

**REGULATION
ON ORDER EXECUTION POLICY
OF BROKER-DEALER COMPANY
TESLA CAPITAL A.D. BELGRADE**

18 February 2015

Pursuant to Article 52 of the Regulation on Rules of Conduct of Investment Companies in Providing Services (“Official Gazette of the Republic of Serbia”, No. 89/2011 and 44/2012), General Meeting of the Broker-Dealer Company Tesla Capital a.d. Belgrade, Company registration ID: 17326015, Tax Identification Number: 101822334 (hereinafter: the “Company”) on 18th February 2015, passed

REGULATION ON ORDER EXECUTION POLICY

INTRODUCTION

Article 1

The Company Policy for executing orders of Company Clients under the most favourable terms, involves the implementation of efficient systems, in particular the policies ensuring the best execution results upon executing the Client’s order (hereinafter: “Order Execution Policies”).

This Order Execution Policy describes elements that the Company takes into consideration when executing and/or receiving and transferring the orders, venues where orders can be executed, criteria for the selection of execution venues, method of order execution and aggregation of Client’s orders.

The Company Clients are cautioned that this Order Execution Policy has no effect of a guarantee for achieving the best execution result when executing each individual order, but instead, defines the criteria and elements according to which the best outcome for the Client should be achieved in the highest possible number of cases, assuming that the Company will act with due professional care, in compliance with the provisions hereof, substantive law of the Republic of Serbia and the internal Company bylaws.

The provisions of this Order Execution Policy will not substitute the provisions of the contract concluded between the Company and the Clients, provisions of other internal bylaws and Company procedures, or any other provisions of the Republic of Serbia substantive law, but only provide a more detailed description and a supplement thereof.

Article 2

This Policy applies to all financial instruments in connection with which the Company has been licensed to provide financial services by the Securities Commission.

List of financial instruments and services for which the Company is licensed, has been specified in Company’s Business Rules and Procedures, available in the Company’s premises and on the Company’s webpage.

The Company will be obliged to notify the Client about any changes in the financial instruments for which the Company receives and transfers orders.

Article 3

Before order execution the Company will:

- 1) introduce the Order Execution Policies to the Client, with the obligation to make such Order Execution Policy available to small clients on a permanent media, as well;

- 2) warn the client about the option provided under Order Execution Policies, that the orders can also be executed out of the regulated market, i.e. MTP;
- 3) request from the client a written consent with the Order Execution Policies, i.e. the options provided under paragraph 1, item 2 of this Article, with the possibility to have such consent by the Client provided as a part of an agreement with the Client.

The Client may provide such consent with the execution of orders outside the regulated market, i.e. MTP, for all or each individual transaction.

Therefore, before entering into any agreement with the Client, and/or prior to executing any order for the Client, the Company will introduce the contents of its applicable Order Execution Policy to the Client, by directly presenting to the Client the subject-matter Order Execution Policy in the premises of the Company, on a permanent media, and the Client will provide its written consent with the Order Execution Policy of the Company by concluding the respective agreement with the Client and/or by signing such agreement related to the execution of orders.

These Policies hence provide for the possibility to execute the orders outside the regulated market and/or MTP as well, in accordance with the Law on Capital Market and bylaws of the Commission, and the Company will be obliged to, prior to entering into the agreement with the Client, and/or prior to executing any order for the Client, duly notify the Client about such possibility to execute the order, while the Client has to provide its written consent, that may be a part of the agreement signed between the Company and the Client.

The Client will be able to recall its general consent to possible execution of orders outside the regulated market and/or MTP for each transaction in the future, solely and exclusively by its express declaration made in writing and submitted to the Company, for the specific individual transaction, before executing the particular individual transaction.

