



**Republic of Serbia
Securities Commission
COMMUNICATION ON
ENGAGEMENT (COE)**

2017-2019

Period covered by this Communication on
Engagement January 2017 - January 2019

January 2019

COMMUNICATION ON ENGAGEMENT (COE)

Republic of Serbia Securities Commission

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II Statement of Continued Support

30 January 2019

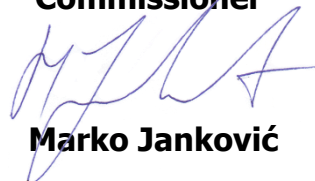
To our stakeholders:

I am pleased to confirm that the Republic of Serbia Securities Commission reaffirms its support to the United Nations Global Compact and its Ten Principles in the areas of Human Rights, Labor, Environment and Anti-Corruption. This is our Communication on Engagement with the United Nations Global Compact. We welcome feedback on its contents.

In this Communication of Engagement, we describe the actions that our organization has taken to support the UN Global Compact and its Principles as suggested for an organization like ours. We also commit to sharing this information with our stakeholders using our primary channels of communication.

Sincerely yours,

Commissioner



Marko Janković

III About the Republic of Serbia Securities Commission

The Securities Commission is an independent and autonomous organization of the Republic of Serbia, established in January 1990. It is managed by five Commissioners, including the President of the Commission – Chairman, elected and dismissed by the National Assembly of the Republic of Serbia. Its role is to safeguard orderly functioning of the capital market, enhancing investor protection and ensuring integrity, efficiency and transparency of the market.

The Securities Commission of the Republic of Serbia is an ordinary member of the International Organization of Securities Commissions (IOSCO). It means that it cooperates in development and application of the internationally recognized standards of regulation, supervision and investor



protection and the exchange of information, both globally and regionally. On 22 October 2009, the Securities Commission became a full signatory to the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMoU) – a common understanding amongst its signatories about how they will consult, cooperate, and exchange information. It's an instrument for promoting cross-border regulatory and enforcement cooperation, reducing global systemic risk, investor protection and ensuring fair and efficient securities markets.

United Nations Global Compact Membership: The Republic of Serbia Securities Commission was admitted to the United Nations Global Compact on 3 February 2017.

Information dissemination and publications

The Securities Commission provides information services to the stakeholders on the capital market. The information is disseminated via different channels and publications. The Commission website provides regular information on the developments on the capital market, information on changes in the capital market legislation, changes and amendments to the SEC rulebooks, new obligations of the supervised entities, new

market participants, sanctions imposed etc. The important information, developments and reports are also sent to the four groups of supervised entities in the field of the anti-money laundering (broker-dealers, authorized banks, custody banks and investment fund management companies) by circular email notifications. The Commission regularly updates and publishes the Information on Operations of the Securities Commission on its website – at the end of each month for all the changes in the month. There is also an account office@sec.gov.rs in addition to the website form, where clients are able to send their enquiries. A small investor education section of the website provides some information to investors and prospective investors on various topics (warnings, how to avoid fraud, how to notify the Commission of the frauds on the market – Tips and Complaints etc.). The Commission is planning to further expand its investor education activities.

Moreover, the Commission publishes on its website – its annual and half-yearly reports on operations and developments and trends on the capital market.

Employee structure

The Securities Commission has 34 employees out of which 19 are women, comprising 56% of the total number of employees.

Management gender structure

The gender structure in the management is as follows: out of five heads of organizational units, three are women. The Commissioners and Secretary General gender structure includes two women and four men in top management positions (officials).

All employees are required to adhere to the **Professional Code of Conduct** detailing the principles which the employees should adhere to in their professional duties, preserving and growing the repute of and confidence in the Securities Commission and the capital market, and protecting public interests. The employees and officials are required to meet high professional and moral standards in their actions while discharging their official duties.

Prohibition of discrimination

In performance of their duties, employees shall not discriminate unlawfully against any person, and they shall cooperate with respect with other employees, clients and third parties, regardless of their race, gender, nationality, color, social origin,

birth, religion, political beliefs or other affiliation, marital status, sexual orientation, wealth, culture, language, age, health, disability, membership in a union or other personal trait.

