONE

CHAPTER I

GENERAL PROVISIONS

Article 1

This Act shall regulate the organization, scope and powers of the Croatian Securities Exchange Commission (hereinafter: «the Commission»), the issuance of securities and transactions with securities and persons and individuals authorised to conduct transactions with securities, conditions for organized public trade in securities, protection of the investor and the securities-right holder, dematerialised securities and the organization, scope and powers of the central depository agency, exchanges and regulated public markets.

The Meaning of Individual Terms

Article 2

Individual terms used in this Act have the following meanings:

(1) “security” means shares, bonds, finance papers, treasury notes, commercial papers, certificates of deposit and other series securities;

(2) “series securities” means securities issued by the same issuer, issued simultaneously and giving the same rights;

(3) “debt securities” means bonds, treasury notes, finance papers, commercial papers, certificates of deposit, and other securities with resulting money obligations;

(4) “short-dated securities” means securities with maturity period up to one year;

(5) “The Commission” means the Croatian Securities Commission;

(6) “authorised companies” means brokerage companies and banks that have obtained the Commission's license to conduct transactions with securities;

(7) “public offering of securities” is an invitation to subscribe securities addressed to an indefinite number of persons via the mass media;

(8) “private offering of securities” means issuance of securities in which the invitation to subscribe securities is addressed only to institutional investors, or issuer's shareholders or employees, and up to 20 external investors;
(9) “institutional investor” means a domestic or foreign investment fund, pension fund, bank, insurance company, and legal person whose status of institutional investor pursuant to the provision of Article 102 paragraph 3 of this Law has been approved by The Commission;

(10) “external investor” means a person or entity that is neither an issuer's shareholder nor employee nor an institutional investor, and can be a domestic or foreign individual or legal person;

(11) “issuance of securities” means the issuance of securities through public or private offering of securities in the Republic of Croatia or abroad;

(12) “foreign issuer” means an issuer of securities whose seat is registered outside the territory of the Republic of Croatia;

(13) “foreign brokerage company” means a company that is set up and registered outside the territory of the Republic of Croatia, and that is authorised by the authorised body for transactions with securities;

(14) "negotiated transaction" means a transaction with debt securities between two institutional investors performed on their own behalf and for their account;

(15) “owner’s position” means the quantity of securities kept on a securities account.

CHAPTER II
THE CROATIAN SECURITIES EXCHANGE COMMISSION

The Organization of the Commission

Article 3

(1) The Commission is a legal person with public authority performing independently and self-sufficiently the functions within the scope and powers established by this Act, and for which it is accountable to the Croatian Parliament.

(2) The headquarters of the Commission shall be in Zagreb.

(3) The Commission shall have specialised staff services and departments.

(4) General regulations on employment shall apply to persons employed in the specialised staff services and departments.

(5) The organization and activities of the Commission shall be regulated by bylaws, which shall be subject to the consent of the Government of the Republic of Croatia.
Article 4

(1) The Commission shall consist of five members, one of whom shall be the Commission's chairman.

(2) The Chairman and members of the Commission shall be nominated by the Government of the Republic of Croatia and appointed or relieved of their duty by the Croatian Parliament.

(3) The Chairman represents the Commission and manages its work.

(4) The Chairman of the Commission shall appoint the deputy chairmen from among the members.

The Conditions for Appointment and the Term of the Office

Article 5

(1) To be appointed a member of the Commission, an individual must be a citizen of Croatia and a University graduate, with ten years of service in the profession, appropriate professional knowledge and worthy of being a member of the Commission.

(2) The members of the Commission shall be appointed for terms of six years from the date of their appointment, and they may be re-appointed.

(3) Membership in the Commission shall be a professional appointment.

(4) The members of the Commission must behave so as not to detract from their own reputation or the prestige of the Commission and so as not to jeopardize their independence and self-sufficiency in making decisions and the independence of the Commission.

(5) Every form of influence on the work of the Commission shall be prohibited, in particular, the use of public authority and the media and any public effort to influence the course of the Commission's work.

Article 6

(1) During their term of office the members of the commission are entitled to a salary and other material rights in accordance with the bylaws of the Commission.

(2) The members of the Commission shall be authorised to write and publish professional and scientific papers and to participate in the proceedings of professional or scientific meetings.

(3) The members of the Commission and persons employed in specialised staff services and departments may not be members of the board, supervisory boards or other bodies of issuers of securities.
(4) The members of the Commission may not be employed either in brokerage companies or companies for managing investment funds during a period of one year from the date of relief of their duty.

(5) The members of the Commission are entitled to compensation in the amount of the salary paid in the month before they were relieved of their duty until they find new employment, but for no longer than one year from the date on which they ceased to perform their duty.

Article 7

(1) The Croatian Parliament may relieve a member of the Commission of his/her duty before the end of the term of his/her appointment pursuant to a proposal the Government of the Republic of Croatia:

1. at the member's own request,

2. if a member should permanently lose the ability to perform his/her duty,

3. if a member should commit an offence against property, safety of payment and business operations, a breach of his/her official duty or an offence against this Act,

4. if a member should violate his/her obligation of confidentiality in performance of his/her duty,

5. if a member should perform a service, business operations or activities incompatible with his duty as a member of the Commission,

6. if a member of the Commission should fail to perform his/her duty in the Commission for a considerable period of time without a justified reason.

(2) The Commission shall notify the President of the Government of the Republic of Croatia of reasons for dismissing a member of the Commission before the end of the term of his appointment.

(3) Before the decision to relieve a member of the Commission of his/her duty is rendered, the member shall be given the opportunity to make a statement on the reasons for his/her relief.

Decision-making

Article 8

(1) The Commission shall render decisions on all general and individual acts at sessions, by a majority of at least three votes, and no member of the Commission may abstain from voting.

(2) Three members of the Commission shall constitute a quorum. Every session of the Commission must be attended by the chairman or, in his absence, his deputy.
(3) The Commission shall publish general instruments in the Official Gazette of the Republic of Croatia *Narodne novine*, before they enter into force.

(4) The Commission shall publish individual acts in the Official Gazette of the Republic of Croatia *Narodne novine* after they take effect.

(5) If the Commission should consider that the publishing of an individual act would have no essential influence on the issuance of or trade in securities or the protection of investors, the Commission is not obliged to publish such an act; it can publish only its proclamation.

**Reporting**

Article 9

(1) Once a year the Commission shall submit to the Government of the Republic of Croatia and to the Croatian Parliament a report on its work and on the conditions on the securities market in the previous calendar year.

(2) At request of the Government of the Republic of Croatia, the Commission shall also produce a report for a period shorter than a year.

**Financing**

Article 10

(1) The Commission is financed from the State Budget of the Republic of Croatia and from its own revenues from charges collected by the Commission.

(2) The revenue from administrative fees that the Commission collects for its services shall be the revenue of the State Budget of the Republic of Croatia.

(3) The kinds and amounts of charges referred to in paragraph 1 of this Article and administrative fees referred to in paragraph 2 of this Article are prescribed by a Commission's bylaw.

(4) Every budget year funds shall be appropriated in the state budget of the Republic of Croatia for the work, education and employment of appropriate personnel and fulfilment of the technical and other conditions necessary for the fulfilment of the conditions necessary for the Commission to be able to perform its activities.

(5) The Republic of Croatia shall be liable for the obligations of the Commission.

**Liability for Damages**

Article 11

The members and employees of the Commission shall not be liable for any damage due to performance of duty pursuant to this Act, unless it is proven that a certain act or omission was committed on purpose or due to gross negligence.
The Commission's Competence and Powers

Article 12

In performing its public authorities, the Commission shall:

1. issue regulations to implement this Act and other laws when authorised,

2. supervise the observance of rules of customary trade and loyal competition on the securities market,

3. supervise operations in exchanges, regulated public markets, authorised companies, issuers of securities, investment and privatisation investment funds, companies for managing investment and privatisation investment funds, brokers, investment advisors, institutional investors, central depository agency, pursuant to this Act, the Act on the Takeover of Companies with Share Capital, the Investment Funds Act, the Privatisation Investment Funds Act, regulations adopted pursuant to these Laws and Acts and other legal acts that regulate these matters,

4. order what measures shall be taken to eliminate the unlawfulness or irregularities established,

5. issue or suspend licences, permits and approvals when authorised to do so by law,

6. organise, undertake and supervise measures to guarantee the effective functioning of the securities market and the protection of investors,

7. keep books and registers pursuant to the provisions of this Act,

8. start initiatives for the adoption of laws and other regulations concerning the issuance of and trade in securities, comments and drafts of laws and other regulations in this area, participate in the preparation of other laws and regulations of interest to participants in the securities market, inform the public about principles of securities market functioning,

9. prescribe the mandatory content of information that issuers must release when securities are issued with a public offering,

10. lay down the general conditions that must be met by all those who are professionally engaged in trading in securities,

11. take other measures and perform other tasks within its legal authority,

12. give its opinion on the implementation of this Act, the Joint-Stock Company Takeover Law, the Investment Funds Act, the Privatisation Investment Funds Act and regulations adopted pursuant to these Laws and Acts at the request of parties to proceedings or persons who have proven their legal interest.
The Co-operation of Supervisory Bodies

Article 13

(1) The Commission and bodies responsible for supervision of other financial institutions in the Republic of Croatia shall, at the request of an individual supervisory body, deliver to that body all the data and information on the entity being supervised that are necessary to carry out supervision and in the procedure of the issuance of licenses.

(2) The supervisory bodies referred to in paragraph 1 of this Article shall notify one another about irregularities found during supervision if these findings are essential for the work of another supervisory body.

(3) The Commission shall co-operate with and exchange information referred to in this Article with similar institutions of EU member states that are needed in the course of the implementation of supervision and in the process of issuing licenses.

(4) Supervisory bodies shall not make available to unauthorised persons the data and information exchanged pursuant to the provisions of this Article.

(5) Exchange of data and information under the provisions of this Article shall not be considered disclosure of confidential business information.

The Authority of the Commission in the Implementation of Supervision

Article 14

(1) The Commission performs the supervision by analysis and inspection of financial and business reports, business documentation, and other data and records which the persons under supervision are obliged to keep pursuant to the provisions of this Act and regulations adopted in accordance with it; further by taking statements or declarations of responsible persons and other employees of the legal person under supervision, as well as of other natural persons who have information that are of interest for the supervision.

(2) The supervision referred to in paragraph 1 of this Article is performed by professional authorised persons by analysis of delivered documentation or by authorised persons of the Commission through direct inspection in the premises of the supervised person or of the legal person with which the supervised person is directly or indirectly connected through business, management or capital, by inspection of documentation.

(3) After authorised persons of the Commission have delivered the decision to initialise the procedure of supervision to a supervised person, such supervised persons shall give access to authorised persons of the Commission to their premises, provide appropriate rooms and personnel, and deliver and present for inspection the required papers and documentation, make statements or declarations and ensure all other conditions necessary for supervision have been met.
(4) After the issuance of an appropriate receipt, the authorised persons of the Commission shall have the right of temporary seizure of the documentation and books referred to in paragraph 1 of this Article, securities, money or objects which can be used as evidence in criminal or misdemeanour proceedings, but only until the institution of these proceedings, when they shall be given over to the body authorised for conducting the proceedings.

Supervisory Measures

Article 15

(1) Supervisory measures are used to order the elimination of illegal acts and irregularities established and undertake activities necessary for their elimination.

(2) If illegal acts or irregularities have been found, the Commission shall, by rendering a decision, order that action be taken to contribute to the establishment of law and compliance of work with laws and other regulations, or the Commission shall pronounce the appropriate measure prescribed pursuant to this Act.

(3) In the decision referred to in paragraph 2 of this Article the Commission shall set the deadline for the implementation of the decision that shall not exceed 60 days and the obligation to produce to the Commission proof of the elimination of the illegal act or irregularity. If the Commission should establish that the illegal act or irregularity has not been eliminated, the Commission can render a decision pronouncing new measures.

(4) When the Commission finds illegal acts and irregularities endangering the functioning of the entire capital market, the position of individual participants on the capital market or a possibility for a considerable damage, the Commission shall:

1. cancel a transaction made on the stock-exchange, regulated public market or through any other legal operation if it is found that one or more elements of the transaction are not correct or indicate manipulation of the price or quantity of securities,

2. stop all action related to the transfer of ownership from the account of the transferor to the account of the transferee at the central depository agency or in the issuer’s register of shareholders if the Commission disposes of information that lead to the suspicion that the securities have been obtained in an illegal manner,

3. to order modifications or the suspension of the application of provisions of the general or individual acts of an exchange, regulated public market and the central depository agency, or to order the writing of new general and individual acts in the cases when the Commission finds that it is necessary to guarantee the effective functioning of the securities market and the protection of participants,
4. to dispossess the authorised company of the management of the owner’s position of the securities account when the Commission finds that it disposed of them in the manner contrary to the instructions of the owner of dematerialises securities,

5. to reprimand the participants in the capital market when the Commission finds frequent violations of the provisions of this Act,

6. to order the implementation of other measures necessary for the elimination of consequences of acts or omissions committed by participants on the capital market which could affect the market as a whole.

(5) In cases where this Act or bylaws based on this Act are violated, or if the continuation of business of the supervised entity is uncertain, the Commission can order implementation of the following special measures:

1. to ban the performance of certain operations from this Act that have to be approved by the Commission,

2. to revoke the operating license.

Article 16

Where the Commission finds that there is a reasonable suspicion that a criminal act or an offence has been committed, the Commission shall report as appropriate to the competent authority.

Article 17

(1) To the procedures that the Commission implements within its power the provisions of the General Administrative Procedure Act apply, unless otherwise prescribed by law.

(2) The Acts of the Commission shall be final, and an administrative dispute may be instituted against the acts of the Commission

Confidentiality

Article 18

(1) Members of the Commission, employees and associates must preserve the secrecy of information which they learn as they carry out their obligations or perform their tasks in the Commission or in some other way, regardless from whom, unless they are in a particular case authorised otherwise by law. This information shall be considered an official secret.

(2) The persons referred to in paragraph 1 of this Article shall not give advice concerning trade in securities and investment in securities or furnish opinions on whether it is favourable or unfavourable to obtain or sell securities.
(3) The ban of activities enumerated in paragraphs 1 and 2 of this Article shall expire six months from the date of termination of the performance of functions or tasks in the Commission.

(4) Whenever they obtain or sell securities, the members and employees of the Commission shall report it by giving such information to HINA and the media within two days from the date of purchase or sale, and shall state the kind of the security, the issuer, the date and legal grounds for obtaining or selling them.

(5) The obligation from the above Paragraph applies also to the purchase and sale of securities by the spouse, child, adoptive child, parent or adoptive parent and other persons who live with the member or employee in a common household; it also applies to purchase and sale by legal persons in which such persons have a majority interest, and the term for the report starts on the day when the employee, the chairman or the member of the Commission has learned of or, due to the circumstances of the case, could not be ignorant of the fact of obtaining or sale of the securities.

Reporting to the Commission

Article 19

(1) All data and information published under the provisions of this Act, the Joint-Stock Company Take-over Act, the Investment Funds Act, the Privatisation Investment Funds Act must be presented to the Commission before their publication.

(2) The Commission may also require persons referred to in Article 12 paragraph 1 Subparagraph 3 of this Act to give other information and data besides those enumerated in paragraph 1 of this Article, in which case the Commission shall specify the mode and time in which they are to be presented.