TERMS AND DEFINITIONS

Article 4

Individual terms used in this Order Execution Policy will have the following meaning:

- 1)** Market organizer – person managing and/or running activities related to the functioning of the regulated market; the regulated market itself can be the market organizer;
- 2)** Beogradska berza a.d. Beograd (JSC Stock Exchange, Belgrade) – a legal entity managing and/or carrying out activities related to the functioning of the regulated market, and the multilateral trading platform (MTP), based on the licence of Securities Commission
- 3)** Client - a legal entity and/or natural person to whom the Company renders the investment and/or additional services, including a person who may become the Client of the Company (a prospective client);
- 4)** Regulated market – a multilateral system organizing, and/or managed by the market organizer, enabling and facilitating the merger of interests of third parties aimed at the purchase and sale of financial instruments in accordance with its binding rules in a way leading to execution of a contract on financial instruments traded following its system rules, having the license and running regular operations in accordance with the Law;

- 5) Multilateral Trade Platform (MTP) – is a multilateral system organizing, and/or managed by the market organizer or investment company enabling and facilitating the merger of interests of third parties for the purchase and sale of financial instruments in accordance with its binding rules in a way leading to execution of a contract on financial instruments traded following its system rules, having the license and running regular operations in accordance with the Law;
- 6) OTC market – secondary market for trading in financial instruments, which is not obliged to have a market organizer and whose trade system involves negotiations between the seller and buyer of financial instruments aimed at closing a transaction;
- 7) Types of orders:
 1. Per type of transaction:
 - Purchase
 - sale
 2. According to duration:
 - daily – becomes ineffective at the end of trading day on the market where the order has been placed
 - up to a date – with a timescale of up to 90 days;
 - until recall – 90-day timescale – possibility of recall for entire or outstanding quantity being the subject-matter of purchase/sale of financial instruments, within 90 days as of the date of placing the order;
 3. According to price:
 - limit order – order executed at the price specified in the order, or at the price that is more favourable for the Client;
 - market order – order executed at the most favourable price at the moment when the order arrives on the market; according to duration, it can be daily, only;
 4. Withdrawal order;
 5. According to special execution terms (hereinafter: special orders):
 - Fill or kill orders - FOK
 - Immediate or cancel - IOC
 - Order to change (modify) issued order
 - Order with hidden total quantity – Iceberg order
 - Stop order
 - Market maker order
 - Block order
 - At the open – ATO
 - At the close – ATC

Thus, in addition to the basic types of orders, the Clients may issue to the Company other types of orders as well, having special terms of execution as provided by the bylaws of the market organizer, such as orders specified under sub-item 5, Item 7 of this Article. The trade order from the group of special orders cannot be used if its usage has not been explicitly defined by the Managing Board Decision or Rules of Stock Market Operations.

- 8) Execution of order for the client entails activities related to conclusion of purchase or sale agreements for one or more financial instruments for the Client;
- 9) Execution venue – regulated market, multilateral trading platform (MTP) other similar markets abroad or outside these markets (OTC) market;
- 10) Clearing and settlement of transactions – procedure for establishing mutual liabilities between the buyer and seller of financial instruments for the purpose of exchanging financial instruments and funds (clearing) and executing transactions with the final transfer of financial instruments and funds between the buyer and the seller (settlement);

POLICY CONTENT

Article 5

Order Execution Policy includes:

- 1) Information about significance the Company attributes to factors/elements relevant for order execution, according to the set forth in this Order Execution Policy and/or the procedure and manner of determining the significance of such factors by the Company;
- 2) Information about different venues at which the Company executes client orders and factors influencing the selection of appropriate execution venues, for each class of financial instruments;
- 3) Warning that any individual instruction of the Client, with regard to factors included therein could, when executing an order of such Client, prevent the Company to take steps provided in the Order Execution Policy intended for achieving the best results for the client.

ELEMENTS FOR ACHIEVING THE BEST RESULTS FOR THE CLIENT

Article 6

When executing the client order, the Company will take any actions needed to achieve the best results for the client, taking into account:

- 1) financial instrument price;
- 2) expenses, speed and execution options;
- 3) expenses, speed and offsetting probability;
- 4) size, type, and order nature, and
- 5) any other circumstances relevant for order execution.

