

CROATIAN FINANCIAL SERVICES SUPERVISORY AGENCY

Pursuant to Article 469 of the Capital Market Act (Official Gazette 88/08, 146/08), the Croatian Financial Services Supervisory Agency issued on its session on 07 January 2009

ORDINANCE

ON MANIPULATION AND OBLIGATION OF INFORMING ON SUSPICION OF MARKET ABUSE

Article 1

This Ordinance stipulates the practices which might be considered as market abuse, as well as the obligations of the market participants regarding prevention and uncovering of such practices, pursuant to the Articles 468. and 469. of the Capital Market Act.

Article 2

False or misleading signals and price forming

(1) When examining which activities might be considered as market manipulation from the Article 466. paragraph 1. point 1. of the Capital Market Act, the following non-exhaustive signals, which should not necessarily be considered as market manipulation, and do not present the complete list, will be taken into account:

- (a) the extent to which orders to trade given or transactions undertaken represent a significant proportion of the daily volume of transactions in the relevant financial instrument on the regulated market concerned, in particular when these activities lead to a significant change in the price of the financial instrument;
- (b) the extent to which orders to trade given or transactions undertaken by persons with a significant buying or selling position in a financial instrument lead to significant changes in the price of the financial instrument or related derivative or underlying factor, admitted to trading on a regulated market;
- (c) whether transactions undertaken lead to actual change in ownership of a financial instrument admitted to trading on a regulated market;
- (d) the extent to which orders to trade given or transactions undertaken include position reversals in a short period and represent a significant proportion of the daily volume of

transactions in the relevant financial instrument on the regulated market concerned, and might be associated with significant changes in the price of a financial instrument;

- (e) the extent to which orders to trade given or transactions undertaken are concentrated within a short time span in the trading session and lead to a price change which is subsequently reversed;
- (f) the extent to which orders to trade given change the representation of the best bid or offer prices in a financial instrument admitted to trading on a regulated market, or the overview of market depth available to market participants, and are removed before they are executed;
- (g) the extent to which orders to trade are given or transactions are undertaken at or around a specific time when reference prices and valuations are calculated and lead to price changes which have an effect on such prices and valuations.

Fictitious activities or any other form of deception or contrivance

Article 3

(1) For the purposes of applying Article 466 paragraph 1 point 2 of the Capital Market Act, when examining which activities might be considered as market manipulation, the following non-exhaustive signals, which should not necessarily be considered as market manipulation, will be taken into account:

- (a) whether orders to trade given or transactions undertaken by persons are preceded or followed by dissemination of false or misleading information by the same persons or persons linked to them;
- (b) whether orders to trade are given or transactions are undertaken by persons before or after the same persons or persons linked to them produce or disseminate research or investment recommendations which are erroneous or biased or demonstrably influenced by material interest.

Informing on suspicious transactions

Article 4

(1) Authorised market participants are an investment firm, credit institution, stock exchange and MTF operator.

(2) Authorised market participants have to adopt and apply internal rules aiming at disclosing and preventing activities and operations which are deemed to be insider dealing or market manipulation.

(3) Authorised market participants which reasonably suspect that a transaction might constitute insider dealing or market manipulation, have to make a notification to the Agency without delay.

(4) Authorised market participant decides on a case-by-case basis whether there are reasonable grounds for suspecting that a transaction involves insider dealing or market manipulation, pursuant to the Capital Market Act.

Article 5

(1) Authorised market participant under obligation from the Article 4 of this Ordinance, is required to deliver to the Agency at least the following information:

- description of the transaction, including the type of order and other characteristics of the order and the type of trading;
- reasons for suspicion that the transaction might constitute market abuse;
- identification of the persons on behalf of whom the transactions have been carried out, and of other persons involved in the relevant transactions;
- capacity in which the person subject to the notification obligation operates;
- any other information which may have significance in reviewing the suspicious transactions.

(2) Where information from paragraph 1 of this Article is not available at the time of notification, the notification shall include at least the reasons why the notifying persons suspect that the transactions might constitute market abuse. All remaining information shall be provided to the Agency as soon as it becomes available.

(3) Notification from Article 4 of this Ordinance shall be delivered to the Agency on the form which is available on the Internet site of the Agency, in the following ways:

- by mail;
- by electronic mail;
- by telefax, or
- in exceptional circumstances by telephone, provided that confirmation in written form is delivered as soon as that becomes possible.

(4) Authorized market participant who is under obligation of notification from the Article 4 of this Ordinance, shall not inform any other person, in particular the persons on behalf of whom the transactions have been carried out or parties related to those persons, of this notification, except by virtue of provisions laid down by law. The fulfillment of this requirement shall not involve the notifying person in liability of any kind, providing the notifying person acts in good faith.

(5) The Agency shall not disclose to any person the identity of the person having notified these transactions, if disclosure would, or would be likely to harm the person having notified the transactions.

(6) The notification to the Agency in good faith, according to the Article 4 of this Ordinance shall not constitute a breach of any restriction on disclosure of information imposed by contract or by any legislative, regulatory or administrative provision, and shall not involve the person notifying in liability of any kind related to such notification.

(7) The obligation of notification as in the Article 4 of this Ordinance is subject to:

- Authorised market participant which has registered office or head office in the Republic of Croatia;
- Market participant's branch registered in the Republic of Croatia while that market participant has registered office or head office outside of the Republic of Croatia;

(8) When the Agency receives the notification pursuant to the Article 4 of this Ordinance, it shall transmit such information immediately to the competent authorities of the Member State`s regulated markets concerned.

Article 6.

This Ordinance shall come into force 8 days after its publication in The Official Gazette.

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President of the Board

Ante Samodol