PART TWO

CHAPTER I

THE ISSUANCE OF SECURITIES

The Mandatory Production of a Prospectus

Article 20

(1) When issuing securities in the Republic of Croatia, the issuer shall publish a prospectus (public offering) or deliver to the potential investors a prospectus of issues of the securities (private offering). Besides an invitation to subscribe securities, the prospectus shall contain complete, accurate and objective information of the property and obligations, profit or loss, financial position and prospects of the issuer, the purpose of raising funds, risk factors and the rights contained in the securities to which the prospectus pertains, on the basis of which a potential investor can make an objective assessment of the prospects and risks of the investments and make a decision about the investment.
(2) Issuance of new securities documents to replace those declared to be invalid shall not be considered issuance of securities.

The Mandatory Content of the Prospectus

Article 21

(1) The prospectus shall contain:

A) data on securities to which the prospects pertains and on the manner and conditions of their issuance as follows:

1. an indication of the class and a description of the characteristics of the securities, their total number, and description of the rights contained in these securities,

2. the date of the commencement of the subscription and the period during which the securities may be subscribed to and paid for,

3. a description of the manner of distribution of the securities if the subscription is greater than the number being issued,

4. the name, seat and address of the issuing agent,

5. the names, seat and addresses of the persons guaranteeing the obligations of the issuer with respect to the security,

6. the names and addresses of institutions through which the issuers shall meet their financial obligations to the owners of securities,

7. the price or manner of determination of the price of securities,

8. the procedure for exercising the right of priority in subscription and payment,

9. the purpose intended by the issuer for the funds raised.

B) Data on the issuer of securities as follows:

1. corporate name, address, date of establishment, legal form, name of the court keeping the register in which the issuer is entered and the number of the entry in that register,

2. the amount of subscribed and/or authorised capital and paid-in capital, details on securities constituting the initial capital in the case of a company with share capital, and if the initial capital has not been entirely paid in, the amount of the unpaid portion and the reasons why it has not been paid in, the number of convertible securities or rights to subscribe securities issued and conditions for their conversion or subscription,

3. data on the managing underwriter if the issuer is a syndicate,
4. A list of shareholders with 5% or more of the total number of votes in the issuer’s assembly and the percentage of votes that belong to each of them.

C) Data on the nature of the issuer’s business as follows:

1. Description of the issuer’s type of business and possible extraordinary circumstances which have influenced or are influencing the performance of some of those activities,

2. Dependence on patents belonging to others and licences or other contracts with third parties, which are of major significance to the conduct of business,

3. Data on major current investments,

4. Basic data on current court suits or other disputes or other legal actions that could have a significant effect on the issuer’s financial position,

5. When the securities to which the prospectus pertains are exchangeable or have been issued along with rights of purchase or subscription, and the issuer of securities whose acquisition gives the right or for which they may be exchanged is not the issuer of securities to which the prospectus pertains, the data covered by this article must also be furnished concerning the other issuer,

6. Risk factors (risk factors to which the issuer is exposed and which can influence the exercise of rights from securities to which the prospectus pertains and their price on the market).

D) The following data on property and debt, the financial condition and profits or losses of the issuer, specifically for the last three years and for the current year to the last quarter inclusive that precedes filing the application for approval of the prospectus, unless the issuer has not been in business that long:

1. Its own statements and also, if they exist, consolidated financial statements; if the issuer prepares only consolidated statements, they must be included in the prospectus, and if the issuer prepares both its own and consolidates financial statements, it must include them in the prospectus except when the statement omitted does not contain essential additional data, when the data in the various statements are shown in tables, which makes it possible to compare the various items for successive financial years,

2. The name or corporate name of the entity or individual responsible for auditing the financial statements, and if that entity or individual has refused to do an audit or sign it or has qualified its opinion, those facts must also be given, including the reasons behind that action.

E) Data on the issuer’s responsible individuals as follows:

1. Full names, personal identification numbers (JMBG) and addresses of members of the board of directors and supervisory board or other corresponding body of the issuer, and their posts held in those bodies,
2. if the prospectus pertains to shares, the curricula vitae of members of the board of directors and supervisory board or other corresponding body of the issuer and earnings which they receive from the issuer,

F) The following declaration of persons who sign the prospectus:

"To the best of our belief and in keeping with all our knowledge and the data we possess, we declare that all the data in this prospectus constitute a full and truthful presentation of the property and obligations, profits and losses, financial condition and business operation of the issuer, the rights contained in the securities to which they pertain, and that facts which might influence the completeness and truthfulness of this prospectus have not been omitted."

(2) The prospectus shall be signed by the issuer, or by all the members the board of directors and supervisory board or other corresponding body of the issuer. It is sufficient that the prospectus is signed only by the person authorised to represent the issuer, or several of them if they represent the issuer jointly if in the prospectus reasons are stated for which other members have not signed the prospectus. The prospectus may also be signed by other persons who participated in its production or in preparation of data for the prospectus.

(3) If a member of the board of directors or supervisory board refuses to sign the prospectus on the issuance of securities, he shall state the reasons for his refusal in writing, and this statement shall be published as an integral part of the prospectus.

(4) In the case that persons referred to in paragraph 3 of this Article should refuse to state the reasons of their refusal to sign the prospectus, the issuer shall state this fact in the prospectus.

(5) If one or several persons have issued a guarantee to meet obligations under the securities to which the prospectus pertains, the prospectus must also contain the data enumerated in paragraph 1 subparagraph B) of this Article concerning the issuer of that guarantee.

Approval of the Prospectus

Article 22.

(1) Before publishing the prospectus or delivering it to potential investors, the issuer shall file an application with the Commission for approval of the prospectus. The issuer shall include the prospectus with the application, the decision of issuance of securities and other prescribed documentation.

(2) The prospectus shall neither be published nor delivered to potential investors before it has been approved by the Commission.

(3) In the procedure following the receipt of application, the Commission shall verify that the prospectus contains all the data enumerated in Article 21 of this Act. The Commission shall neither check whether the information stated in the prospectus is full and truthful nor the lawfulness of the decision to issue securities nor the content of other attached documents.
(4) If the application has all the prescribed documentation attached and if the prospectus contains all the data pursuant to the provisions laid down in Article 21 of this Act, the Commission shall approve the prospectus by rendering a decision.

(5) By way of an derogation from the provisions laid down in paragraph 4 of this Article, if it is evident from the application or attached documentation, or if it is public knowledge, or it is otherwise known to the Commission, that significant facts and circumstances exist which should undoubtedly be stated in the prospectus pursuant to the provisions of Articles 20 and 21 of this Act, the Commission shall conclude to invite the issuer to supplement the prospectus accordingly.

(6) If within 30 days from the date of filing a correct and full application referred to in paragraph 1 of this Article the Commission does not reach the decision to approve or reject the prospectus, it shall be considered that the Commission has approved the prospectus.

(7) The Commission shall prescribe by a bylaw the form, kind and the number of mandatory attachments to the application referred to in paragraph 1 of this Article and the mandatory content of the application.

Liability for the Content of the Prospectus

Article 23

(1) The Commission is not liable for the truthfulness of the data given in the prospectus. Through its decision the Commission confirms that the prospectus contains all the data prescribed by law and that it can be published.

(2) For the fullness and truthfulness of the data contained in the prospectus, the issuer and persons who were determined to have used the prospectus for covering up or false presentation of important facts, shall be held completely liable. The persons who have signed the prospectus shall be liable for the truthfulness and fullness of the data contained in the prospectus within the limits of their knowledge or assumed knowledge.

Publication of Prospectus

Article 24

(1) Within 30 days from receipt of the decision of approval of the prospectus for the issuance of securities by public offer the issuer shall publish the prospectus in the form of an insert to a daily paper regularly sold throughout the whole territory of the Republic of Croatia, or so that along with the invitation to subscribe securities, in the same daily paper the places where the prospectus can be obtained free of charge and the address from where it can be ordered free of charge are also given.

(2) If the invitation to subscribe securities is addressed only to certain potential investors in the case of a private offering, the issuer shall within 15 days deliver the prospectus to those potential investors and the issuer is not under obligation to publish it.
(3) In the case that securities are issued by public offering, the prospectus shall be available to the investors at the issuer’s headquarters and in all the places where the subscription for securities is performed.

(4) The prospectus must be published (public offering) or made available to potential investors (private offering) before the possible acceptance of the obligation to subscribe and before subscription of securities. The investor is not liable for possible acceptance of the obligation to subscribe or performance of the subscription of securities before publishing or delivery.

(5) If the issuer should not publish the prospectus within the term referred to in paragraph 1 of this Article or if he should not deliver it to potential investors within the term referred to in paragraph 2 of this Article, the decision of approval of the prospectus referred to in Article 22 paragraph 4 of this Act shall cease to be valid.

Modification the Prospectus

Article 25

(1) Every fact that arises or which the issuer learns after the Commission has approved the prospectus up to the end of the period for subscription of the securities that pursuant to the provisions of Articles 20 and 21 shall be given in the prospectus, as well as every inaccuracy in the prospectus shall be stated or corrected by the issuer in the modification of the prospectus. The issuer shall without delay file with the Commission an application for approval of the modification of the prospectus and attach to it the modified prospectus.

(2) Within three working days from receipt of the application for approval of modification of the prospectus the Commission shall render a decision concerning the application, under appropriate application of the provisions of Article 22 of this Act.

(3) If the Commission approves the modification of the prospectus or within the term referred to in paragraph 2 of this Article does not render a decision about the application, on the next working day the issuer shall publish the modification of the prospectus in the same way as the prospectus was published.

Private Offering of Securities

Article 26

(1) If securities are offered by a private offering of securities, in the decision of issuance of securities the issuer shall name potential investors to whom he will send the invitation to subscribe securities as well as the form and the amount of their investments.

(2) In the case of a private offering of securities the prospectus shall contain the data referred to in Article 21 of this Act, and the data concerning property and debt, the financial condition and profits or losses referred to in Article 21 paragraph 1 subparagraph D) shall relate only to the prior and the current year to the last quarter inclusive that precedes filing the application for approval of the prospectus.
(34) In the case of a private offering of securities, the issuer of securities shall neither communicate with potential investors either through the mass media nor publish the prospectus.

Subscription and Payment of Securities, Reporting of the Commission

Article 27

(1) Subscription and payment of securities in a public offering shall not exceed three months, and in the case of a private offering it shall not exceed thirty days, from the day of on which the decision of approval of the prospectus made by of the Commission has become final.

(2) In the period of payment of securities the issuer shall not dispose of the paid-in deposits, and shall deposit them in a special account opened at the bank in which the investor has an account opened for his current business.

(3) If within the time for subscription and payment of securities in a public offering at least 75% of the securities remains unsubscribed and unpaid, and in the case of private offering 90% of the securities remains unsubscribed and unpaid, the issuer is not allowed to issue the securities and within seven days from the end of the period for payment of securities the investor shall return the investors their paid-in deposits.

(4) Within seven days from the end of the period for payment the issuer shall notify the Commission of the number and percentage of the securities subscribed and paid for and of the persons who have subscribed and paid for the securities. The Commission is also authorised to require from the issuer other data concerning the subscription and payments pertaining to that particular issue of securities.

(5) Upon expiration of the period for subscription and payment neither the issuer nor the issuing agent shall either offer or enable subscription of securities or receive payments.

(6) Subscription and payment of securities upon the expiration of periods referred to in paragraph 1 of this Article shall be null and void.

Short-dated Securities

Article 28

(1) The provisions of this Act apply to the issuance of short-dated securities.

(2) Short-dated securities shall not be issued with a maturity deferment clause through the issuance of a new series of securities.

(3) Issuers of short-dated securities are not obliged to produce the prospectus, but they shall notify the Commission in writing of the issue and the main characteristics of short-dated securities within seven days upon realisation of the issue.
(4) The time limit referred to in the above paragraph shall begin at the end of the last day of the period within which the payment of securities in question had to be made.

(5) The notice referred to in paragraph 3 of this Article shall contain:

1. data on securities, subscription and payment,
2. data on the issuer of the securities,
3. data on the issuer’s responsible persons.

Issuance and Listing of Securities Issued by a Public Offering

Article 29

The issuer shall issue the securities that are issued by public offering for subscription in the form of dematerialised securities pursuant to the provision of Article 124 paragraph 3 of this Act, and list them in exchange or a regulated public market within one month from the day of issuance of the securities.

Foreign issuer

Article 30

(1) A foreign issuer may issue securities in the Republic of Croatia with a public offering only through an authorised company that the foreign issuer has engaged to act as agent or underwriter.

(2) The application for approval of the prospectus of the issue of securities of a foreign issuer shall be filed on behalf of the foreign issuer by the authorised company referred to in paragraph 1 of this Article. The application shall be accompanied by the contract of agency or underwriting between the foreign issuer and the authorised company. The authorised company shall also perform other tasks on behalf of the foreign issuer in the procedure of issuing securities.

(3) The Commission may approve publication of the prospectus of a foreign issuer although the application is not accompanied by all the prescribed attachments or the application does not contain all the prescribed data:

- If the authorised company referred to in paragraph 1 of this Article should prove that pursuant to legislation of the issuer’s country these attachments and data cannot be furnished, and if the Commission considers that will not lessen the potential investor’s possibilities of making an objective assessment of the prospects and risks of the investment and to make a decision concerning the investment,

- if the authorised company referred to in paragraph 1 of this Article should prove that pursuant to legislation of the member-state of the European Union in which the issuer of
securities is domiciled these attachments and data are not required for approval of publication of a prospectus under the condition of reciprocity, which is assumed. The condition of reciprocity shall not apply to foreign issuers seated in member-states of the World Trade Organization.

(4) By way of an exception from the provisions of Article 22 of this Act, the Commission may approve the publication of a prospectus to a foreign issuer issuing securities with a public offering simultaneously in the Republic of Croatia and in a member-state of the European Union if the publication has in that particular member-state of the European union been approved by the appropriate body of that state, and the Commission may condition the approval by supplementing the prospectus with certain data referred to in Article 21 of this Act.

(5) The authorised company referred to in paragraph 1 of this Article shall also jointly and severally guarantee that the data contained in the prospectus of a foreign investor is correct and complete.

Issuance of Securities Outside the Republic of Croatia

Article 31

(1) A domestic issuer that intends to issue securities on a foreign market shall previously notify the Commission of the characteristics of the intended issue of securities.

(2) The notice referred to in paragraph 1 of this Article shall contain the data enumerated in Article 21 paragraph 1 subparagraphs A) and B) of this Act.

(3) Within eight days of the expiration of the period for subscription and payment for securities issued exclusively outside the Republic of Croatia, the issuer shall inform the Commission about the number of securities subscribed and paid for.

Exceptions from the Mandatory Production of a Prospectus

Article 32

(1) The issuer is not obliged to produce a prospectus in the following cases when he/she issues shares in order to:

- increase the initial capital through conversion of capital profit, reserves and retained earnings into the initial capital of the company,

- increase the initial capital in order to carry out a company merger,

- increase the initial capital, so that all the shares are subscribed and paid for by the issue’s shareholder issuer who owes more than 75 % of voting rights in the issuer’s general assembly,

- increase the initial capital, in which only institutional investors participate,

- increase the initial capital through entry of the right - money claim,
- convert convertible bonds into shares, and at the moment of issuance of convertible bonds he/she has already produced and published or delivered the prospectus to investors,

- transform a company into a company with share capital.

(2) The issuer that has not produced a prospectus pursuant to the provision of paragraph 1 of this Article shall within seven days after the last day of the period for payment of securities submit to the Commission information about the issuance of securities.

(3) The information referred to in paragraph 2 of this Article shall contain data referred to in Article 21 paragraph 1 subparagraphs A) and B) and the data on investors and number of shares subscribed and paid for.