When the Company receives a client order with specific instructions for its execution, the Company will apply provisions referred to in Item 1 of this Article, to the extent that client instructions are fully observed, while the small client will be warned that the order will be executed as instructed by the Client, instead of complying with Company Policy relating to order execution under the most favourable terms.

Explicit order of the Client

Article 7

Where the Client has specific instructions regarding the order execution, the Company will not be obliged to comply with elements for the assessment of the best execution of client order, as specified under this Order Execution Policy, but instead, Company will act as explicitly instructed by the Client, provided that such instructions have been given according to regulations, and that the order has been received in one of the ways for receiving the Client's orders.

In the case referred to in Item 1 of this Article, the Company and the Client will consider that the Company fulfilled its obligation to execute the order under the best terms.

If the Client has specific requests only in respect of certain elements for assessment of order execution under the most favourable terms according to this Order Execution Policy, the Company will be obliged to follow such explicit requests, subject to terms under Item 1 of this Article.

In regard with other elements of orders, the Company will be obliged to act according to the provisions of this Order Execution Policy.

Article 8

When executing an order, the Company will take into account the most favourable total transaction costs, direct supervision of execution speed and options for order execution, as well as probability for settlement, including other circumstances related to order execution, to obtain the best execution for the Client.

Execution speed under Item 1 of this Article refers to the time between the receipt of an order and the moment of its execution in the trading venue.

FACTORS RELEVANT FOR ACCOMPLISHING THE BEST RESULTS FOR THE CLIENT

Article 9

When determining significance of factors relevant for Client's order execution, the Company will take into consideration the following criteria:

- 1) client characteristics, including its classification into professional and small clients;
- 2) client order characteristics (market and limited);
- 3) characteristics of financial instrument referred to in the order;
- 4) characteristics of trading venue where the order can be executed.

When assessing trading venues where client order could be executed as to achieve the best results, the Company will consider its fees and remunerations for order execution at each of potential trading venues.

The Company must not determine and charge its fees and remunerations in a manner which could cause unequal position between the trading venues where the order could be executed.

Execution of small client order

Article 10

The Company will determine the best execution for the small client, taking into account the total transaction costs, comprising:

- 1) financial instrument price;
- 2) any costs directly related to order execution borne by the Client, covering fees, and- or consideration for the execution venue, clearing and settlement of transactions and any other commissions and fees paid to third persons, included in the order execution.

Execution of professional client order

Article 11

When executing an order of a professional client, the Company may additionally consider the size and type of the order, speed and probability for execution and settlement, including any other circumstances that according to the Company ensure the best execution.

The Company can give priority to probability of execution considering the size and nature of an order, financial instrument characteristics and execution venue.

Execution of limit order

Article 12

When a limit order of a client for the purchase or sale of financial instruments traded on the regulated market/MTP cannot be executed immediately, in view of the currently prevailing conditions on the market, the Company will take actions to execute the order as soon as possible, unless otherwise instructed by the Client about the order execution.

Actions referred to in Item 1 of this Article, imply that the Company has, immediately upon accepting the order execution, announced it in a way as to make the order easily accessible to other market participants, involving:

1) referring the limited order to the regulated market and/or MTP maintaining the trading system based on the book of orders;

2) forthwith announcement of orders and their execution as soon as the appropriate market conditions have been met, entailing the actions:

- required to ensure the reliability of announced information and their permanent monitoring, to remedy any errors as soon as they have been identified,
- facilitating the consolidation of information with identical information from other sources,
- allowing public access to information under equal conditions, on the commercial basis, for an acceptable consideration.

The Company is not obliged to announce limit orders, where such order exceeds ordinary market size determined by the regulated market and/or MTP rules.

Article 13

On some markets it is possible to execute orders under special terms, taking into consideration the technical and operational structure of the regulated market or MTP, contracting party and the Company itself. Special order terms may, for example, be the iceberg orders, stop orders etc.

Special terms when placing the types of orders referred to in Item 1 of this Article will be the explicit instructions by the client, so that by executing the orders under such special terms, the Company fulfilled its obligation of making the best execution for the Client.

