



I N F O R M A T I O N

Provided to Small Clients

By

**The Broker-Dealer Company
TESLA CAPITAL AD BEOGRAD**

Pursuant to Article 160 of the Law on Capital Market ("Official Gazette of the Republic of Serbia", no. 31/2011) and Articles 16 to 21 of the Operating Rules and Procedures of an Investment Company in Service Rendering ("Official Gazette of the Republic of Serbia", nos. 89/2011 and 44/2012), the Broker-Dealer Company Tesla Capital a.d. Beograd shall provide the following

I N F O R M A T I O N

PROVIDED TO SMALL CLIENTS OF THE BROKER-DEALER COMPANY TESLA CAPITAL AD BEOGRAD

prior entering the contract, i.e. service rendering to a Small Client.

I PREAMBLE

When rendering investment services to its Clients, the Broker-Dealer Company Tesla Capital a.d. Beograd (hereinafter referred to as: the "Company") is obliged to put the Clients interests before its own interests and to operate fairly, diligently and professionally in the best interests of its Clients and observing principles determined under provisions of the Law on Capital Market.

II MEANING OF TERMS

In these Rules and in accordance with the Law on Capital Market (hereinafter referred to as: the "Law") and by-laws of the Securities Commission individual terms and expressions have the following meanings:

- 1) Investment Company – a broker-dealer company, i.e. licensed bank;
- 2) Relevant Person – a person having equity shares in the Company, a person assigned to an executive position in the Company (directors), an employee and any other natural person engaged by the Company to render services within his/her competence;
- 3) Personal Transaction – transaction in a financial instrument performed by a Relevant Person acting outside of its activities performed in the capacity of a Relevant Person or performed for account of the Relevant Person, a person related to the Relevant Person or a person with close relations in sense of the Law or a person whose relations with the Relevant Person have direct or indirect material interests in a transaction results other than a commission or a fee;
- 4) Securities Financing Transactions - lending transactions of financial instruments, repurchase agreements or reversal repurchase agreements or other transactions including purchase of securities and their resale or sale of securities and their repurchase;
- 5) Client – a legal entity or a natural person to whom the Company is rendering investment, i.e. additional services, as well as a person who may become the Company Client (Potential Client);
- 6) Durable Medium – hard copy or any other means allowing storing of data in digital format (CD, e-banking, e-mail under certain terms and conditions, etc.) in such a manner that access, processing and completeness of data are secured minimum for a period prescribed under the relevant regulations.

III CONTENT OF INFORMATION

To secure awareness of Clients relating to the nature and risks of investment services and type of a financial instrument offered and allow the Client to make a grounded investment decision, the Company shall provide its Client or Potential Clients understandable information:

- 1) On the Company and services it is rendering to the Clients,
- 2) On financial instruments and proposed investment strategies, including corresponding guidelines and warnings relating to the investment risks in these financial instruments, i.e. strategies,
- 3) On protection of financial instruments,
- 4) Places of orders execution,
- 5) Costs and fees.

1. INFORMATION ON THE COMPANY

Business name:	Broker-Dealer Company Tesla Capital a.d. Beograd
Abbreviated name:	Tesla Capital a.d. Beograd
Registered office: Address:	Belgrade 129, Cvijiceva St.
Identification number: Tax identification number /PIB/:	17326015 101822334
Internet address: E-mail: Telephone: Fax: Current account for Clients:	www.tesla-capital.com office@tesla-capital.com 011/30 20 030 011/30 20 050 160-117345-54, Banca Intesa
License:	Resolution No.: 5/0-03-2086/6-12 dated July 23, 2012 and Resolution No.: 5/0-23-3572/8-12 dated November 29, 2013
Competent authority:	Securities Commission Belgrade, 1, Omladinskih Brigada
Language of communication	Serbian language. The Company may communicate in English or other foreign language with foreign legal entities or natural persons as specified and determined by the contract; provided, however, that the contract, orders and other necessary documentation exchanged between the Client and the Company should be prepared in bilingual form.
Communication method and delivery of documents and other information by the Company:	Communications between the Company and Clients shall be made in the most convenient manner for Clients and as determined by the contract. Clients may

communicate with the Company via telephone, e-mail, fax and in person at the Company premises.