(4) By way of an exception from the provision of paragraph 1 of this Article, the issuer shall produce a prospectus on the issuance of securities with a private offering, when the invitation to subscribe is addressed only to institutional investors, so that one or more institutional investors subscribe and pay in all the securities of that issue, with the intention of offering them for sale to persons that are not institutional investors within a period shorter than one year.

(5) The issuer referred to in paragraph 4 of this Article shall file with the Commission the application referred to in Article 22 paragraph 1 of this Act before the institutional investor starts offering securities for sale, and the institutional investor shall make this prospectus available to potential customers before the sale.

Exceptions from the Application of This Chapter

Article 33

The provisions of this Chapter of the Act do not apply either to the issuance of shares when setting up a company with share capital or to the issuance of securities when they are issued by the Republic of Croatia and the Croatian National Bank.

CHAPTER II

TRANSACTIONS WITH SECURITIES AND PERSONS AND INDIVIDUALS AUTHORISED TO CONDUCT TRANSACTIONS WITH SECURITIES

Section 1

Transactions with Securities

Article 34

Transactions with securities shall be:
1. purchases and sales by order of a customer (in one’s own name and on behalf of the customer),

2. trade for speculative purposes – the purchase and sale of securities on one’s own behalf and for one’s own account,

3. management of securities portfolio on behalf of the customer – the owner of the portfolio,

4. transactions in special exchange trade – simultaneous bid-ask of securities, on one’s own behalf and for one’s own account, to maintain constant demand for certain security,

5. performance of the business of an issuing agent - organization, preparation and implementation of subscription and payment of securities and performance of other activities for the issuer related to issuance of securities, preparations for listing of securities on exchange and regulated public market including filing the listing on behalf of the issuer,

6. sponsorship of an issue - organization, preparation and implementation of issuance of securities for the issuer and related subscription and payment of all securities or of only unsubscribed securities, for their further sale to potential investors, to ensure the success of the subscription and payment,

7. furnishing investment advice – advising on investments in securities,

8. operations related to custody of securities.

Authorised Companies

Article 35

(1) Transactions with securities as a business may be performed exclusively by brokerage companies and banks that have been authorised by the Commission to conduct such transactions and have entered such transactions as their business activities in the court register.

(2) Persons and individuals not authorised by the Commission shall not conduct transactions with securities.

Section 2.

Brokerage Companies

Article 36

(1) A brokerage company is a private limited company or a company with share capital seated in the Republic of Croatia, whose sole business shall be the transactions with securities enumerated in Article 34 paragraph 1 subparagraph 1 to 7 of this Act, for which it has received authorization from the Commission.
(2) The provisions of the Company Act shall apply to brokerage companies, unless otherwise prescribed by this Act.

(3) The Provisions of this Act that relate to shares and shareholders of brokerage companies shall appropriately apply also to stocks and members of a brokerage company organized as a private limited company.

Article 37

(2) A brokerage company established as a company with share capital may issue only registered shares.

(2) The shares of a brokerage company shall be paid in money, and before entry of the establishment or increase of the initial capital in the court register they must be paid in full.

Banks

Article 38

(1) Banks may conduct the transactions with securities enumerated in Article 34 of this Act for which they have been authorised by the Commission.

(2) The provisions of this Act that apply to brokerage companies shall appropriately apply also to the banks that conduct transactions with securities.

(3) Banks may start conducting the transactions referred to in paragraph 1 of this Article when, after being authorised by the Commission for each individual transaction, the bank enters these transactions as one of its activities in the court register.

Article 39

(1) The bank shall separate operations related to securities from other banking activities in terms of structure, organization and accounting.

(2) The bank may perform the transactions enumerated in Article 34 paragraphs 1 to 7 of this Act through a brokerage company it owns.

Limited Acquisition of Shares or Stocks of Brokerage Companies

Article 40

(1) A bank may have shares or stock of only one brokerage company.

(2) A brokerage company, a shareholder or a member of a brokerage company, a natural person or a legal person connected with a brokerage company by having shares or stock of a
legal person that is a shareholder or a member of that brokerage company, shall have neither shares nor stock in another brokerage company.

(3) Brokerage companies shall furnish information on every change in their ownership structure to the Commission within eight days from the day when the change occurred.

**License to Conduct Transitions with Securities**

**Article 41**

(1) A license to conduct transactions with securities issued by the Commission shall be valid for an indefinite time.

(2) The Commission shall revoke licenses to conduct transactions with securities under the conditions set out in this Act.

(3) Licenses to conduct transactions with securities shall cease to be valid:

1. on the day of the opening of bankruptcy or compulsory liquidation proceedings,
2. with completion of liquidation,
3. with delivery of a Decision to revoke of the license to conduct transactions with securities,
4. with delivery of the license to provide banking services, pursuant to provisions of the Banking Act.

**Application for the Issuance of a License**

**Article 42**

(1) Before entering the establishment of a brokerage company in the court register, and before each next entry of business activities in the court register, the authorised company shall obtain from the Commission a license to conduct transactions with securities. The application for the issuance of the license to conduct transactions with securities shall be filed with the Commission by the founders or the management of the authorised company.

(2) The Commission shall prescribe the content of the application for the issuance of a license by a bylaw, setting forth the conditions and the procedure for issuing licenses to authorised companies and persons authorised for conducting transactions with securities.

(3) Certified copies of the following documents shall be attached to the application referred to in paragraph 2 of this Article:

1. memorandum and/or statute or partnership, or the founders’ statement in the case of private limited companies,
2. an extract from the court register, when an authorised company, which already has a license for the performance of individual transactions, files the application,

3. proof of payment in money of the initial capital of the brokerage company,

4. statements of each member or shareholders of the brokerage company that they have neither stocks nor shares of another brokerage company,

5. proof that the authorised company has permanently employed at least one broker and/or investment advisor,

6. documentation prescribed by the bylaw referred to in paragraph 2 of this Article on the basis of which it can be determined if the personnel, technical and organizational conditions exist for providing services to which the application for issuance of the license relates,

7. proof of payment of administrative fees.

The Commission’s Decision-Making on the Issuance of Licenses to Conduct Transactions with Securities

Article 43

(1) Within 60 days from the day of filing a correct application the Commission shall render a decision on the application and notify the applicant of the decision.

(2) If the applicant that filed the application should fail to eliminate defects specified in the received notice of the Commission within the time set by the Commission, it shall be considered that the applicant has waived his application.

(3) The Commission shall issue a license to conduct transactions with securities to the authorised company for which it has been established that it fulfils the conditions prescribed by this Act.

(4) In the decision on the issuance of the license to conduct transactions with securities the Commission shall specify for which particular transactions referred to in Article 34 of this Act the license is issued.

(5) The Commission shall keep a register of companies authorised for conducting transactions with securities.

Article 44

The Commission shall refuse to issue a license to conduct transactions with securities:

1. if provisions of the statute, partnership agreement or articles of association of an authorised company are contrary to provisions of this Act or regulations founded on it,
2. if it follows from the statute, partnership agreement or articles of association of the authorised company that it is not organized in accordance with this Act, that in it the business conditions pursuant to this Act and regulations founded on it are not ensured,

3. if the brokerage company, a shareholder or a member of the brokerage company has directly or indirectly shares or stocks in another brokerage company,

4. if the authorised company has not at least one permanently employed broker and/or investment advisor,

5. if the brokerage company does not have the necessary capital available,

6. if from the application and attached documentation it follows that the authorised company does not fulfil other conditions for conducting transactions to which the application for issuance of the license relates.

Mergers and Take-overs of Brokerage Companies

Article 45

(1) In the case of a merger of one authorised company with another company the license to conduct transactions with securities of the merged authorised company ceases to be valid.

(2) In the case of the integration of authorised companies, the licenses to conduct transactions with securities of all the integrated companies cease to be valid.

(3) Authorised companies that are integrated before entry of the new authorised company in the court register shall file the application with the Commission for the brokerage company that will be formed by integration.

Initial Capital of Brokerage Companies

Article 46

(1) For conducting transactions enumerated in Article 34 Paragraph 1 Subparagraphs 1 and 7 of this Act, the initial capital of the brokerage company shall not be less than HRK 200,000.00.

(2) For conducting transactions specified in Article 34 paragraph 1 subparagraphs 2, 3 and 4 of this Act, the initial capital of the brokerage company shall not be less than HRK 400,000.00.

(3) For conducting transactions specified in Article 34 paragraph 1 subparagraphs 5 and 6 of this Act, the initial capital of the brokerage company shall not be less than HRK 4,000,000.00.

Net Liquid Capital

Article 47
(1) To insure its obligations to creditors, the brokerage company shall balance its assets and liabilities.

(2) The balance referred to in paragraph 1 of this Article is expressed by the net assets indicator, which is the quotient of total assets and total short-term of the brokerage company.

(3) The net liquid assets indicator of a brokerage company shall not be less than 1.00 (one).

(4) The brokerage company shall fulfil its obligations enumerated in paragraphs 2 and 3 of this Article daily, and every month it shall inform the Commission about the calculation of the net liquid assets indicator.

(5) The Commission shall by a bylaw prescribe the manner of balancing the liquidity of the capital and reporting to the Commission.

Article 48

Nobody can at the same time be an employee, a member of the board of directors or supervisory board in several brokerage companies.

Subsection 1

Conducting Transactions with Securities of Brokerage Company Branch Offices Abroad

Article 49

(1) A brokerage company may establish a branch office abroad to conduct transactions with securities in accordance with the laws of the country in which it intends to perform the business.

(2) Before the establishment of a branch office abroad, the brokerage company shall advise the Commission of its intention to establish a branch office.

(3) The brokerage company shall notify the Commission of the established branch office within 10 days from the day of entry of the branch office in the foreign register or from the obtaining of a license to conduct transactions with securities abroad. The notice shall be accompanied with copies of the following:

1. a translation of and the original extract from the foreign register in which the branch office has been entered,

2. a translation of and the original license to conduct transactions with securities issued by the authorised foreign body,

3. a list of persons authorised to represent the brokerage company in business activities of the branch office and persons in the branch office who conduct transactions with securities.
Conducting Transactions with Securities by Branch Offices of Foreign Brokerage Companies in the Republic of Croatia

Article 50

(1) A foreign brokerage company authorised to conduct transactions with securities can establish a branch office in the Republic of Croatia with the view to conducting transactions specified in Article 34 paragraph 1 subparagraphs 1 to 7 of this Act, on the basis of the license issued by the Commission.

(2) The foreign brokerage company that establishes a branch office in the Republic of Croatia shall attach to the application for the issuance of a license to conduct transactions with securities the following certified copies:

1. a translation and the original of the authorization to conduct transactions with securities in the country of its domicile,

2. a translation and the original of the receipt proving that the notice of establishment of branch office in the Republic of Croatia has been sent to the appropriate foreign authority authorised for regulation.

(3) The provisions of this Act that relate to the issuance and revocation of licenses to brokerage companies and to the business of brokerage companies shall also apply as appropriate to the branch offices referred to in paragraph 1 of this Article, unless otherwise prescribed by individual provisions.

Subsection 2

Filing Data

Article 51

(1) Authorised companies shall file annual income statements and revised financial statements with the Commission within 60 days from the end of the business year and quarterly income statements and financial statements within 30 days from the end of the quarter.

(2) The Commission shall prescribe by a bylaw the content of statements that brokerage companies shall file with the Commission.

(3) Within eight days the authorised company shall notify the Commission of every change in the data given in the application for the issuance of a license, of the authorised company, broker or investment advisor.

Revocation of License of an Authorised Company to Conduct Transactions with Securities

Article 52
(1) The Commission shall by a decision revoke the license of a brokerage company to conduct one or more transactions with securities if:

1. within six months from issuance of the license the brokerage company fails to be entered in the court register, or if within six months it fails to enter in the court register as its business activity the transactions with securities for which it has obtained a subsequent license by the Commission,

2. within six months from issuance of the license the brokerage company fails to commence conducting transactions with securities or if it does not conduct such transactions for more than 6 (six) months,

3. it conducts transactions with securities for which it does not have a license from the Commission,

4. it performs business activities that are not transactions with securities,

5. it fails to bring its business operations into conformity with the provisions of Article 47 of this Act,

6. it obtains shares or stocks of brokerage companies contrary to the provisions of Article 40 of this Act,

7. it does not keep its order book or custodial book pursuant to the provisions of Articles 63 and 72 of this Act, or fails to issue at a customer’s request the listing of orders from the order book or from the custodial book,

8. it fails to notify the customer of the execution of orders,

9. it does not keep the money remitted by customers in a separate account, or disposes of the customer’s funds in a manner contrary to the provisions of Article 64 of this Act,

10. it loans securities without the written permission of the owner of those securities,

11. it has no employed broker or investment advisor in the cases when this is so prescribed or when transactions with securities for the customer’s account are conducted by persons who are neither brokers not investment advisors,

12. it fails to provide the Commission with the data that it is obliged to file within prescribed deadlines and in the prescribed manner,

13. it does not allow authorised persons of the Commission to carry out supervision in accordance with Article 14 of this Act,

14. it fails to execute a decision by which the Commission orders it to discharge an obligation within the time prescribed by this Act or by the Commission’s decision,
15. by acting contrary to provisions of this Act and regulations founded on it endangers or thwarts the functioning of an exchange, regulated public market or the central depository agency.

16. it does not conduct transactions referred to in Article 34 of this Act in accordance with provisions of this Act and bylaws of the Commission, in accordance with customer’s orders and instructions, or with due professional care,

17. the license for conducting transactions with securities has been obtained on the basis of false data stated in the application for issuance of the license or in the attachments to the application,

18. it no longer fulfils the conditions on the basis of which it has obtained the license to conduct transactions with securities, and fails to fulfil the same conditions within the time set by the Commission.

(2) Apart from the cases specified in paragraph 1 of this Article the Commission shall also revoke the license to conduct transactions with securities of a branch office of a foreign brokerage company, for the following reasons:

1. if the foreign brokerage company should lose its license to conduct these transactions in the country of its domicile,

2. if the condition of reciprocity should cease to exist.

(3) By the decision referred to in paragraph 1 of this Article the Commission shall set a time period in which the authorised company cannot re-apply for issuance of the license to conduct transactions with securities, which however cannot be longer than one year.

(4) By the description referred to in paragraph 1 of this Article the Commission may order that unexecuted orders and other documents of customers of an authorised company whose license has been revoked by the Commission, be transferred to another authorised company, with the consent of that other authorised company.

(5) From the day on which the decision of revocation of the license to conduct transactions with securities becomes final, or from the day on which the license becomes invalid under compulsion, the authorised company shall neither conclude, start performing nor perform any new transaction related to the performance of the business activities for which the license was issued.

(6) When the Commission establishes that reasons exist for revocation of the license enumerated in paragraph 1 subparagraphs 7, 8, 11, 12, 13 and 14 of this Article, the Commission may decide, in the decision of revocation of the license, that the license of an authorised company will not be revoked if the brokerage company eliminates the illegality within the time set by the Commission, and during that time, which cannot be longer than one year from the day on which the decision of revocation of the license becomes final, no reasons appear for the revocation of the license referred to in paragraph 1 of this Article.
Subsection 3

Brokers and Investment Advisors

Brokers

Article 53

(1) For the purposes of this Act, a broker is an employee of an authorised company who is authorised to trade in securities.

(2) The Commission is authorised to issue and revoke brokers’ operating licenses.

(3) The Commission is authorised to organize and implement a program of training and examinations for brokers, and to issue appropriate certificates.

(4) The Commission keeps a register of authorised brokers.

(5) Persons who do not have a license from the Commission shall not provide broker services.