Order aggregation

Article 14

The Company may execute the order of the Client or a dealer by combining it with another accepted order of the Client, solely provided that:

1) it has efficient policies in place for order allocation, reasonably precisely regulating a correct aggregation and allocation of orders, particularly including the way in which the quantity and price specified in an order affect the allocation and processing of partly executed orders;

2) it is unlikely that order aggregation will harm the interests of any client whose order has been aggregated;

3) it warns any client whose orders are being aggregated, that order aggregation could harm the interests of the Client in respect with individual orders.

When an aggregate order, made by combining one or more accepted orders of the Client is partly executed, the Company is obliged to allocate respective transactions proportionally to the clients, pro rata to the participation of their financial instruments' quantity in the aggregate order.

Client order aggregation and allocation

Article 15

When implementing the Client's order aggregation and allocation policy, the Company will ensure:

1) Client's consent that its order can be executed by combining it with the orders of other clients, with such consent included in the contract with the Client or in the Client's order for each individual transaction;

2) aggregation of Client's orders for the purchase or sale of financial instruments of the same issuer under the same terms (order type, price), whereby the Company will place their orders on the market as a single order (collective order);

3) aggregation of Client's order into a collective order will not reduce the likelihood of order execution.

4) proportionate allocation of partially executed orders per clients, pro rata to the participation of the quantity of their financial instruments in the aggregate order.

Dealer order aggregation and allocation

Article 16

When the Company combines the dealer order with one or more accepted Client's orders:

1) it must not allocate orders in a way that would be harmful for the Client;

2) in the case of partial execution of aggregate order it will be obliged to allocate dealer orders in the manner that will ensure to the Client the priority over the Company;

3) it will be obliged to prevent any repeated allocation of dealer orders executed in combination with the accepted Client's orders in the way that would be harmful for the Client.

By way of derogation from the provisions of Item 1, paragraph 2 of this Article, the Company may proportionally allocate a dealer order, only if it can prove that without combining dealer order with accepted Client's order:

1) it would be impossible to execute the accepted Client's order under equally favourable terms;

2) it would not be possible to execute the Client's order, at all.

ORDER EXECUTION VENUES

Article 17

When rendering the investment services – purchase/sale of financial instruments for the Client, the Company will execute the Client's orders on the regulated market, MTP or OTC markets and other appropriate markets abroad, in accordance with these rules and the Order Execution Policy for the Company Client and the rules of the market on which the Client's order is executed.

The Company is obliged to, in accordance with Article 3 of this Order Execution Policy, warn the client about the likelihood for having the orders executed out of regulated market and/or MTP. In that case the Company will accept only the limit orders of clients, considering that it is not possible to guarantee a continued and sufficient offer and demand for certain financial instruments outside the regulated markets, that would be satisfactory in terms of expected execution of market orders.

In particular, the Company will take into consideration the amount of own commissions and expenses related to the execution of orders at any of the potential execution venues when assessing and comparing the results that would be achieved for the benefit of the Client at each trading venue where the execution could take place, all this with the objective to achieve the best execution for the Client. In doing so, the Company will not act in a way as to cause unjustified discrimination between different execution venues.

If the order of the Client can be executed at one trading venue only, considering the trading venues where the Company performs order execution, it will be deemed that the Company achieved the best execution for the Client by executing such order.

Defining the execution venue will be considered as an express instruction and the Company finds that by executing such order following express instructions of the Client, has fulfilled its obligation to achieve the best execution.

When rendering the execution and/or acceptance and transfer of orders in the name and on behalf of the Client, the Company will opt for the execution venue enabling the continuingly best results for the Client.

When the Client places the order for the financial instrument quoted on two or more execution venues, the Company will execute such order on the regulated market or MTP, of which it is a direct member, provided that this is the best execution, unless expressly instructed otherwise by the Client.

ACCEPTANCE AND EXECUTION OF ORDERS ON FOREIGN MARKETS

Article 18

Acceptance and execution of orders on foreign markets, the organized market and outside the organized market abroad, for new clients, will be carried out by the Company based on the Contract for the provision of investment and additional services, and for existing clients, based on Annex to the Contract on Investment Services, concluded before receiving the first Client's order for the purchase or sale of financial instruments.