Method of placing and receiving orders: Personally;
By fax if so defined by the contract entered with the Client;
By phone and e-mail when the Company secures conditions for this method of orders receipt and defines it by the contract entered with the Client.

Membership: Beogradska Berza a.d. Beograd /Belgrade Exchange/
1, Omladinskih Brigada
11070 Novi Beograd
Telephone: 011/2138.424
E-mail: infor@belex.rs
Internet address: www.belex.rs
Central Securities, Depositary and Clearing House
5, Nikole Pasica Sq.
11000 Belgrade
Telephone: 011/3331.380
Fax: 3331.329
Internet address: www.crhov.rs

2. INFORMATION ON SERVICES RENDERED BY THE COMPANY

Securities Commission granted the license to the Company for rendering the following investment services and activities to a Small Client:

- 1) Receipt and transfer of orders for purchase and sale of financial instruments, as well as administering the funds of clients;
- 2) Execution of orders on behalf and for account of the Client;
- 3) Execution of orders for own account;
- 4) Portfolio management;
- 5) Services of placing and selling financial instruments without a firm commitment basis.

In addition, the Company is also licensed to render the following additional services:

- 1) Safekeeping and administration of financial instruments for account of Clients, including custodianship services;
- 2) Granting loans to investors to facilitate their carrying out transactions in one or more financial instruments when the lending firm is involved in the transaction;
- 3) Counseling of Clients on the capital structure, business strategies, merger, acquisition of companies and similar issues;
- 4) Research and financial analysis in the area of investment or other types of general recommendations relating to transactions in financial instruments;
- 5) Investment services and activities as well as additional services with respect to the grounds of a derivative financial instrument relating to rendering of investment services and activities as well as additional services.

2.1 Contract Signing

Depending on the service which the Client wishes to contract with the Company, the Company shall deliver to the Client the corresponding contract for signing with additional forms and by-laws of the Company enclosed and notify the Client on its official web address where they are published.

The Contract may also be signed by an authorized employee of the Company in compliance with the Company's by-law on granting authorization for signing documents relating to the transactions in financial instruments. The employee confirms undisputable identification of the Client by his/her signature.

3. INFORMATION ON FINANCIAL INSTRUMENTS

3.1 TYPES OF FINANCIAL INSTRUMENTS

In accordance with the Law on Capital Market, financial instruments are:

- 1) Negotiable securities
- 2) Money market instruments
- 3) Units of collective investment institutions
- 4) Derivative financial instruments

1) **Negotiable securities** are all types of securities tradable on the capital market, except for payment instruments as follows:

- Shares or other securities equivalent to shares in companies representing equity share in capital or voting rights in these legal entities, as well as certificates of deposit relating to shares;
- Bonds and other forms of secured debts, including certificates of deposit relating thereon;
- All other securities which grant rights on purchase and sale of such negotiable securities or on which grounds cash payments can be made in the amount based on such negotiable securities, currency, interest rate, return, commodity, indices or other determinable values.

2) **Money market instruments** are all types of financial instruments normally traded in the money market, such as: treasury notes, treasury bills, judgment notes and certificates of deposit;

3) **Units of collective investment institutions** – represent units in open investment funds as defined by the Law on Investment Funds;

4) **Derivative financial instruments include:** options, futures, swaps, forward rate agreements and other derivative financial instruments relating to securities, currencies, interest rates, returns as well as other derivative financial instruments, financial indices or financial measures which may be collected either in kind or in money.

3.2 RISKS OF INVESTING IN FINANCIAL INSTRUMENTS

When entering a contract on brokerage services and/or contract on securities management the Client is confirming that it is aware of capital market risks and that the Company provided the relevant information in a satisfactory manner.

Company Clients are exposed to the following risks: general risks and risks specific for individual types of financial instruments.