Investment Advisors

Article 54

(1) Investment advisors are employees of authorised companies who are authorised for advising on investments in securities.

(2) The Commission is authorised to issue and revoke investment advisor operating licenses.

(3) The Commission is authorised to organize and implement a program of training and examinations for investment advisors, and to issue appropriate certificate.

(4) The Commission keeps a register of authorised investment advisors.

(5) Persons who do not have the license issued by the Commission shall not provide investment advisor services.

Application for Broker and Investment Advisor Licenses

Article 55

(1) The person filing an application for the issuance of a broker or investment advisor license shall attach to the application the following certified copies:

1. a certificate of having passed broker or investment advisor examinations,
2. proof of the applicant’s qualifications; in the case of a foreign document the original and a certified translation of that document,

3. proof that no charge has been brought against him/her that has become legally effective, that he/she has not been condemned for criminal acts against security of payment operations and business, authenticity of documents or criminal acts under this Act, that no safety measures in terms of prohibition to perform the profession that is partly or fully covered by the business activities of a brokerage company, has been pronounced against him/her or is in effect; in the case of a foreign applicant also the original and translation of the clearance issued by the authorised body of the country whose citizen he/she is,

4. a certificate of citizenship - a citizen of a foreign country shall attach a copy of his/her passport,

5. employment booklet,

6. proof of fulfilment of the conditions pursuant to regulations for the employment of foreign persons,

7. proof of payment of the administrative fee.

(2) The Commission can accept the license referred to in Paragraph 1 Subparagraph 1 of this Article issued by authorised regulatory bodies of countries of European Union and OECD.

Commission’s Decision-Making on the Basis of Applications for the Issuance of Broker and Investment Advisor Licenses

Article 56

(1) If the Commission establishes that an applicant fulfils all the conditions referred to in Article 55 of this Act and has filed the application in accordance with Article 42 paragraph 2 of this Act, the Commission will issue the license to the applicant authorizing him/her to perform the work of a broker or an investment advisor as an employee of an authorised company.

(2) Provisions of Article 43 of this Act also apply as appropriate to the issuance of broker and investment advisor licenses.

(3) Licenses are issued for an indefinite time.

Article 57

(1) An authorised company may perform the transactions with securities only if it has at least one permanently employed broker.
(2) An authorised company may perform the transactions specified in Article 34 paragraph 1 and paragraphs 3 and 7 of this Act only if it has at least one permanently employed investment advisor.

(3) Authorised companies shall employ at least one broker or investment advisor in each of their branch offices or office in which they conduct transactions with securities or provide services of investment advising.

Revocation of Broker or Investment Advisor Licenses

Article 58

(1) The Commission shall revoke a broker or investment advisor license by a decision:

1. if it establishes that the data referred to in Article 55 of this Act were untrue,

2. if the broker or the investor advisor has been condemned with legal effect for acts against property, safety of payment operations and business, authenticity of documents or for criminal acts under this Act, that a safety measure in terms of prohibition of working in the profession that is partly or fully included in the business activities of an authorised company has been pronounced against him/her or is in effect,

3. if he/she has been condemned with legal effect for an offence referred to in Article 155 of this Act,

4. if he/she acts contrary to the provisions of Articles 62 to 66 of this Act,

5. if, in spite of being warned, he/she repeatedly violates the rules of the exchange or regulated public market,

6. if he/she performs tasks that are not within the job description of a broker or investment advisor,

7. if he/she no longer fulfils the conditions on the basis of which the license was issued, and fails to fulfil such conditions within the time set by the Commission.

(2) When the Commission establishes that reasons exist for revocation of the license specified in paragraph 1 Subparagraphs 4 to 6 of this Article, the Commission may decide, in the decision to revoke the license, that the license will not be revoked if within the period of one year from the day on which the decision of revocation of the license has become final no reasons appear to revoke the license referred to in paragraph 1 of this Article.

Section 3

The Rights and Obligations of Persons in Conducting Transactions with Securities

Subsection 1
General provisions

Article 59

(1) In conducting transactions with securities, authorised companies, members of the board, brokers and investment advisors shall in all respects take care of the customer’s interests and act with due professional care.

(2) Members of the board of directors, supervisory board, brokers, investment advisors and other employees of authorised companies shall keep secret information about customers, the balance and the trade on customers’ securities accounts, operations performed for the customer and other data and facts they learn in connection with conducting transactions with securities for the customer. These data are considered confidential, and the said persons shall neither use them nor divulge them to third parties nor enable their usage by third parties.

(3) Data referred to in paragraph 2 of this Article shall not be considered confidential if required by the Commission, exchange, regulated public market, legal and administrative bodies in the execution of their supervisory capacity or other public authorities pursuant to this Act or other laws, or if their publication has been licensed by the customer.

Public Advertising of Companies Authorised for Conducting Transactions with Securities

Article 60

(1) Only authorised companies may publish advertisements offering transactions with securities.

(2) It is prohibited to publish advertisements whose content might mislead investors as to the rights and risks resulting from securities or transactions with securities conducted by a person authorised to conduct transactions with securities.

(3) Authorised companies shall file with the Commission the text of advertisements before publication. If within 24 hours from filing the text of the advertisement the Commission does not prohibit its publication, authorised companies may publish the advertisement. The burden of proof that the Commission has received the advertisement shall be on the authorised company.

(4) The Commission shall prohibit publication of advertisements whose content is contrary to the provisions of paragraph 2 of this Article, or is otherwise contrary to this Act, or to professional rules protecting the interests of the investor.

(5) Public advertising referred to in paragraph 1 of this Article means advertising in the mass media and public-access electronic media.

(6) The provisions of this Article do not apply when the purchase or sale of securities or public advertising is a part of the take-over of companies with share capital pursuant to the provisions of this Act on the Take-Over of Companies with Share Capital.
General Conditions of Order Contracts

Article 61

(1) Authorised company are obliged to prescribe the general conditions of order contracts.

(2) General contract conditions and the price list must be exhibited in all the premises in which an authorised company does business with investors in a visible place easily accessible to the investor.

(3) General contract conditions shall contain provisions on the mutual rights and obligations of the authorised company and the investor and the description of risks connected with conducting specific transactions with securities.

(4) The authorised company shall inform the investor of all the circumstances that are necessary for making a decision on to purchase or sell or other transactions with securities, and in particular give the investor true information on supply and demand, trade in securities and trends in their prices.

(5) An authorised company shall inform the customer whether it is a member of the exchange, regulated public market and central depository agency.

Subsection 2

Conducting Transactions with Securities by Order

Article 62

(1) An order is a one-sided statement of the customer’s will given orally, in writing or as an electronic record that is addressed to the of the offeree, i.e. to the authorised company, to conduct a certain transaction with securities on the company’s own behalf and on the customer’s account.

(2) Entry of the order referred to in paragraph 1 of this Article in the order book shall mean that the brokerage company has accepted the order.

(3) The order referred to in paragraph 1 of this Article does not exclude the application of general contract conditions referred to in Article 61 of this Act.

Keeping the Order Book

Article 63

(1) In relation to conducting the transactions enumerated in Article 34 paragraph 1 subparagraphs 1 to 4 of this Act the authorised company shall keep the order book in electronic form. The order book for the purposes of this Act means the sum of all individual orders referred to in Article 62 paragraph 2 of this Act.
(2) Every order enumerated in Article 62 paragraphs 1 and 2 of this Act shall be entered in the
order book. Purchase and selling orders shall be entered in the order book in chronological
order of the acceptance of that particular order, and each shall be given a reference in the form
of an ordinal number. The sequence execution of orders is determined by the ordinal number
and the price. If two or more orders have the identical price, the order to be executed first
shall be the one with the lower ordinal number. If an order has been executed only partially,
the remainder shall keep its place in the order book.

(3) Every modification, cancellation of an order and information about the execution of the
order shall be entered in the order book. Only orders in which the quantity of securities has
been lowered keep the same order reference and the same order of execution. Every other
modification of quantity or price represents a new order.

(4) The authorised company shall immediately, without unnecessary delay, deliver the
customer at his request a listing of orders from the order book.

(5) The data in the order book and those in the order must be identical at all times.

(6) The Commission is authorised to prescribe by a bylaw the content of the order book and
the manner it is kept.

(7) The order book shall be kept in a manner that will prevent any subsequent change of
entered data.

(8) The order book shall be kept for at least five years from the end of the business to which it
refers.

Customer’s Funds

Article 64

(1) An authorised company shall keep the funds remitted by customers for payments of
securities or the money from sale of securities in a separate account or separate accounts (the
customer account), which are open with authorised institutions for that particular purpose.

(2) The funds in the customer account for the sale of securities may be used only in
accordance with the customer’s orders.

(3), The brokerage company shall remit the funds in the customer account earned by sale of
securities exclusively in favour of the customer account.

(4) The authorised company shall not use the funds on the customer account for the purpose
of assignments, conveyances or compensations, with exception of compensations with the
customer him/herself for the purchase of new securities, provided that the customer account is
not blocked.
(5) Funds in customers’ accounts are not owned by the authorised company, they shall not be included either in its property, or in its assets if in liquidation, or in its bankruptcy estate, nor can they be used in seizures related to claims against the authorised company.

Loanings Securities

Article 65

(1) Authorised companies may grant and raise loans in securities only with the written consent of the owner of those securities.

(2) The Commission may enact regulations that regulate the conditions and the manner of loaning securities in more detail.

The Obligations of Brokerage Companies in the Execution of Orders

Article 66

(1) In the execution of orders for the purchase and sales of securities the authorised company shall act pursuant to provisions of this Act.

(2) The authorised company shall execute orders according to their priority in the order book.

(3) The authorised company shall without delay notify the customer of each business transaction made on the customer’s order even when without customer’s particular request.

(4) When an authorised company purchases or sells securities on its own account and behalf and/or on the account of its employees, the company shall state in the order that it is its own order.

(5) As regards priority of execution in the order book, the authorised company's own order is equal to other orders.

(6) The company shall immediately, without delay, present orders to purchase or sell securities quoted on the exchange or regulated public market to the trade system of the exchange or the regulated public market, unless the term of presentation has not been expressly specified otherwise.

(7) The brokerage company shall not in any way other than the one laid down in paragraph 6 of this Act merge or execute orders for the purchase or sale of securities.

(8) The brokerage company may jointly present orders to purchase or sell securities of one issuer (joint trading) under the same conditions regarding the price and type of order on the trade system of the exchange or regulated public market, unless the possibility of executing the order would be decreased by this presentation in terms of quantity.

(9) If orders presented jointly have been carried out at the same price, but the quantity of securities was not sufficient for the execution of all the orders, or if jointly presented orders
have been executed at different prices, the order to be executed first shall be the order of the customer with priority according to the order book.

**Time Limits for Meeting the Obligations of Parties**

**Article 67**

(1) Parties in a legal operation concerning the transfer of the ownership of securities shall discharge their obligations (payment of the price and transfer of ownership of securities) within four days from the day of the transaction, unless stipulated otherwise in the contract that is the foundation for the transfer of ownership of securities that are not entered in the depository of the central depository agency.

(2) The date of the transaction shall be the day when the parties conclude a legal operation.

(3) Ownership of securities not entered in the depository of the central depository agency shall be acquired on the date of the transaction referred to in paragraph 2 of this Article.

(4) Ownership of dematerialised securities shall be acquired on the day of acquittance in accordance with the rules of the central depository agency.

**Subsection 3**

**Custody of Securities**

**Article 68**

Operations related to the custody of securities for the purposes of this Act are:

1. storing and safekeeping of securities,
2. reporting on payments of dividends, interests or other instruments to be collected,
3. informing about meetings of securities issuers and rights related to shares and other securities entrusted for custody, and the execution of customers’ orders related to the realization of these rights,
4. informing about legal changes that directly or indirectly influence reporting to the customer on the balance of the custodian account,
5. the service of voting at annual assemblies,
6. other services related to securities, the realization of rights and fulfilment of obligations resulting from securities, as agreed between the customer and the custodian and which are not contrary to law.
(1) With a contract of custody of securities the custodian undertakes to perform one or more operations referred to in Article 68 paragraph 1 of this Act on a customer’s account and for a commission.

(2) Operations related to the custody of securities shall be performed by banks authorised by a decision of the Commission for conducting transactions referred to in Article 34 paragraph 1 subparagraph 8 of this Act.

(4) The custodian shall organize custody-related operations in a special department.

(5) The Commission may introduce a bylaw by which the conditions for conducting transactions related to the custody of securities will be prescribed in detail.

Custodian Securities Accounts

Article 70

(1) The custodian shall open with the central depository agency a custodian account of dematerialised securities on which the customer’s securities that are registered with the custodian bank are kept. Only the custodian can open a custodian account with the central depository agency, which can be either in the name, code or joint account.

(2) The custodian can handle securities in the custodian account by the customer’s order.

(3) Securities in a custodian account are the customer’s property, they shall not be included either in custodian’s property, or in its assets if in liquidation, or in its bankruptcy estate, nor can they be used for seizures related to claims against the custodian.

(4) The custodian shall handle the customer’s funds in accordance with Article 64 of this Act.

(5) The custodian shall be liable for all damages suffered by its customer due to inadequate implementation of the custody contract, including loss of profit. The custodian cannot limit its responsibility for damage under a securities custody contract.

Mandatory Reporting to the Commission

Article 71

The Commission can require from the custodian to produce reports with data on all the customers and quantities of securities they owe.

Custodial Book

Article 72

(1) The custodian shall keep special records for each customer on securities with whose custody it is entrusted.
(2) The custodian shall keep a custodial book with entries on all orders to purchase and sell securities.

(3) The custodial book shall be kept in the same manner as the order book referred to in this Act.

(4) At the Commission’s request, the custodian shall enable the Commission to inspect the custodial book and all other documentation.

(5) The custodian shall without delay inform the customer about each deal made in accordance with the customer’s order even if the customer does not require so.

Article 73

The provisions of this Act on the custody of dematerialised securities shall also apply as appropriate to securities issued in the form of documents.

Subsection 5

Management of Securities Portfolios on Behalf of Customers

Article 74

(1) With a contract on the management of securities portfolios in the company’s own name and on behalf of the customer, the brokerage company undertakes to perform, for a fee, on the customer’s behalf, operations related to investments of funds in securities, and to manage the customer’s securities so as to gain profit for the customer.

(2) The authorised company shall perform each purchase or sale of securities referred to in Paragraph 1 of this Article on the basis of orders referred to in Article 62 paragraph 2 of this Act.

(3) The authorised company may invest the customer’s funds only in securities traded on the exchange or regulated public market of securities in the Republic of Croatia, or on the exchanges of member states of the European Union, member states of OECD, and in securities issued by the Republic of Croatia or the Croatian National Bank, unless prescribed otherwise by a separate law.

(4) An authorised company managing a portfolio of securities on its own name and on the customer’s behalf shall keep the securities in the customer’s account with the central depository agency, i.e. separated from its own property.

Article 75

The provisions of this Act that relate to trading in securities in one’s own name and for the account of the customer shall also apply as appropriate to operations related to the management of securities portfolio for the customer’s account.
CHAPTER III
TRADING IN SECURITIES

General provisions

Article 76

(1) Trading in securities shall be performed in an organized manner on exchanges and regulated public markets established to create conditions to bring together the supply and demand for securities.

(2) The activities of bringing together the supply and demand for securities can be performed only by exchanges and regulated public markets.

Operating licenses

Article 77

(1) Exchanges and regulated public markets may perform the operations referred to in Article 76 paragraph 1 of this Act only if they have a license from the Commission.