To this end, the Company will enter into the brokerage agreement with the investment company providing such services abroad that will execute all the orders for trading in foreign securities.

The Client will be informed about all the commissions and expenses of The Company, home bank as well as investment company/bank providing services abroad, with which the Company signed the brokerage agreement and/or administration of financial instruments and cash funds, incurred in trading on foreign markets.

The Company may open a cumulative cash account and/or an omnibus account for financial instruments with the national Bank and/or foreign investment company/bank, for the purpose of mediation and execution of Client's orders involving foreign financial instruments that will be maintained in the name of the Company and for the Client, where the financial instruments and cash funds of the Company's clients will be kept.

Method of placing the orders for trading, clearing and settlement of financial instruments and cash funds, the Company will contract separately with those institutions in the preceding paragraph.

Where the Client operates using its individual accounts, the Client is obliged, prior to concluding the first transaction, to submit to the Company the details of his bank account, as well as instructions for settlement of transactions.

MONITORING THE EFFICIENCY OF ORDER EXECUTION POLICY

Article 19

The Company will be obliged to:

1. monitor efficiency of this Order Execution Policy, in order to be able to timely identify and eliminate any deficiencies;
2. regularly, and once in a year as a minimum, assess whether the execution venues specified in the Order Execution Policy, provide for the best execution results for the clients and whether it is necessary to make any changes in the existing Order Execution Policies;
3. notify the Clients about any significant changes in relation with the Order Execution Policy;
4. prove to the Clients, at their request, that their orders have been executed according to Company's Order Execution Policies and at Client's request, present the information showing that orders have been executed according to the Regulation on Order Execution Policy.
5. keep records of executed orders with all significant elements and place them in the archives, according to the archiving procedure.

REVISION OF ORDER EXECUTION POLICY

Article 20

Revision of Order Execution Policy will be carried out upon any material change affecting the Company's ability to continually achieve the best execution for the Client, using the execution venues as provided in the Order Execution Policy.

If, taking into consideration the current circumstances, the Company does not need to conduct an annual revision of the Order Execution Policy, the Company will examine the way in which the orders have been dealt with, that is, it will verify all the parameters relevant for the order execution and identify any changes that would require the revision of the Order Execution Policy.

CLIENT NOTIFICATIONS AND CLIENT CONSENT TO ORDER EXECUTION POLICY

Article 21

The Company will be obliged to introduce the Order Execution Policy to the Client and/or to deliver the Policies to the Client before the Company starts providing investment services, that is, before the order execution.

The Client will provide its consent to Order Execution Policies to the Company. Such consent may be included in the contract signed with the Client.

If the Company passes a new Order Execution Policy or substantially modifies this Order Execution Policy, it will be considered that the Clients have accepted the same Order Execution Policy by sending the first next order, unless the Client has notified the Company otherwise.

Should the Client request from the Company to have the Order Execution Policies delivered on a CD, the Company will be obliged to meet the request of the Client.

WORK HOURS OF REGULATED MARKET, OR MTP

Article 22

Work hours of the JSC Stock Exchange, Belgrade - Beogradska berza a.d. Beograd, the organizer of regulated market and MTP, are 08:00 to 16:00 on each business day.

Clients can download Business rules of Beogradska berza a.d. Beograd, and the Stock Exchange Meeting Calendar from the Internet page: www.belex.rs.

FINAL PROVISIONS

Article 23

This Regulation on Order Execution Policy is the integral part of Company's Business Rules and Procedures it will be available at the premises of the Company, and on the Company webpage.

The Company will publish this Regulation on Order Execution Policy on its website, on the day following the date of receiving the consent for Company's Business Rules and Procedures from Securities Commission.

This Regulation on Order Execution Policy will enter into force and be implemented within seven days as of the date of its publishing on the Company website.

Belgrade, on 18th February 2015

General Meeting Chairman

Bojan Tanasijević