3.2.1 General Risks of Transactions in Financial Instruments:

- 1) Risk of depreciation in value of financial instruments due to global and/or regional recession;
- 2) Currency risk – risk of exchange rate movements;
- 3) Interest risk – risk of potential losses due to the interest rate movements;
- 4) Risk of amended tax regulations – risk that the government shall amend tax regulations with adverse effect on returns of an investment in financial instruments;
- 5) Risk of changes in credit rating of a certain country as follows:
 - Risk of debt termination by a certain country;
 - Political risk, including risk of unexpected regulatory changes making impact on the capital market and position of investors;
- 6) Inflation risk – risk of depreciation in value of financial instruments due to general price growth;
- 7) Liquidity risk – risk of impossibility to sell financial instruments on the secondary capital market due to reduced demand or inefficient market;
- 8) Issuer risk - risk of depreciation in value of financial instruments due to decline of the issuer's credit rating;
- 9) Business risk – risk of maintaining the issuer's competitive position at the market as well as risks relating to business stability and continuous growth;
- 10) Financial risk – risk relating to the Issuer's financing sources;
- 11) Financial leverage risk – financial leverage is a debt rate presenting interdependency of debt against income from investments in financial assets of a certain person. Effects of the financial leverage may be positive and negative, depending on the rate of return of own assets invested in financial instruments, interests or other liabilities paid on borrowed assets;
- 12) Bankruptcy risk – risk of depreciation or total loss of the value of a financial instrument due to initiated bankruptcy procedure against the issuer of a financial instrument or appointment of a receiver when a bank is the issuer;
- 13) Market psychology risk – risk of change in value of a financial instrument due to speculative activities of large investors, i.e. large corporative share at an Exchange;
- 14) An event risk – risk of potential unexpected events (natural disasters, regulatory changes, etc.);
- 15) Day trading risk – risk of a potential daily or prompt loss arising from transactions executed in the same day
 - Total loss risk arising from a day trade
 - Risk of a potential loss resulting from ignorance of the market or trading methods in a day trading
 - Risk of a potential significant loss of invested assets resulting from trading with borrowed assets and risk of a potential payment of additional assets arising from day trading with borrowed assets;
- 16) Risk of failure in information systems and/or risk of interruption of communication links between banks, Central Registry or other depository of financial instruments, regulated markets or MTP and other regulated markets of financial instruments;
- 17) Risk in trading instruments which are traded in MTP is higher than risk in trading financial instruments in other regulated markets due to lower requirements relating to the level of publicly available information which allows trading under equal conditions to all investors since instruments may not comply with conditions prescribed on regulated markets and due to lower requirements set up for issuers of instruments traded in MTP.

3.2.3 Specific Risks in Financial Instruments Trading:

1) Trading in Shares:

- Volatility risk – risk of change in price of shares within a determined time period arising from usual price movements in the market
- Risk of non-payment of dividends;

2) Trading in Bonds

- Creditworthiness risk – risk of change in creditworthiness of the issuer as a creditor
- Interest rate risk – risk of uncertainty of future value of money (interest rate in future) which makes impact on the price of bonds (price of bonds moves in opposite direction of the interest rate movements)
- Risk of cancellation, i.e. stop of debt payment by the issuer;

3) Trading in Financial Derivatives:

- Position risk – risk of loss arising from change in the price of a financial instrument
- Default risk of a counterpart – risk that the counterpart shall fail to fulfill its liabilities within the agreed term and in full
- Risk of maintaining open positions – risk of necessity to make additional payments for maintenance of open positions arising from price movements;
- Currency risk – risk of exchange rate movements in derivatives denominated in different currencies;

4) Trading in Money Market Instruments:

- Interest rate risk
- Default risk of a counterpart – risk that the counterpart shall fail to fulfill its liabilities within the agreed term and in full
- Currency rate risk – risk of depreciation in value of an instrument denominated in one currency or contracted with a currency clause and expressed in other currency due to changed exchange rate of these two currencies;

5) Trading with Units of Collective Investment (Investment Units):