(2) The Commission shall issue the license referred to in paragraph 1 of this Article under the condition that all prerequisites under this Act and regulations founded on it are fulfilled.

(3) The Commission is authorised to introduce a bylaw by which it will prescribe special conditions to be fulfilled by exchanges and regulated public markets for performing operations referred to in paragraph 1 of this Article.

Section 1
Securities Exchanges

Article 78

(1) A securities exchange shall be established as a company with share capital, in accordance with the provisions of the Company Act and of this Act.

(2) A securities exchange must have the personnel, equipment, technical conditions and organization so that:

1. all the members of the exchange can simultaneously, equally and under equal conditions make and accept offers for the purchase and sale of securities,

2. all the members of the exchange can at the same moment have equal access to market information on securities being traded, and can all sell or purchase securities under the same conditions.
(3) Only brokerage companies that are members of the exchange may participate in trade on the exchange.

Specialized Securities Exchanges

Article 79

(1) On a specialized exchange only certain classes of securities are traded.

(2) The class and the form of securities for which the exchange referred to in paragraph 1 of this Article is specialized must be stated in the name of the exchange.

(3) Provisions for the establishment and business operations of securities exchanges apply as appropriate to the establishment and business operations of specialized securities exchanges.

The Establishment and Shareholders of Securities Exchanges

Article 80

(1) An exchange may be established by no less than 10 authorised companies, and in every moment it must have at least that same number of shareholders.

(2) With the exception of shareholders of an exchange that were its shareholders at the moment this Act came into force, only authorised companies may be shareholders of an exchange.

(3) An exchange shall accept as its member each authorised company that fulfils the conditions pursuant to this Act and the conditions for membership prescribed by the rules of the exchange.

Initial capital of Exchanges and Shares

Article 81

(1) The initial capital of an exchange must amount to at least HRK 1,000,000.00.

(2) All exchange shares are ordinary and registered.

(3) Exchange shareholders shall have an equal number of shares. Shares in an exchange may not be conveyed except on termination of membership in the exchange.

The Power of a Stock Exchange to Regulate its Business by Rules

Article 82
(1) The stock exchange shall prescribe its organization, business and rules of listing and trading on it by its Statute and rules that must be approved by the Commission.

(2) The Commission shall render a decision to approve of the acts referred to in paragraph 1 of this Article within 60 days from the date of the orderly filing of the application.

(3) The application referred to in paragraph 2 of this Article shall be accompanied by proof of payment of administrative fees.

Mandatory Reporting

Article 83

(1) Exchanges shall publish and give to the Commission daily, weekly, monthly and annual reports containing data on the trade with prices and quantities of:

1. negotiated transactions
2. and transactions made by participants in the trade.

(2) The Stock Exchange shall make possible for the Commission on-line monitoring of trading in the exchange trade system free of charge.

Disinterestedness

Article 84

(1) Exchanges are not authorized either to conduct transactions with securities referred to in Article 34 paragraph 1 of this Act, or to furnish advice on trade in securities and investment in securities, or give opinions on the favourability or unfavourability of acquiring or selling securities.

(2) Exchanges are authorised to present in public the advantages of listing securities in quotations and the advantages of organized public trading.

Data on Members of the Exchange Supervisory Board

Article 85

Information on participation of members in meetings of exchange supervisory boards and on their fees shall be published in the annual business report of the exchange.

Article 86

Members of the board of directors and supervisory board of the exchange as well as employees of the exchange may not be members of boards of directors or supervisory boards of brokerage companies or issuers whose securities are listed in quotations of the exchange.

Confidentiality
Article 87

(1) The provisions of Article 18 of this Act that relate to professional confidentiality shall apply as appropriate to employees and members of exchange boards of directors and supervisory boards.

(2) Once a month the chairman of the board of directors shall present reports to the Commission on the acquisition or alienation of securities of the persons referred to in paragraph 1 of this Article.

Subsection 1

Quotations

Article 88

(1) The exchange shall prescribe different conditions for at least two quotations for listing securities.

(2) The quotations referred to in paragraph 1 of this Article are quotation one and the quotation for public companies with share capital.

(3) Application for listing securities in the quotations referred to in paragraph 2 of this Article shall be filed by the issuer of the security or by the person authorised by the issuer to do so.

(4) Conditions for listing securities in other quotations of the exchange will be prescribed by the exchange.

(5) Applications for listing of securities in other quotations shall be filed by the issuer of the security, or the person authorised by the issuer, or by an authorised company.

Conditions for Listing Securities in Quotations

Article 89

(1) The form and the content of securities for which application for listing in a quotation of an exchange is filed shall be in accordance with the regulations of the Republic of Croatia.

(2) Applications for listing shall relate to all securities of the same class of an issuer.

(3) Securities may not be listed in a quotation before the expiry of the term of their payment, if this term was determined at their issuance or prescribed by law.

(4) By way of an exception from provisions of paragraph 3 of this Article the issuer can, under conditions prescribed by the exchange and the Commission, make a public offering of securities through the exchange.
Negotiability of Securities

Article 90

(1) Securities listed on the exchange shall be fully negotiable and entirely paid for.

(2) Full negotiability means unconditional unlimited negotiability regardless of the place and manner in which the securities have been acquired, i.e. both for trading on the exchange and for other ways of legal acquisition of securities.

(3) Shares of companies with share capital whose statutes prescribe that the transfer of their shares shall be approved by the company may not be listed on the exchange.

Listing of Securities in Quotation One of the Stock Exchange

Article 91

Shares may be listed in quotation one of an exchange if the following conditions are fulfilled:

1. the issuer shall be a company with share capital established and doing business in accordance with regulations of the Republic of Croatia;

2. The initial capital, reserves and profit in the last financial year shall not be less than the amount prescribed by the Commission;

3. the financial statements of the issuer referred to in paragraph 1 of this Article shall be published or filed with the appropriate institutions for the period of at least the three previous years;

4. at least 25% (twenty five percent) of the class of shares for which the listing is sought shall be distributed to the public in the country or abroad; however, listing is acceptable if the percentage is below 25% in those cases when the market functions in a satisfactory manner even with a lower percentage, taking into account here a large number of shares of the same class and the magnitude of their distribution to the public.

Listing of Debt Securities on Exchanges

Article 92

Debt securities may be listed in quotation one of the exchange if the following conditions are fulfilled:

1. the issuer – a firm governed by commercial law shall have had initial capital, reserves in the last financial year not less than the amount prescribed by the Commission;

2. the financial report of the issuer referred to in paragraph 1 of this Article shall be published or filed with the appropriate institutions for the period of at least the three previous financial years;
3. the issuer – a sole trader for the purposes of the Company Act shall fulfil the conditions prescribed by the Commission's bylaws.

Listing of Securities of Foreign Issuers in Quotation One of Exchanges

Article 93

Securities of a foreign firm governed by commercial law established in accordance with the law of its domicile country outside the Republic of Croatia may be listed in a quotation of an exchange under the conditions prescribed for domestic firms governed by commercial law and under the condition that the securities have been issued in accordance with the laws of the domicile country of the issuer, and that they are dematerialised and entered in the register of the central depository agency.

Suspension, Revocation of Listings and Cancellation of Transactions

Article 94

(1) The exchange is authorised to decide on the suspension or revocation of a listing of a security under the condition prescribed by regulations, of which it shall notify the Commission without delay.

(2) The Commission is authorised to decide on the suspension of a listing or the cancellation of the listing of a security in exchange quotations if it considers this to be indispensable for ensuring the operation of the market or protection of investors.

(3) The Commission is authorised to introduce the measures prescribed in Article 15 of this Act relating to the operation and business of the exchange.

Subsection 2

Power of the Commission and Exchange in Trading in Securities

Article 95

(1) There are no special conditions prescribed for listing securities of the Republic of Croatia and Croatian National Bank in quotation.

(2) The Commission may prescribe by a bylaw additional conditions for listing securities in quotations on exchanges.

(3) Exchanges may pose stricter requirements than those prescribed by this Act and bylaws of the Commission.

(4) Acts referred to in paragraphs 2 and 3 of this Article prescribe the lowest amount of the issuer’s initial capital, the period of time he/she has been doing business, the minimum
nominal or market values of the entire series of securities, the minimum number of shareholders and other conditions of the listing.

Content and Publication of Data

Article 96

(1) When listing securities in quotation one on an exchange, the applicant for the listing shall publish at least the data prescribed pursuant to this Act for the content of the prospectus of an issue of securities.

(2) The Commission prescribes the data that the applicant for listing must publish when listing shares in the quotation of public companies with share capital.

(3) The data referred to in paragraphs 1 and 2 of this Article shall be consistent with the nature of the issuer’s business, and enable investors and their investment advisors objective evaluation of the assets and obligations, financial position, the issuer’s profit and loss and the rights contained in the securities.

(4) Publication of the data referred to in paragraphs 1 and 2 of this Article shall be approved by the Commission.

(5) The data referred to in paragraphs 1 and 2 of this Article shall be published in the manner prescribed for the publication of the prospectus of an issue.

Article 97

(1) Issuers of securities listed in quotation one on exchanges shall regularly produce and publish annual, semi-annual and quarterly financial reports on their business.

(2) The Commission is authorised to prescribe by a bylaw the terms for the publication and content of the reports referred to in paragraph 1 of this Article.

(3) The issuers referred to in paragraph 1 of this Article, whose shares are listed in quotations on exchanges of member countries of the European Union or OECD can produce reports on their business either in accordance with this Act or in accordance with the regulations of the member state of the European Union or OECD.

Revocation of Licenses

Article 98

If during supervision irregularities or illegalities are found in the business of an exchange or regulated public market, the Commission is authorised to render a decision to revoke the license for conducting transactions.

Section 2
Regulated Public Markets

Article 99

(1) For the purposes of this Act, regulated public markets are legal persons whose core activity is bringing together the supply and demand of securities that are not listed in quotation one of the exchange.

(2) The provisions of this Act that prescribe the organization and operation of the exchange shall also apply as appropriate to regulated public markets.

Listing Securities in Quotations of Regulated Public Markets

Article 100

(1) Listing of securities in the quotations of regulated public markets may be sought by the issuers or authorised companies.

(2) The Commission is authorised to prescribe by a bylaw the content, manner and terms of publication of data that an issuer must publish when listing a security on regulated public markets.

Article 101

Regulated public markets shall without delay notify the Commission of each new listing of securities and each revocation of a securities listing, as well as of each change of members or shareholders.

Section 3

Trading in Securities between Institutional Investors

Article 102

(1) The institutional investors are authorised to conduct only the negotiated transactions without a licence from the Commission.

(2) By concluding a negotiated transaction, institutional investors accept their own responsibility for all the risks that may arise from such transaction.

(3) The Commission shall give the status of institutional investor to a legal entity if the Commission finds that that legal entity invests its funds in securities in order to gain profit through differences in prices or to protect financial property from market risks, and that it has experience in investing and trading in securities.

(4) Neither exchanges, nor regulated public markets, nor brokerage companies, nor issuers of securities, nor the central depository agency can be institutional investors for the purpose of the provisions of this Act.
(5) Institutional investor, the buyer in a negotiated transaction, shall notify in writing the exchange or the regulated public market of the sale by the end of daily trading through the trade system. The notification shall contain the data on the price and quantity of securities that were the subject of the transaction.

(6) The Commission is authorised to prescribe by a bylaw another deadline and additional contents of the notification referred to in paragraph 5 of this Article.

CHAPTER IV

BANS AND RESTRICTIONS ON BUSINESS ACTIVITIES RELATED TO SECURITIES

Section 1

Privileged Information

Article 103

(1) For the purposes of this Act, privileged information shall be all the facts that are not known to the public and which pertain to one or more issuers of securities or to securities, which, if known, might influence the price of securities.

(2) The Commission is authorized to prescribe by a bylaw the modes of preventing misuse of privileged information.

Article 104

For the purpose of establishingment of misuse of privileged information, all persons referred to in Article 105 shall supply the Commission with all the requested data.

The Ban on Divulging and Use of Privileged Information

Article 105

(1) Persons who possess privileged information shall be those persons who learn privileged information in the course of their work, profession or duty.

(2) Members of boards of directors, supervisory boards and other equivalent bodies of the issuer of securities shall be considered persons who possess privileged information pertaining to the issuer and the company which the issuer controls.

(3) For the purposes of this Act, lineal relatives in the first degree of kinship (i.e. parents, spouse and children) of natural persons referred to in paragraphs 1 and 2 of this Article shall also be considered persons who possess privileged information. Persons who possess privileged information shall be also affiliated persons for the purpose of Article 473 of the Company Act. Affiliated persons who possess privileged information shall also be legal persons and natural persons not connected in any way that is regulated by the provisions of
this Act, yet for which the Commission should find, by inspection of financial and other
documentation or in some other way, applying the usual standard of due care, that the
deterioration or improvement of the economic or financial standing of one person can cause
the deterioration or improvement of the economic or financial standing of one or more other
persons, because between them transfer of losses, profit or credit rating is implemented, or
there is a possibility of such a transfer.

(4) Members of boards of directors, supervisory boards and employees of authorized
companies, shall not divulge privileged information on securities or their issuers, which they
learn in the conduct of their business. The ban under this Paragraph ceases with the expiry of
a six-month period from the date of termination of performance of the duty or tasks.

(5) Authorized companies that learn privileged information shall neither purchase nor sell
securities for their own account, nor advise on investments in securities to which the
privileged information relates.

(6) Persons who possess privileged information, as well as the persons who have learned
privileged information in an unauthorized manner and who are aware of its nature shall not:

1. realize the advantages offered by access to privileged information in directly or indirectly
   buying or selling securities which are traded on the territory of the Republic of Croatia or
   securities issued by issuers registered in the Republic of Croatia, regardless of where they are
   traded,

2. divulge privileged information or make it accessible to third parties,

3. realize the advantages offered by access to privileged information in furnishing advice to
   third parties on the purchase or sale of securities referred to in paragraph 5 subparagraph 1 of
   this Article.

(7) Persons who possess privileged information may divulge that information only if they are
authorised to do so by law or by acts that regulate the operations or duties they perform.

(8) The persons referred to in paragraph 2 of this Article shall be required to report every
transaction whereby they acquire or release directly or indirectly securities of the issuers
enumerated in paragraphs 2 and 3 of this Article to the issuer, to the Commission and to the
exchange or regulated public market on which such securities are listed, and to do so within
15 days counting from the date on which the transaction takes place, in the manner and within
the terms specified in Articles 115 to 117 of this Act.

Issuer’s Obligations

Article 106

(1) Issuer of securities listed on an exchange or regulated public market must promptly inform
the public of all information pertaining to circumstances or decisions that constitute material
facts.
(2) Material facts for the purpose of the provisions of paragraph 1 of this Article mean all information and facts that can influence the price of securities.

(3) The Commission is authorized to issue regulations concerning the mode of issuance and content of information referred to in paragraph 1 of this Article.

Exceptions from Obligation to Inform

Article 107

When an issuer is unable to publish the information referred to in Article 106 of this Act because that would jeopardize his legitimate interests, he shall so inform the Commission, which may exempt him from that obligation, but only for a period of time which may not be longer than three months.

Section 2

Manipulation of Prices

Article 108

(1) The following shall be prohibited in order to avoid creation of a false impression of the market for a particular security:

1. conduct a transaction with securities in such a manner that its execution does not result in a change legal holder or owner, or in some other way create an appearance of an executed business transaction,

2. issue an order for purchase or sale of a security in the knowledge that an order has been given or will be given for the sale or purchase of that security at approximately the same price by the same or another person in order to create a fictitious price or appearance of active trading.