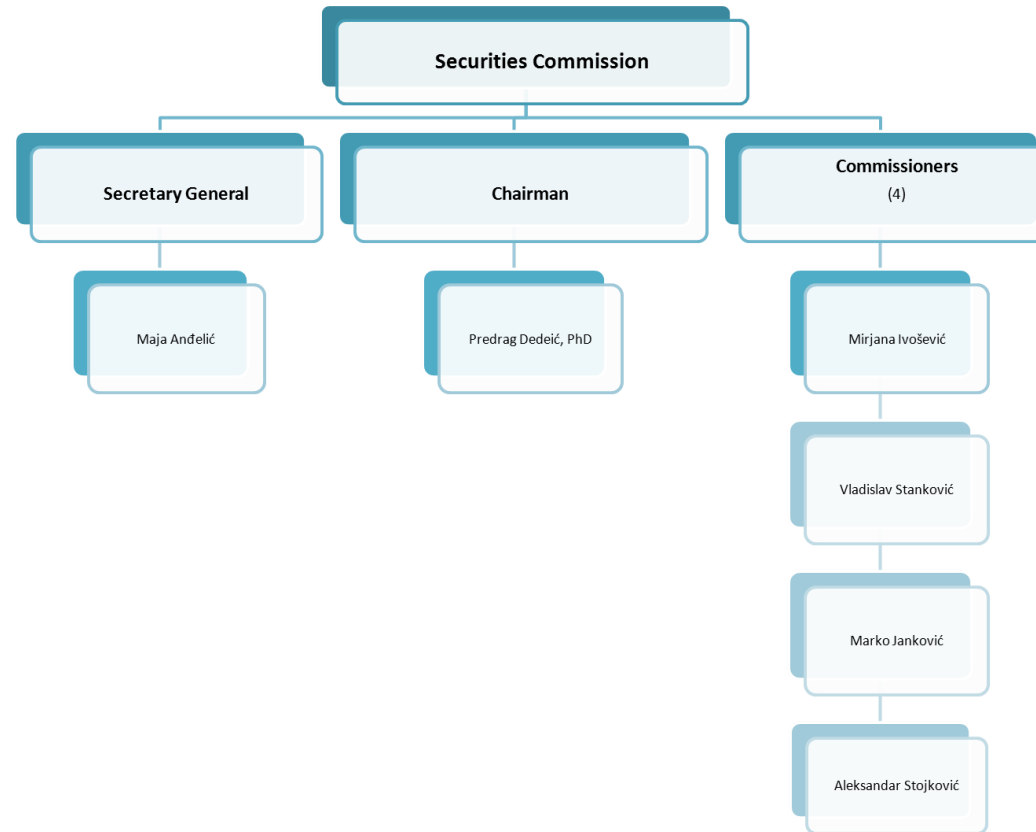
In communication with clients, employees must take care about respecting personal dignity of clients, reputation of the Commission and their personal reputation. Employees must act equally towards all clients without discrimination based on age, nationality, ethnicity or social affiliation, language and race, political or religious beliefs, disability, education, social standing, gender, marital status, sexual orientation, or any other grounds.