- Investment risk – risk relating to uncertainty of the investment return rate. As the uncertainty increases the investment risk is also higher. Investment value of an investment fund may rapidly increase or rapidly depreciate
- Currency risk – risk of change in value of assets of a fund against the accounting currency due to the fact that fund assets may be denominated in different currencies and in case of their depreciation or appreciation a share in the fund may increase or decrease
- Market risk – risk of depreciation in value of fund assets invested in financial instruments traded in markets due to price drop thereon
- Risk of amended tax regulations – a potential adverse effects of amended tax regulations on profitability of investments made in the fund
- Liquidity risk – Risk that a fund shall not be able to sell promptly financial instruments at a prices around their fair price or that the fund shall not be able to sell the intended volume of financial instruments for payment of large cash amounts to its members.

In its operations the Company shall limit its liability exclusively up to the actually suffered cash loss by a Client as a result of omissions or acts of the Company, i.e. Company employees.

The Company shall not be liable for any client losses arising from any of the above specified risks or other risks not specifically stated, such as Force Majeure (political riots, natural disasters, restrictions or bans resulting from decisions passed by the Government, market regulations, strikes, acts and omissions of third parties or acts of the Client itself, changes in tax liabilities which occurred without any influence of the Company loss and other risks beyond control of the Company).

Furthermore, the Company shall have no responsibility for any damage or losses suffered by the Client due to untimely sent notification to the Company on change of the Client's contact data,

replacement of authorized representatives, i.e. recall and/or replacement of a proxy, for act of the Client's proxy and his/her decisions to acquire and/or sell financial instruments on behalf and for account of the Client.

3.3 OTHER INFORMATION ON FINANCIAL INSTRUMENTS

Furthermore, the Company is also obliged when providing information on a financial instrument:

- 1) Which is on the pending public offer and a prospectus issued – to introduce the Client with the method of access to the prospectus;
- 2) Which includes a warranty of a third party – to provide sufficiently detailed information on the Guarantor and the warranty to the Client to allow a correct evaluation of the warranty by the Client;
- 3) Including two or more different instruments or services of obvious higher corresponding risk than risks relating to each individual components of the instrument – to provide adequate description of individual components of the instrument and their influence on risk increase to the Client.

4. INFORMATION ON PROTECTION OF FINANCIAL INSTRUMENTS AND / OR CASH ACCOUNTS OF CLIENTS

The Company may hold funds or financial instruments to clients in order to provide investment and additional services.

Client's Cash funds The Company holds on the summary account at the bank - a member of the Central Registry, and financial instruments with the Central Registry. Foreign financial instruments are kept in the register of foreign countries, where the transaction was made on the summary account of the Company, and for the owners, it's clients, the Company keeps the analytics of the account of financial instruments in their records, for each particular client.

The Company shall be liable to the Client only for actions or omissions of its employees and not for actions and omissions of third parties.

In order to avoid risks of holding financial instruments or cash funds on a collective account of a third party, the Company is taking the following measures:

- 1) Records, accounts and correspondence:
 - Are maintained precisely and correctly
 - Are regularly reconciled with records and accounts of third parties who are holding assets of Clients
 - Are maintained in such a manner that assets of a Client may, at any time and promptly, be differentiated from assets of other Clients and assets of the Company;
- 2) Maintains separately The Company's account of financial instruments from accounts of financial instruments of its Clients with the Central Registry;
- 3) holds all Client's funds deposited in a bank who is a member of the Central Registry, at the account or accounts that are different from the account that is used to hold the assets of the Company;
- 4) Takes measures whereby operating risk of loss or reduction in the Client's assets, i.e. rights relating to these assets is minimized.

Paragraph 4 of this Article shall also apply in cases where the Company holds financial instruments of clients in the summary account.

4.1 Treatment of Financial Instruments of Clients

The Company shall use financial instruments owned by Clients only subject to orders issued by Clients.

The Company may not:

- 1) Pledge or dispose financial instruments owned by Clients without obtained Client's prior consent in writing;
- 2) Acquire, sell or borrow financial instruments for collection of commission or other fees on the basis of an agreement on financial instruments management;
- 3) Use financial instruments of a Client to pay its own liabilities or liabilities of other Clients.