(2) It is prohibited to conduct transactions with securities:

1. in order to increase the price of that security and encourage other investors to buy that security,

2. in order to depress the price of that security to encourage investors to sell that security,

3. in order to give the appearance of active trading in that security and thus encourage other investors to purchase and/or sell that security.

Section 3

Spreading False Information
Article 109

It shall be prohibited to spread false information that influence or might influence the volume of trade and price of securities.

Section 4

Commission-Motivated Trading

Article 110

In performance of the business of managing a customer’s securities portfolio, authorised companies shall be prohibited from selling securities or issuing orders for their sale, or buying securities or issuing orders for their purchase, exclusively with the intention of earning the commission collected for that service.
CHAPTER V

PROTECTION OF PARTIES ENTITLED TO RIGHTS BASED ON SECURITIES

Section 1

Security for the Fulfilment of Obligations Based on Securities

Prohibition of Securing Payment of Dividends

Article 111

(1) An issuer’s obligation to pay dividends may not be secured by a bank guarantee, warranty or a similar form of security.

(2) Any guarantee or security for payment of a future dividend shall be null and void.

Security for Payment of Interest and Principal

Article 112

The obligations of an issuer of a security to pay the principal and interest from debt securities may be secured by a bank guarantee, warranty or a similar form of security that must ensure fulfilment of obligations from all securities of the same class.

Real Estate Mortgage, Hypothecation of Securities

Article 113

(1) An issuer’s obligation to pay the principal and interest may be secured by a lien on real estate and securities, whose value shall not be less than the total issuer’s obligations from all the secured securities.

(2) During the term of the lien on dematerialised securities, the pledge on them shall be registered with the central depository agency, and securities issued in the form of documents shall be deposited in a bank.

(3) The value of pledged real estate and securities must be established by an authorized legal expert.

PUBLIC COMPANIES WITH SHARE CAPITAL

Article 114

(1) Public companies with share capital for the purposes of this Act shall be those that fulfil one of the following criteria:
1. they issue shares in a public offering, or

2. they have more than 100 shareholders, and their initial capital is at least HRK 30,000,000.00.

(2) Within 30 days from the day of issue of shares in a public offering, or from the day of fulfilment of the criterion referred to in paragraph 1 subparagraph 2 of this Article public companies with share capital shall list shares in the quotation of public companies with share capital on an exchange or regulated public market.

(3) When listing shares in the quotation of public companies with share capital, public companies with share capital shall publish abridged prospectuses; the conditions for listing shall be prescribed by the exchange and the regulated market.

(4) Public companies with share capital shall present the Commission quarterly financial and business reports within 30 days from the last day of each quarter, and their consolidated reports within 45 days. Public companies with public share capital shall present financial and business reports for the 4th quarter to the Commission within 90 days after the end of each business year.

(5) The Commission is authorized to prescribe by a bylaw the form and the content of the reports referred to in paragraph 4 of this Article, as well as the time and the manner in which it is to be established if a company with share capital has more than 100 shareholders.

(6) The Commission shall make the reports referred to in paragraph 4 of this Article accessible to the public.

(7) Before listing securities in the quotation of public companies with share capital on an exchange or a regulated public market, public companies with share capital shall give data on securities and their owners from the share or issuer register to the depository of the central depository agency for the dematerialization of securities, within the periods and in the mode of delivery prescribed by the central depository agency and approved by the Commission.

(8) The provisions of this Article shall not apply to public companies with share capital referred to in paragraph 1 of this Article against which bankruptcy or liquidation proceedings have been instituted until the termination of these proceedings.

PROTECTION OF INVESTORS

Section 1

The Obligation to Report Changes in the Structure of Shareholders to the Issuer and to the Commission

Article 115

When a natural or legal person directly or indirectly acquires or releases shares of a public company with share capital, and as a consequence of that fact the proportion of votes in the
assembly which that person or entity possesses exceeds or falls below the following thresholds: 10%, 25%, 50% or 75%, that person or entity must notify in writing the Commission or the issuer of that acquisition or release within 15 days.

Article 116

The period referred to in Article 115 of this Act shall begin to run from the moment of conclusion of that business transaction (for the purposes of this Act a legal transaction is considered concluded in spite of an agreed condition for deferral) or from the moment of coming into being of the fact on which the transfer of shares is based, regardless of entry into the share book or depository of the central depository agency.

Article 117

The notice referred to in Article 115 of this Act shall contain:

1. full name, personal identification number (JMBG) and address of the person who has acquired or alienated the shares, or the name, registered office and registration number of that legal person with the trade court (MBS) and the name, personal identification number (JMBG) and address of the person who has acquired or alienated the shares,

2. the document that was the foundation for the transfer of shares,

3. the number of acquired or alienated shares, the share in the initial capital of the issuer on the basis of acquired or alienated shares, the number of voting rights that the total of acquired or alienated shares ensures in the general assembly of the issuer.

4. the total number of shares, i.e. the share in the initial capital of the issuer after the acquisition or release.

Obligation to Notify the Public and Exemption from the Obligation to Inform the Public

Article 118

An issuer - public company with share capital who receives the notice referred to in Article 117 of this Act shall be required to publish it in the daily press accessible throughout the territory of the Republic of Croatia within seven days from the date of its delivery.

Article 119

(1) On the written proposal of the issuer filed within three days from the date of receipt of the notice referred to in Article 117 of this Act, the Commission can render a decision to temporarily exempt the issuer from the obligation of publication for a period of time that may not be longer than 3 (three) months if the issuer feels that this publication of the notice might cause him serious harm and that the public, even without publication of the notice, will be able to assess the value of shares to which the notice relates.
(2) If within eight days from receipt of the application referred to in paragraph 1 of this Article the Commission does not render a decision, the application shall be considered rejected, and the issuer shall perform his obligation to publish within 7 (seven) days.

Section 2

Stock Splits and Reverse Stock Splits

Article 120

The general assembly of a company with share capital may decide to split the issuer’s shares so that each shareholder will be issued two or more shares for one.

Article 121

(1) The general assembly may decide to reduce the number of shares of the issuer by issuing each shareholder one share instead of two or more.

(2) Shareholders who do not have enough shares for replacement in the reverse split procedure must be given an opportunity by the issuer to acquire shares up to the number necessary for the reverse split, at the same price within three months from the date when they receive the notice of the reverse split.

Notice of Stock Splits and Reverse Stock Splits

Article 122

(1) Within eight days from the day of a decision to make a split or reverse split of stock, the public company with share capital shall give notice to all the shareholders, the Commission, the central depository agency if the shares are dematerialised, and the exchange and the regulated public market if listed in the quotation of an exchange or regulated public market.

(2) The notice referred to in paragraph 1 of this Article must contain information on the conditions and procedure of the stock split or reverse stock split, the designation of the security, the date of execution, the ratio of stock split to reverse stock split and the day from which shares will be traded with the new nominal value.

(3) Shareholders must be given an opportunity to exchange shares within a period of time which may not be shorter than 90 days from the date the decision was made on the stock split or reverse split.

(4) The issuer shall bear the costs of the split or reverse split.

Article 123

(1) On the next working day the issuer shall notify the Commission, the exchange or the regulated public market of the split or reverse split of shares undertaken and shall issue a
press release on this and see that it is published in the daily press accessible throughout the territory of the Republic of Croatia.

(2) The exchange or regulated public market after receipt of the notice referred to in paragraph 1 of this Article shall promptly forward it to all their members.
PART THREE

DEMATERIALIZED SECURITIES

Section 1

The Term Dematerialised Security

Article 124

(1) A dematerialised security is an electronic record of a securities account in the computer system of the central depository agency with which its issuer undertakes to fulfil the obligation towards the owner contained in the dematerialised security.

(2) Only dematerialised securities may be issued by a public offer.

(4) Dematerialised securities that within the same issue and the same class ensure the same rights in payment operations are convertible without limitations, so that obligations of any kind can be fulfilled by the transfer of any security of the same issue and the same class, and therefore the creditor cannot individually or particularly claim certain dematerialised securities.

The Term Account of a Dematerialised Security

Article 125

(1) On accounts of dematerialised securities data are kept on the issues, classes, quantities, property rights and holders of these rights, limitations of property rights and the history of entries of dematerialised securities.

(2) An account of dematerialised securities can be in the name of a single person, several persons who can be owners or co-owners of dematerialised securities (joint account) and a custodian bank.

(3) Authorised companies are not allowed to keep their customers’ securities in a joint account.

The Essential Elements of a Dematerialised Security

Article 126

By way of an exception from the provisions of general and specific laws that prescribe the essential elements of individual issues of securities, when these securities have the form of dematerialised securities then they do not contain either serial or control numbers, or signatures of authorized persons.

To Whom the Right from a Security Belongs
Article 127

(1) Claims from dematerialised securities belong to their owner.

(2) The owner of a dematerialised security is the person in whose name a securities account is opened with the central depository agency, in which account the dematerialised security is recorded.

(3) By way of an exception from the provisions paragraph 2 of this Article, when a custodian bank keeps dematerialised securities for the account of a third party, separately from the bank’s own property, the owner of these dematerialised securities shall be the persons for whom the custodian is keeping them.

Ownership of Dematerialised Securities

Article 128

(1) The ownership and the rights resulting from a dematerialised security are acquired through its transfer from the transferor’s dematerialised securities account to the transferee’s dematerialised securities account on the basis of a valid legal transaction whose purpose is the acquisition of ownership, of a judicial decision or a decision of some other appropriate authority, by inheritance and pursuant to the law.

(2) The ownership and the rights resulting from a dematerialised security are acquired at the moment of its entry in the dematerialised securities account of the acquisition or the person who, for the purpose of Article 127 paragraph 3 of this Act, keeps dematerialised securities for the buyer’s account.

(3) The provisions of this Article shall apply as appropriate to the termination of ownership.

Lien on Dematerialised Securities

Article 129

(1) Lien on a dematerialised security is acquired by the appropriate entry of that right in the dematerialised securities account on the basis of a valid legal transaction, judicial decision or pursuant to law.

(2) Only one lien may be established on a dematerialised security.

(3) Out-of-court discharge of a secured claim by pledge is licensed on a dematerialised security.

(4) Notwithstanding the legal foundation of termination, lien on a dematerialised security is terminated at the moment of its release.

Clearing, Settlement and Re-booking of Dematerialised Securities
Article 130

(1) Transfer of the ownership of a dematerialised security on the basis of a transaction concluded on an exchange or a regulated public market is performed by clearing and settlement.

(2) Acquisition and termination of ownership and other rights of a dematerialised security on the basis of valid transactions concluded outside the exchange or regulated public market, on the basis of a judicial decision or a decision of some other appropriate authority, by inheritance and pursuant to law, are performed by appropriate entries in electronic records in the re-booking procedure.

Accessibility of Data from the Depository of Dematerialised Securities

Article 131

(1) The owner of dematerialised securities and the custodian bank referred to in Article 127 paragraph 3 of this Act shall have the right of access to the data referred to in Article 125 paragraph 1 of this Act.

(2) The issuer of dematerialised securities has the right of access referred to in Article 125 paragraph 1 of this Act to data whose issuer he is and data on the owners of these securities.

(3) The issuer or the central depository agency shall allow each shareholder access to the data referred to in Article 125 paragraph 1 of this Act that relate to the shareholders and shares of that issuer. The central depository agency has the right to compensation of the costs of writing and delivery of reports in accordance with the tariff. The shareholder shall neither communicate nor make accessible to other persons the information on shareholders and shares referred to in this paragraph.

(4) The Commission has the right of access to the data referred to in Article 125 paragraph 1 of this Act and to all other data kept in the depository of the central depository agency.

(5) On the basis of a written request and within the authorities pursuant to provisions of a separate law, judicial and administrative bodies have the right of access to the data kept in the depository of the central depository agency.

(6) Each person who proves his legal interest has the right of access to the history of transactions of individual securities subject to a reasonable fee.

(7) With the exception of cases pursuant to the provisions of paragraphs 1 do 6 of this Article, the central depository agency shall keep data on the balance of individual accounts of dematerialised securities confidential.

Obligation to Inform
Article 132

(1) The central depository agency shall, in the manner and in the scope prescribed by its rules, inform:

1. the issuers of dematerialised securities on dematerialised securities they issued and on owners of these securities,

2. the owners on the balance and changes in their account of dematerialised securities,

3. members on data that are essential for transactions with dematerialised securities they have made for their own account or for the customers’ account.

(2) The central depository agency shall write and present the Commission monthly reports on its work, within the period and with the content prescribed by the Commission.

(3) Issuers of dematerialised securities shall notify the central depository agency of all the changes related to dematerialised securities and the realization of the rights from these securities.

(4) The data concerning the identity of 10 largest owners of any security shall be made accessible to the public.

Depository of Dematerialised Shares

Article 133

(1) The provisions of Article 226 of the Company Act (The Official Gazette of the Republic of Croatia Narodne novine nos. 111/93, 34/99 and 52/00) do not apply to shares that exist in the form of dematerialised securities, so a shareholder who has a share in the form of a dematerialised security on his account of dematerialised shares in the central depository agency shall be considered to be a shareholder who has a share in the form of a dematerialised security.

(2) The provisions defined in Article 227 paragraph 2 of the Company Act do not apply to dematerialised shares.

The Central Depository Agency

Section 1.

Definition

Article 134
(1) The central depository agency is a legal person authorised for performing tasks related to the depository of dematerialised securities, clearing and settlements of legal operations performed with securities.

(2) For the purposes of this Act the terms relating to the tasks of the central depository agency shall have the following meanings:

1. clearing is the comparison of information on concluded legal transactions in dematerialised securities, determination of deadlines for payments related to legal transactions and calculation of obligations to be paid,

2. a settlement is the mediation and supervision of payment and/or transfer of securities associated with legal transactions in securities,

3. the depository tasks are the corresponding entries in electronic records for the purpose of acquisition, transfer or termination of ownership, lien and other rights from dematerialised securities.

The Organization of the Central Depository Agency

Article 135

(1) The central depository agency is a company with share capital established by, i.e. whose shareholders may be, only the Republic of Croatia, authorised companies, exchanges and regulated public markets, fund management companies, banks that are issuers of dematerialised securities and other legal persons with the status of a member of the central depository agency.

(2) An individual shareholder of the central depository agency may only have a quantity of voting shares up to the maximum of 10% of total votes in the general assembly.

(3) The provision of paragraph 2 of this Article shall not apply to the Republic of Croatia.

(4) The Government of the Republic of Croatia shall undertake measures to bring the structure of shareholders of this company, i.e. of the central depository agency, into conformity with provisions of this Act within 6 months from the date of entry into force of this Act.

Operating License

Article 136

(1) The central depository agency may perform transactions referred to in Article 134 paragraph 1 of this Act only with a license issued by the Commission.
(2) The Commission shall issue the license referred to in paragraph 1 of this Article subject to the condition that all prerequisites prescribed by this Act and regulations founded on this Act have been fulfilled.

Authority of the Central Depository Agency to Regulate its Business by Rules

Article 137

(1) The central depository agency shall prescribe its business, modes of transacting operations, as well as rights and obligations of its members by its Statute, rules, instructions and tariff, which must be approved by the Commission.

(2) The Commission shall render a decision on the application for approval of the acts referred to in paragraph 1 of this Article within 60 (sixty) days from the day of filing proper application.

(3) The application referred to in paragraph 2 of this Article shall be accompanied by the proof of payment of the administrative fee.

Members of the Central Depository Agency

Article 138

(1) Members of the central depository agency, for the purposes of this Act, may be authorized companies, fund management companies, issuers of dematerialised securities, institutional investors and other domestic and foreign legal persons if they fulfil the conditions for membership.

(2) Every person that accesses the services of the central depository agency shall sign a membership agreement.

Property of Members

Article 139

Securities and funds of owners and members of the central depository agency shall not be included either in its property, or in its assets in liquidation, or in its bankruptcy estate, nor can they be used for seizure related to claims against the central depository agency.

The Board of Directors and Supervisory Board

Article 140

(1) The central depository agency shall have a supervisory board consisting of seven members at the most, appointed for the period of four years.

(2) One member of the supervisory board shall be appointed by the Republic of Croatia on the recommendation of the Ministry of Finance.
(3) Other members of the supervisory board shall be appointed by the general assembly.

(4) The board of directors of the central depository agency shall consist of three members at the most, appointed for a period of four years, and they may be re-elected.

(5) Data on the amount of remuneration received by members of the supervisory board and on the amount of income of members of the board of directors shall be public and published in the annual business report of the central depository agency.

Remuneration for Agency Services

Article 141

The central depository agency shall be remunerated for its services in accordance with the tariff defined by the agency.

Impartiality

Article 142

(1) The central depository agency shall neither conduct transactions with securities referred to in Article 34 of this Act nor furnish advice on trade in securities and investment in securities.

(2) The central depository agency shall be authorised to present in public the general advantages of dematerialised securities.

Data Storage and Safekeeping

Article 143

(1) The central depository agency shall be required to protect the computer system and the data it contains against unauthorised use and against change and loss, and to preserve in a safe place and in the original form the original documentation used for making entries in the data storage media for at least five years. Data recorded on electronic media shall be kept permanently.

(2) The Commission may establish more detailed standards and techniques for protecting the computer system and data it contains and which pertain to dematerialised securities.

Liability

Article 144

The central depository agency shall be liable for loss, including lost income, occurring because of inaccuracy or loss of data related to dematerialised securities on the principle of presumed guilt.

Responsible Persons
Article 145

(1) Certain individuals responsible for the accuracy of data and the correctness of individual operations in connection with dematerialised securities must be designated in the acts of the central depository agency, and the scope of their responsibility must be defined.

(2) Members of the board of directors of the central depository agency shall be accountable for the accuracy of data related to dematerialised securities, regardless of the content of the acts referred to in paragraph 1 of this Article.

Guarantee Fund

Article 146

(1) The central depository agency must create a guarantee fund.

(2) The assets of the guarantee fund shall consist of payments made by the members of the central depository agency that use its clearing and settlement services.

(3) The assets of the guarantee fund shall be used for settlement of obligations of the members when there are insufficient funds or enough securities for settlement under contract; such assets shall not be used for any other purpose, and they cannot be the object of seizure either in the case of members or in the case of the central depository agency.

(4) The rules of payment of contributions and the usage of the guarantee fund shall be prescribed by the central depository agency, subject to approval by the Commission.

(5) The central depository agency shall neither loan nor lend securities.

Supervision

Article 147

(1) If in the course of supervision illegalities should be found in the central depository agency, the Commission is authorized to render a decision to revoke the license for conducting transactions referred to in Article 136 of this Act. The Commission shall revoke the license of the central depository agency:

1. If it no longer fulfils the conditions for the issuance of the license prescribed by this Act, and if it is certain that it will not be able to fulfil them for a long period of time,

2. If it performs transactions for which it is not authorized by the Commission’s license and the provisions of this Act,

3. If it repeatedly violates the provisions of this Act,
4. if it does not apply, does not have, or acts contrary to rules, instructions and the tariff prescribed by law and approved by the Commission.

(2) The Commission is authorized to order the implementation of the measures prescribed in Article 15 of this Act pertaining to the operation and conduct of business of the central depository agency.

(3) To protect the interests of investors, members and other users of services of the central depository agency, the Commission is authorized to render a decision by which it can order the central depository agency to take action that will block or render impossible the alienation or burdening of entered securities, by securities that in the process of clearing or settlement or re-booking should be entered into individual accounts opened with the central depository agency if:

1. the Commission has at the disposal data that raise the suspicion that the securities entered on the account of the investor have been acquired by actions contrary to this Act and regulations founded upon this Act,

2. if the person authorized for conducting transactions in trade in securities has made a mistake or some other inappropriate action whose consequence has been the entry of securities into the investor’s account,

3. if it is necessary for the implementation of the supervision of persons referred to in Article 12 paragraph 1 subparagraph 3 of this Act.

(4) Through the decision referred to in paragraph 3 of this Article the Commission shall order the prohibition of the alienation or burdening of securities for a period that cannot be longer than sixty days.

Confidentiality

Article 148

(1) The provisions of Article 18 of this Act pertaining to the obligation to keep official secrets apply as appropriate to employees, members of the board of directors and supervisory board of the central depository agency.

(2) The Chairman of the board of directors of the central depository agency shall once a month present to the Commission a report on acquisitions and alienations of securities of the persons referred to in paragraph 1 of this Article.

(3) The board of directors of the central depository agency must see that the persons cited in paragraph 1 of this Article are regularly informed about their obligations with respect to preserving professional secrecy at least once a year.

(4) Persons who are employees of the central depository agency shall not be members of managing and supervisory bodies of authorized companies.
PART FOUR

CHAPTER I

PENALTY CLAUSES

Unauthorized Usage and Divulgence of Privileged Information

Article 149

(1) Whosoever, through authorized or unauthorized disposal of privileged information not known to the public and pertaining to one or more issuers of securities or to securities and that, if known to the public, would influence the price of securities, does the following:

1. knowing the privileged nature of such information, uses it to buy or sell securities traded on the territory of the Republic of Croatia or securities issued by an issuer seated in the Republic of Croatia regardless of where they are traded, with a view to realising material gain for himself or for a third party or to cause damage to a third party,

2. knowing the privileged nature of such information, without authorization, communicates such information, delivers such information and facts or in some other way makes them accessible to a third party,

3. knowing the privileged nature of such information uses it to furnish advice to a third party on the purchase or sale of securities traded on the territory of the Republic of Croatia or of securities issued by issuers with a seat in the Republic of Croatia, regardless of where they are traded, with a view to realising material gain for himself or for a third party or to cause damage to a third party,

shall be subject to a fine of at least 100 daily incomes or imprisonment up to one year.

(2) If the material gain or damage caused to a third party through the criminal offence referred to in paragraph 1 of this Article exceeds the amount of HRK 5,000.00, the perpetrator shall be subject to a fine of at least 150 daily incomes or imprisonment up to two years.

Manipulation of Prices and Spreading of False Information

Article 150.

Whosoever:

1. concludes or executes a contract on the sale or replacement of securities in order to give the appearance that a deal has been made although none of the parties wishes to execute it,

2. gives an order to purchase or sell a security on an exchange or on some other regulated market knowing that the order to purchase or sell that security has been given or will be given
by some other party at a price that is approximately the same, or if he himself gives the order and counter-order,

3. spreads information about an issuer, securities or other facts he/she knows to be false, with the intention of thus influencing the increase or fall in the price, or to create an appearance of active trading and thus realise for him/herself or for third party material gain or cause damage, shall be subject to a fine of at least 100 daily incomes or up to one year imprisonment.

(2) If a material gain realised or damage caused through the criminal offence referred to in paragraph 1 of this Article exceeds the amount of HRK 5,000.00, the perpetrator shall be subject to a fine of at least 150 daily incomes or up to two years imprisonment.

Presentation of False Data in the Prospectus and Its Unauthorised Distribution

Article 151.

(1) Whosoever as a member of the board of directors or the supervisory board of an issuer allows or facilitates distribution of a prospectus whose contents differ from the contents prescribed by Article 21 of this Act, or as member of the board of directors or the supervisory board allows or facilitates the presentation of false data and false representation of material facts in a prospectus shall be subject to a fine of at least 150 daily incomes or up to 2 years imprisonment.

(2) If a considerable material loss occurs because of the criminal offence referred to in paragraph 1 of this Article or if the offender realises a material gain for himself or for a third party, he shall be subject to a fine of at least 350 daily incomes or up to three years imprisonment.

Unauthorised Listing of Securities

Article 152

(1) Whosoever as a member of the board of directors of an exchange allows the listing in quotation one, the quotation of public companies with share capital or other quotations of securities which do not meet the conditions prescribed under this Act, shall be subject to a fine of at least 250 daily incomes or up to two years imprisonment.

(2) If a considerable material loss occurs because of the criminal offence referred to in paragraph 1 of this Article or if the offender realises a material gain for himself or for a third party, he/she shall be subject to a fine of at least 350 daily incomes or up to three years imprisonment.
(1) Whosoever omits to supply data on ownership pursuant to Article 115 of this Act shall be subject to a fine not exceeding 200 daily incomes or up to one-year imprisonment.

(2) If a considerable material gain has been realised or considerable damage occurs to a third party because of the criminal offence referred to in paragraph 1 of this Article, the offender shall be subject to a fine of at least 250 daily incomes or up to three years imprisonment.

Illicit Trade in Securities

Article 154

(1) Whosoever is engaged in unauthorized mediation in the purchase or sale of securities shall be subject to a fine not exceeding 200 daily incomes or up to one-year imprisonment.

(2) If considerable material gain has been realised because of the criminal offence referred to in paragraph 1 of this Article, the offender shall be subject to a fine of at least 200 daily incomes or up to three years imprisonment.

(3) Whosoever organizes a network of agents to commit the criminal offence referred to in paragraph 1 of this Article shall be subject to a fine of at least 350 daily incomes or up to five years imprisonment.
CHAPTER II
MISDEMEANOURS

Article 155

(1) A legal person shall be subject to a fine for a misdemeanour of between HRK 60,000.00 and 1,000,000.00:

1. if it prevents the access of authorized persons of the Commission to its premises, or does not ensure appropriate rooms and personnel, or does not deliver or give for inspection the required papers and documentation, does not make statements and declarations and ensure all other conditions necessary for supervision, or in other ways prevents the Commission in the implementation of supervision (Article 14),

2. if, within the deadlines and in the manner laid down in Article 15 of this Act, it does not execute a decision made by the Commission, or if it fails to deliver the Commission proof of execution,

3. if contrary to the provisions of Article 19 paragraph 1 of this Act it publishes data and information that have not been previously presented to the Commission,

4. if contrary to the provisions of Article 19 paragraph 2 of this Act it does not present to the Commission the data and information in the manner and within deadlines specified by the Commission,

5. if it issues securities or starts trading in them contrary to the provisions of this Act,

6. if contrary to the provisions of Article 22 of this Act it publishes a prospectus (public offering) or delivers it to potential investors (private offering) without approval of the Commission, or if it publishes or delivers to potential investors a prospectus whose content is different from the content approved by the Commission,

7. if it publishes, delivers or distributes a prospectus in a manner or within the periods that are contrary to the provisions of Article 24 of this Act,

8. if it publishes a modification of a prospectus in a manner contrary to provisions of Article 25 of this Act,

9. if within the time period referred to in Article 25 paragraph 3 of this Act it does not publish a modification of a prospectus, or does not publish it in the same manner as it has published the prospectus,

10. if in the case of a private offering of securities it does not publish a prospectus or if it communicates with potential investors in a manner that is contrary to the provisions of Article 26 paragraph 4 of this Act,
11. if it offers, subscribes or receives payments for securities after the expiration of the period for subscription and payment (Article 27),

12. if it does not deposit funds from payments for securities in a separate account or if it disposes of such funds during the period of payment (Article 27 paragraph 2),

13. if contrary to the provisions of Article 27 paragraph 3 of this Act it does not return paid-in deposits to the investors,

14. if within the prescribed period it does not notify the Commission in accordance with Article 27 paragraph 4 of this Act, or if contrary to the same provision does not present to the Commission other information on subscriptions and payments within the times and in the manner specified by the Commission,

15. if it issues short-dated securities in a manner contrary to the provision of Article 28 paragraph 2 of this Act,

16. if within the prescribed period it does not present to the Commission the report referred to in Article 28 paragraph 3 of this Act, or if this report does not contain all the data prescribed by Article 28 paragraph 5 of this Act,

17. if it does not publish the securities published in a public offering in the form prescribed for such securities by the provisions of Article 29 of this Act, or if it does not list them in a quotation in the period prescribed by the same Article,

18. if it does not present to the Commission the data referred to in Article 31 paragraph 2 of this Act within the prescribed period of time,

19. if it does not present to the Commission the information in accordance with Article 32 paragraph 2 of this Act within the prescribed period,

20. if in the case referred to in Article 32 paragraph 4 of this Act the issuer does not produce a prospectus,

21. if in the case referred to in Article 32 paragraph 5 of this Act the institutional investor does not make the prospectus available to potential customers before sale of the securities to which the prospectus referred to in Article 32 paragraph 4 of this Act refers,

22. if it conducts transactions referred to in Article 34 of this Act without a license from the Commission,

23. a bank, if it performs operations related to securities, and has not detached such operations from other bank operations in terms of structure, organization or accounting (Article 39),

24. a bank, if has shares or stock of two or more brokerage companies (Article 40 paragraph 1).
25. if contrary to the provisions of Article 40 paragraph 2 of this Act it has shares or stock of another brokerage company,

26. a brokerage company, if it does not furnish to the Commission information on every change in its ownership structure within the prescribed period (Article 40 Paragraph 3),

27. a brokerage company, if it does not co-ordinate its liquid assets and obligations within the periods and in the manner prescribed by the provisions of Article 47 of this Act, or if it does not report to the Commission within the prescribed periods,

28. a brokerage company, if it does not notify the Commission within the periods prescribed by Article 49 paragraphs 2 and 3 of this Act or if the notice referred to in paragraph 2 of the same Article does not contain some of the prescribed attachments,

29. an authorised company, if within the periods and in the manner prescribed by provisions of Article 51 of this Act it does not present to the Commission the reports and information prescribed by the same Article,

30. an authorised company, if contrary to the provisions of Article 52 paragraph 5 of this Act it makes, commences to perform or conducts a new transaction with securities after the decision of revocation of its license to conduct transactions with securities has become final,

31. an authorised company, if it conducts transactions with securities without fulfilling the conditions referred to in Article 57 of this Act,

32. an authorized company and the persons referred to in Article 59 paragraphs 1 and 2 of this Act, if they do not take care of the customer’s interests, or do not act with due professional care, or if they use, divulge or enable third parties access to confidential information referred to in Article 59 paragraph 2 of this Act,

33. if it advertises conducting transactions with securities without being an authorised company (Article 60 paragraph 1),

34. an authorized company, if it publishes advertisements in a manner contrary to the provisions of Article 60 paragraphs 2 and 3 of this Act,

35. an authorised company, if, contrary to the provisions of Article 61 Paragraph 1, it does not prescribe general contract conditions, or if the general contract conditions do not have the mandatory content referred to in Article 61 paragraph 3 of this Act,

36. an authorised company, if it does not exhibit the general contract conditions and the tariff in the manner described in Article 61 paragraph 2 of this Act,

37. an authorised company, if it does not inform the investors pursuant to the provisions of Article 61 paragraph 4 of this Act,

38. an authorised company, if it omits to notify a customer of circumstances referred to in Article 61 paragraph 5 of this Act,
39. an authorised company, if it does not keep an order book, or keeps it in a manner contrary to the provisions of Article 63 of this Act,

40. an authorised company, if it does not promptly deliver a customer at the customer’s request the listing of records from the order book (Article 63 paragraph 4 of this Act),

41. an authorised company, if it handles funds of a customer in a manner contrary to the provisions of Article 64 of this Act,

42. an authorised company, if it loans securities without written consent of their owner (Article 65 paragraph 1),