4.2 Dealing with cash funds of clients

In dealing with cash funds of Clients, The Company shall open the cash account of the client that is separate from the cash account of the Company, at bank - CSD member. The Company shall ensure that funds in the cash account of the client:

- 1) are used only for payment obligations in connection with services performed for the client;
- 2) are not used to pay liabilities of another client;
- 3) are not used to pay liabilities of the Company.

4.3 Depositing of Financial Instruments of Clients Abroad

When selecting a foreign depository to hold financial instruments of its Clients, the Company is obliged to consider specifically:

- 1) Expertise and market reputation of the depository;
- 2) That the depository is subject of regulations of that country whereby holding of financial instruments for account of third parties is regulated;
- 3) Check selection of depository and agreed arrangements for safekeeping of Clients financial instruments from time to time.

Exceptionally, the Company may deposit financial instruments of its Clients with a depository in a country wherein safekeeping of financial instruments for the account of a third party is not regulated specifically; provided, however, that the nature of a financial instrument or an investment service relating thereon requires depositing with a depository from that country, as well as if a professional client in writing requires the Company to deposit their financial instruments with the depository in that State.

5. INVESTOR PROTECTION FUND

The Investor Protection Fund shall conduct activities aimed at protection of investors whose assets or financial instruments are exposed to risks in case of bankruptcy procedure instituted against the Company or when the Securities Commission establishes that the Company may not settle its due liabilities to its Clients, including money assets owned to the Clients and financial instruments kept for the account of its Clients without any chances of significant change in the circumstances in the foreseeable future.

The Investor Protection Fund insures investors claims who are Clients of the Company and entrusted their money and/or financial instruments to the Company for rendering certain investment or additional services.

Claims of the Company Clients insured through the Investor Protection Fund relate to:

- 1) Money claims in dinars which the Company owes to the Client or which belong to the Client and arising from rendering investment services and additional services,
- 2) Claims for return of financial instruments of Clients held, i.e. managed by the Company for the account of Clients.

Claims are insured up to EUR 20,000 in dinar equivalent per a Company Client.

6. CONFLICT OF INTEREST MANAGEMENT POLICIES

The Company is obliged to organize its operations in such a manner to minimize conflict of interests which may prejudice interests of Clients and appear during service rendering between:

- Interests of the Company, Relevant Person and any closely related persons to them, on the one part, and the Company Client interests, to the other part;
- Interests among Company Clients.

Prior to rendering a service to the Client, the Company shall make aware the Client of all potential types of conflict of interests and their sources.

When determining conflict of interests which may prejudice interests of Clients, the Company shall assess if Relevant Persons or persons closely related to them, while providing services or for some other reasons, may:

- Gain a financial profit or avoid a financial loss to the prejudice of Clients;
- Have interests or benefits from outcome of a service rendered to the Client or a transaction made for account of the Client which differ from the Client interests;
- Have a financial or other motive that suits interests of other Client or group of Clients to prejudice of the Client;
- Is performing same activities as the Client.

6.1 Circumstances Presenting or Which May Cause Conflict of Interests

Conflict of interests between the Company, Relevant Person and any closely related persons to them, on the one part, and the Company Clients, to the other part as well as between the Company Clients themselves, may arise when orders for purchase/sale of financial instruments for account of the Company Clients and orders of Relevant Persons or orders to be executed on behalf and for account of the Company (dealer orders) are received and placed at the same time in the same market for a same financial instrument of the same issuer.

6.2 Conflict of Interests Management Procedures and Measures

Procedures for establishing potential conflict of interests include the following actions:

- 1) All Relevant Persons in the Company are responsible to identify existence of conflict of interests;
- 2) Notification on conflict of interests – each identified conflict of interests should be reported to the Company Internal Audit authorized to monitor and gather information on existence of conflict of interests and notify the Director thereon;
- 3) Assessment of conflict of interests is made by gathering all necessary information and establishing existence of conflict of interests, method of its settlement and necessity to inform the Client thereon;

- 4) The Company Director shall settle a conflict of interests and, in cooperation with the Internal Audit, take all actions and measures necessary to prevent arising of a conflict of interests.

In case of conflict of interest, it should be settled in such a manner that interests of the Company and/or Relevant Persons should not lead to any potential losses for the Client, or to place the Client in a less favorable position.

In case of conflict of interests between different Company Clients, the Client should be cautioned on existence of conflict of interests and measures to be taken.

The Company shall take following measures to prevent conflict of interests:

- 1) In order to prevent conflict of interests, Relevant Persons in the Company are obliged to observe the Client interests protection principles, principle of due diligence and professionalism as well as other operating principles of the Company defined by the Law, by-laws and hereunder;
- 2) The Company shall organize its operations in compliance with the by-law on organizational requirements issued by the Securities Commission and internal by-laws of the Company in order to prevent arising of conflict of interests when rendering certain investment services and additional service as follows:
 - A decision on dealer trading shall be passed by a different organizational unit from the one which is receiving the Client's order for purchase/sale of financial instruments;
 - Execution of dealer orders shall be performed by a different organizational unit from the one executing Clients' orders, except in case when the dealer trading is not a dominant investment service of the Company (income gained on the basis of this service are below 20% of total income).

7. PLACE OF ORDER EXECUTION

When rendering an investment service – purchase/sale of financial instruments for account of its Clients, the Company shall execute order at the regulated market, MTP or OTC markets in the Republic of Serbia and other corresponding markets abroad in accordance with Operating Rules and Procedures, Client's Order Execution Policy of the Company, as well as in compliance with the rules of the market whereon the Client's order shall be executed.

8. REPORTING ON ORDER EXECUTION TO THE CLIENT

8.1 Confirmation of Order Execution

After execution of an order for account of the Client, the Company is obliged to send the confirmation of order execution via durable medium to a Small Client as soon as possible and the latest:

- On the first working day following the execution date;
- On the first working day following the receipt of confirmation when the Company is receiving the confirmation from a third party.

If the order of a Small Client relating to purchase, i.e. sale is executed by investment units periodically, the Company is obliged to send the confirmation of order execution to the Client as soon as possible and the latest on the first working day following the order execution date.

The Client may not waive of its right to be notified on order execution, but may order servicing of the notice to other person authorized by it.

8.2 Reports on Financial Instruments or Client Assets

At least on annual basis, the Company is obliged to send, on a durable medium, a report on assets of a Client if such report should be included as a part of another periodical report to each individual Client whose financial instruments or money assets the Company has been holding.

9. INFORMATION ON COSTS AND FEES

Information on costs and fees which the Company should provide to the Client prior to entering the contract, i.e. rendering services, should include:

- 1) Information on total price of a financial instrument or a service which the Client is liable to pay, including all relating commissions, fees and other costs as well as all payments made through the Company;
- 2) Information on the base for a price calculation when the total price may not be stated;
- 3) Information on currency and relevant exchange rate and costs when a portion of total price must be paid or is expressed in a foreign currency;
- 4) Information on any potential other costs, including taxes and other payments for transactions relating to a financial instrument or a service which may be incurred to the Client and which the Company may not pay itself or which are not imposed by the Company.

In case of information on total price and method of its calculation, the fee, i.e. commission collected by the Company must be separately specified in each individual case.

Data on costs and fees collected by the Company are given in the Tariff Rules of the Broker-Dealer Company Tesla Capital a.d. Beograd published on the Company's Internet page and available in hard copy at the registered office of the Company.

10. FINAL PROVISIONS

The Information provided to Small Clients of the Company form the Appendix to the Operating Rules and Procedures of the Company.

The Information provided to Small Clients of the Company is available at the Company premises and the Company's Internet page.

The Company shall publish the Information provided to Small Clients of the Company on its web site on the day following the date of receipt of the consent on the Operating Rules and Procedure of the Company issued by the Securities Commission.

The Information provided to Small Clients of the Company shall enter into force and apply within seven days from the date of its publishing on the web site of the Company.

In Belgrade, February 18, 2015

Tesla Capital a.d. Beograd

Bojan Tanasijević,
President of the Meeting