43. an authorised company, if in execution of orders it does not act in the manner prescribed by the provisions of Article 66 of this Act,

44. a custodian, if it does not open a separate account with the central depository agency (Article 70 paragraph 1 of this Act),

45. a custodian, if it handles securities on the custodian account contrary to the provisions of Article 70 paragraph 2 of this Act,

46. a custodian, if it uses customer’s securities contrary to the provisions of Article 70 paragraph 3 of this Act,

47. a custodian, if it handles the funds of a customer contrary to the provisions of Article 70 paragraph 4 of this Act,

48. a custodian, if it does not present to the Commission a report in the manner and within the period specified in Article 71 of this Act,

49. a custodian, if it does not keep special records on securities with whose custody he is entrusted, or if the custodian does not keep the custodian book, or the custodian does not keep the custodian book in the same manner as the order book, or the custodian does not enable the Commission access to the custodian book and other documentation, or if the custodian does not without delay notify the customer of each deal made (Article 72),

50. an authorised company, if it manages a customer’s securities portfolio contrary to the provisions laid down in Article 74 of this Act,

51. an exchange or a regulated public market, if they perform operations referred to in Article 76 paragraph 1 of this Act without a license from the Commission (Article 77),

52. an exchange or a regulated public market, if they do not ensure trading conditions and equal access to market information to all their members (Article 78 Paragraph 2 of this Act), a specialised exchange if it does not state in its name the class and the form of securities for which it is specialised (Article 79 paragraph 2),
53. an exchange or a regulated public market, if they do not have the structure of shareholders in accordance with Article 80 of this Act,

54. an exchange or a regulated public market, if contrary to the provisions laid down in Article 80 paragraph 3 they do not accept as a member a brokerage company that fulfils the conditions for membership,

55. an exchange or a regulated public market, if all the shareholders of an exchange or a regulated public market do not have an equal number of shares (Article 81 paragraph 3),

56. an exchange or a regulated public market, if contrary to the provisions of this Act they do not prescribe the acts referred to in Article 82 paragraph 1 of this Act, or if they apply these acts without the approval of the Commission, or if they act contrary to the provisions of acts approved by the Commission,

57. an exchange or a regulated public market, if contrary to the provisions of Article 83 of this Act they do not publish or present to the Commission the prescribed reports,

58. an exchange or a regulated public market, if they do not provide for the Commission the conditions for monitoring trading as described in Article 83 paragraph 2 of this Act,

59. an exchange or a regulated public market, if contrary to the provisions of Article 84 paragraph 1 of this Act they conduct transactions with securities, or furnish advice on trade or investment in securities, or give opinions on the favourability or unfavourability of acquiring or selling securities,

60. an exchange or a regulated public market, if they do not publish in their annual reports the data referred to in Article 85 of this Act,

61. an exchange or a regulated public market, if the persons referred to in Article 87 of this Act contrary to the provisions of the same Article,

62. an exchange, if does not prescribe different conditions for at least two quotations (Article 88 paragraph 1),

63. an exchange, if it allows securities to be listed in quotation one or in the quotation for public companies with share capital on the basis of an application for listing that has been filed by an authorised person (Article 88 paragraph 3),

64. if it lists securities in a quotation of an exchange or a regulated public market before the expiry of the term for payment of the securities (Article 89 paragraph 3),

65. an exchange, if it allows the listing of shares in quotation one although the conditions referred to in Article 91 of this Act have not been fulfilled before the listing,
66. an exchange, if it allows the listing of debt securities in quotation one although the conditions referred to in Article 92 of this Act have not been fulfilled before the listing,

67. an exchange, if it allows the listing in the quotation of securities of a foreign trading company contrary to the conditions specified in Article 93 of this Act,

68. an exchange or a regulated public market, if it does not notify the Commission without delay of the facts referred to in Article 94 paragraph 1 of this Act,

69. an issuer of securities, if it, when listing securities in quotation one or the quotation of public companies with share capital, publishes data without the consent of the Commission, or if it does not publish these data, or does not publish them in the manner prescribed for the publication of a prospectus of an issue (Article 96),

70. an issuer of securities listed in quotation one of an exchange, if it does not produce, or does not publish the report referred to in Article 97 paragraph 1 of this Act within the period or with the content referred to in Article 97 paragraph 2 of this Act,

71. an issuer, if it, when listing securities on a regulated public market, does not publish the information with the content, in the manner and within the periods prescribed for publication of such data (Article 100),

72. a regulated public market, if it does not notify the Commission without delay of facts referred to in Article 101 of this Act,

73. an institutional investor, if it fails to inform an exchange or a regulated public market in the manner, within the period and with the content prescribed by the provisions of Article 102 paragraphs 5 and 6 of this Act,

74. an authorised company, if the persons referred to in Article 105 paragraph 4 of this Act act contrary to the provisions of the same of Article,

75. an authorized company, if it contrary to the provisions of Article 105 paragraph 5 of this Act an authorised company purchases or sells for its own account the securities for which it has privileged information, or if it provides investment advice on such securities,

76. if it uses privileged information in a manner contrary to the provisions of Article 105 paragraphs 6 and 7 of this Act,

77. an issuer of securities listed on an exchange or a regulated public market, if it does not without delay make public all the information referred to in Article 106 of this Act,

78. if it conducts a transaction with securities or issues an order to purchase or sell securities in spite of prohibitions or contrary to Article 108 paragraph 1 subparagraphs 1 and 2 of this Act,

79. if it conducts transactions with securities contrary to prohibitions specified in Article 108 paragraph 2 subparagraphs 1 to 3 of this Act,
80. if, contrary to the prohibition specified in Article 109 of this Act, it executes or spreads false information that influence or might influence the volume of trade and the prices of securities,

81. an authorised company that manages a customer’s securities portfolio, if it trades in these securities exclusively with the intention of earning commission (Article 110),

82. a public company with share capital, if contrary to the provisions of Article 114 paragraph 2 and 3 of this Act, it does not list shares in the quotation of public companies with share capital of an exchange or a regulated public market within the prescribed periods and in the prescribed manner,

83. a public company with share capital, if, contrary to the provisions of Article 114 paragraph 4, it does not write the prescribed reports and produce them to the Commission within the prescribed periods,

84. a public company with share capital, if, contrary to the provisions of Article 114 paragraph 7, it does not present the prescribed data to the central depository agency,

85. a public company with share capital, if, contrary to the provisions of Article 115 of this Act, it does not produce to the Commission or to the issuer, within the prescribed periods or in the prescribed manner, a notice in writing of the acquisition or release of shares of the public company with share capital below or above the prescribed thresholds,

86. if the notice referred to in Article 115 of this Act does not contain the data referred to in Article 117 of this Act,

87. a public company with share capital, if, contrary to the provisions of Article 118, it does not make public the notification referred to in Article 115 of this Act within the prescribed period,

88. the issuer, if, in the case referred to in Article 121 paragraph 2 of this Act, it does not allow shareholders to perform acquisition or release of shares up to the necessary quantity, within an appropriate period of time and at the same price,

89. the issuer, if, contrary to the provisions of Article 122 of this Act, it does not inform the persons referred to in paragraph 1 of the same Article, or if the notification does not contain the information referred to in paragraph 2 of the same Article, or if it makes it impossible for shareholders to exchange shares,

90. the issuer, if it does not perform the obligations referred to in Article 123 paragraph 1 of this Act within the prescribed periods and in the prescribed manner,

91. the issuer, if contrary to the provisions of this Act it does not perform the dematerialisation of securities,
92. the central depository agency, if it handles the data referred to in Article 125 paragraph 1 of this Act contrary to the provisions of Article 131 of this Act,

93. the central depository agency, if it does not regularly perform the obligation to inform referred to in Article 132 paragraph 1 of this Act,

94. the central depository agency, if it does not produce monthly reports to the Commission within the period and with the content referred to in Article 132 paragraph 2 of this Act,

95. the central depository agency, if it does not have a shareholder structure in accordance with the provisions of Article 135 paragraphs 1 and 2 of this Act,

96. the central depository agency, if it performs operations without a license from the Commission (Article 136),

97. the central depository agency, if contrary to the provisions of Article 137 paragraph 1 of this Act it does not enact the Statute, rules, instruction or list of prices, or if it applies the provisions of these acts without the Commission’s approval or if it acts contrary to the provisions of the approved acts,

98. the central depository agency, if it receives as its member a person that does not fulfil the conditions for membership (Article 138 paragraph 1),

99. the central depository agency, if it does not publish the data referred to in Article 140 paragraph 5 of this Act,

100. the central depository agency, if contrary to the provisions of Article 142 of this Act it conducts transactions with securities referred to in Article 34 of this Act,

101. the central depository agency, if it does not protect the computer system and the data as provided for in Article 143 paragraph 1 of this Act,

102. the central depository agency, if the data related to dematerialised securities are not correct (Article 145),

103. the central depository agency, if it loans or lends securities contrary to the prohibition specified in Article 146 paragraph 5 of this Act,

104. the central depository agency, if it does not execute an order of the Commission as laid down in Article 147 paragraph 2 of this Act,

105. an exchange, a regulated public market or the central depository agency, if they do not bring their business and general acts into conformity with the provisions of this Act within the periods and in the manner prescribed by Article 160 of this Act,

106. brokerage houses, if they do not harmonize their business or do not file the application for the issuance of the license within the periods and in the manner prescribed by Article 162 paragraph 1 of this Act,
107. Licensed brokers, who do not file their applications for conducting transactions with securities within the periods prescribed by the provisions of Article 162 paragraph 1 of this Act.

(2) For misdemeanours referred to in paragraph 1 of this Article, the responsible person in a legal person shall also be subject to a fine in an amount from HRK 20,000.00 to 200,000.00.

Article 156

A natural person, the responsible person in a legal person, or a person engaged in private business shall be subject to fine in an amount from HRK 20,000.00 to 200,000.00 if:

1. this person should acquire stock or shares contrary to the provisions of Article 40 paragraph 2 of this Act,

2. if he/she is engaged in brokerage without a license from the Commission (Article 53 paragraph 5),

3. if he/she performs the activities of an investment advisor without a license from the Commission (Article 54 paragraph 5),

4. if he/she publishes advertisements whose subject is the offer to conduct transactions with securities (Article 69 paragraph 1),

5. if he/she does not produce all the required data at the Commission’s request (Article 104),

6. if he/she uses privileged information in a manner contrary to the provisions of Article 105 of this Act,

7. if he/she does not notify the Commission or the issuer of acquisition or release of shares of a public company with share capital within the prescribed period and in the prescribed manner (Article 115),

8. if he/she acts contrary to the provisions of prohibition to divulge confidential business information of any kind.

Article 157

(1) The statute of limitation for the institution of misdemeanour proceedings referred to in this Act shall apply after the expiry of three years after the misdemeanour was committed.

(2) The statute of limitation for conducting misdemeanour proceedings referred to in this Act shall apply in every case after the expiry of six years after the misdemeanour was committed.

(3) The statute of limitation for the execution of sentences and safety measures in misdemeanour cases shall apply after the expiry of five years after the judgement becomes legally effective.
PROTECTIVE MEASURES

Article 158

(1) A broker or an investment advisor who has committed a misdemeanour referred to in Article 155 of this Act may be sentenced to the protective measure of revocation of his license to conduct transactions with securities for a period of up to one year.

(2) If the offender referred to in paragraph 1 of this Article repeats the misdemeanour referred to in Article 155 or commits it in order to realize material gain, or if the misdemeanour committed has resulted in material or immaterial damage to an authorized company, or material damage to customers or third parties, the offender shall be sentenced to the mandatory protective measure of revocation of his license to conduct transactions with securities for the period of one year.

(3) An authorized company that has committed a misdemeanour referred to in Article 155 of this Act can be sentenced to the protective measure of revocation of the license to conduct transactions with securities for a period of up to one year.

(4) If the authorised company referred to in paragraph 3 of this Article repeats a misdemeanour referred to in Article 155 or commits it in order to realize material gain, or if the misdemeanour committed has resulted in material or immaterial damage to customers or third parties, the offender shall be sentenced to the mandatory protective measure of revocation of his license to conduct transactions with securities for the period of one year.
PART FIVE

TRANSITIONAL AND FINAL PROVISIONS

Section 1.

Securities Issued Before This Act Takes Effect

Forms of Shares

Article 159(1) Companies with share capital shall issue shares as securities pursuant to the provisions of the Company Act or as dematerialised securities pursuant to provisions of this Act.

(2) Companies with share capital that are for the purposes of this Act considered to be public companies with share capital shall produce to the central depository agency for dematerialisation the data on securities and their owners from the share register or issuer register, within the periods and in the manner prescribed by the central depository agency and approved by the Commission.

(3) Companies with share capital that are for the purposes of this Act not considered to be public companies with share capital, and that before this Act has taken effect have neither issued documents on shares nor issued shares as dematerialised securities in the computer system of the central depository agency, shall produce to the central depository agency for dematerialisation the data on securities and their owners from the share register or issuer register, within the periods and in the manner prescribed by the central depository agency and approved by the Commission.

Bringing into Conformity the Organisation of Exchanges, Regulated Public Markets and the Central Depository Agency

Article 160.

(1) Zagrebačka burza d.d. Zagreb, Varaždinsko tržište vrijednosnica d.d., Varaždin and Središnja depozitarna agencija d.d. Zagreb (the Central Depository Agency) shall within one year from the effective date of this Act bring their business into conformity with provisions of this Act and submit their harmonised general acts to the Commission for approval.

(2) Zagrebačka burza d.d. and Varaždinsko tržište vrijednosnica d.d. shall be considered to have a license for conducting transactions under Article 77 paragraph 3 of this Act.

(3) If legal entities referred to in paragraph 1 of this Article should fail to bring their business into conformity with provisions of this Act and submit their harmonised general acts to the Commission for approval, their licence for conducting transactions shall cease to be valid after the expiry of the specified period.
Companies with Share Capital

Article 161

Companies with share capital that until the effective date of this Act fulfil the conditions specified in Article 114 paragraph 1 of this Act shall, within one year from the date of entry into force of this Act, list their shares in quotations of public companies with share capital on exchanges or on regulated public market.

Brokerage Companies and Brokers

Article 162

(1) Brokerage companies and authorised brokers shall within six months from the date of entry into force of this Act bring their business into conformity with the provisions of this Act; until the expiry of that period they may conduct the transactions for which they have been licensed by the Commission.

(2) If legal persons referred to in paragraph 1 of this Article should fail to bring their business into conformity with provisions of this Act, the licence issued by the Commission shall cease to be valid.

(3) The Commission shall, without special conditions, enter in the broker register all the persons that were entered in the register of agents authorised for transactions with securities before the effective date of this Act.

The Commission

Article 163

(1) Within 12 months from the date of entry into force of this Act the Commission shall enact regulations based on this Act.

(2) Until enactment of such regulations based on this Act, the regulations based on the Act on Issuance and Sale of Securities (The Official Gazette of the Republic of Croatia Narodne novine nos. 107/95, 142/98 and 87/00) shall be in force appropriately.

Termination of Validity of Certain Regulations

Article 164

On the date of entry into force of this Act, the Act on the Issuance and Sale of Securities (The Official Gazette of the Republic of Croatia Narodne novine nos. 107/95, 142/98 and 87/00) shall no longer be valid.

Article 165
This Act shall enter into force on the eighth day of its publication in the Official Gazette of the Republic of Croatia, Narodne novine.

Class: 450-08/01-01/02
Done at Zagreb, 3 July 2002

THE CROATIAN PARLIAMENT
President
of the Croatian Parliament
(Sgd.) Zlatko Tomčić