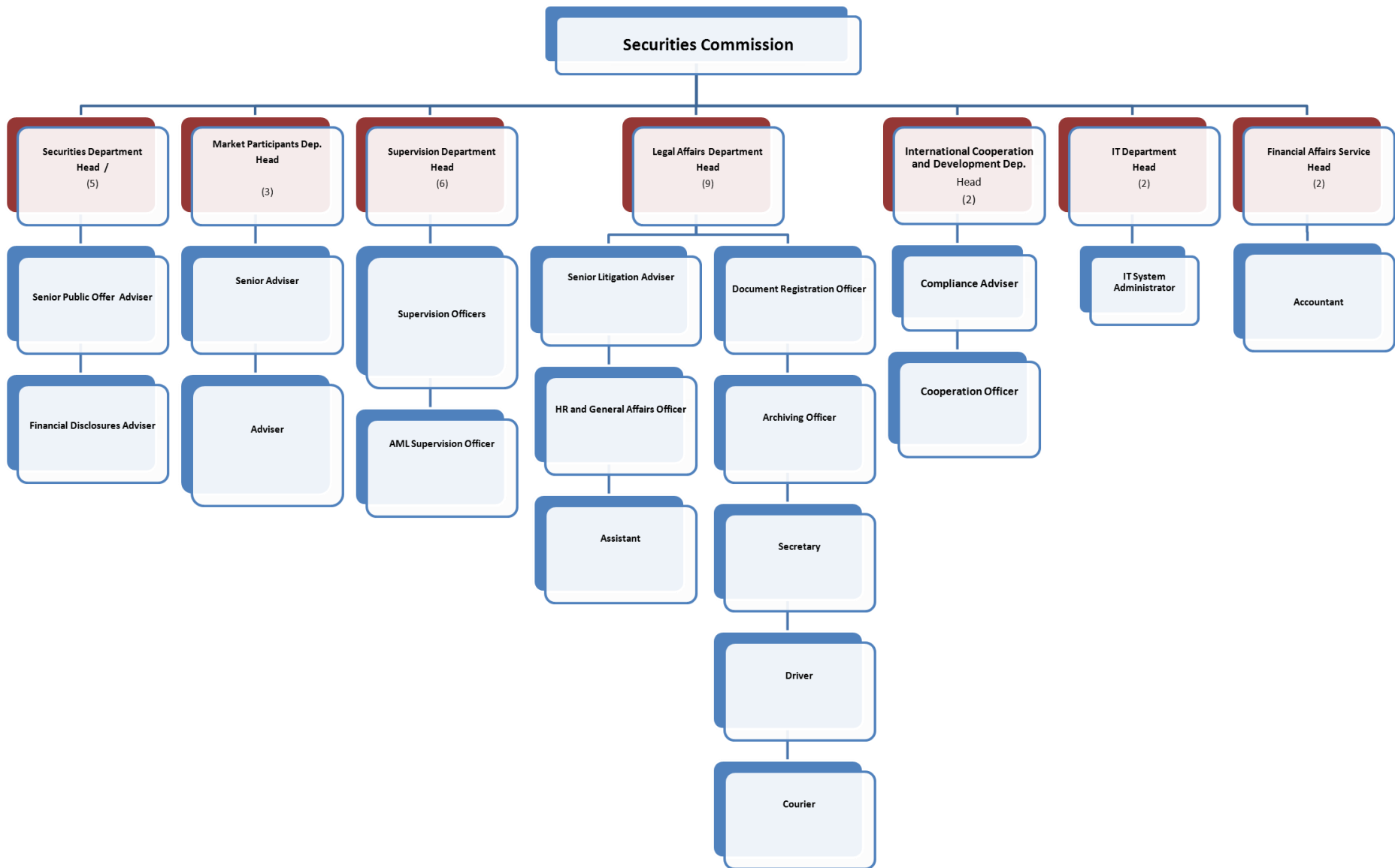
Employees are required to treat each other with mutual respect and refrain from any behavior which might be deemed as offensive. Sexual harassment is forbidden, especially between employees in subordinate/superior positions, entailing assessment of work and decisions on advancement, status, benefits or rewards.

Persons with disabilities (employees or clients/parties) have a special care treatment. When dealing with clients employees demonstrate interest and patience especially with uneducated clients, guided by the principles of equality without prejudice to characteristics and personal traits of clients and pay special attention in dealing with persons with disabilities.

ORGANIZATIONAL CHART

Republic of Serbia Securities Commission





Capacity building, professional development and training

The Securities Commission management strongly encourages its employees to take part in the training programs and capacity building opportunities as much as it is possible. In the course of the reporting period employees were sent to different training courses organized by the Joint Vienna Institute (JVI) in Vienna, Austria, IOSCO educational programs in Madrid and Washington and the Polish Supervisory Agency training program on European directives and regulations in the area of financial services (MIFID and MIFIR).

Environment, humanitarian and voluntary activities

Donations

The Securities Commission was proud to donate a PEUGEOT 406 vehicle to the students of the Technical and Transportation High School Zemun. The motor car was donated in accordance with the Contract on the transfer of vehicle usage rights in April 2017. The students of the Zemun Technical School thus will be able to work on the maintenance of the motor car and use it in their workshop for their practical maintenance and driving lessons.

Environment

Employees of the Securities Commission have been successfully participating in the initiative "Bottle cap for handicap" for the last couple of years. The initiative is launched by the Association of Citizens from Zrenjanin, Serbia "Bottle cap for handicap" a grassroots citizen initiative to help the disabled and the poor in obtaining the much needed orthopedic aid and assistive devices. The caps from the water bottles the employees use on a daily basis are collected for recycling and sent to the Primary School Radoje Domanovic, Novi Beograd as a point of collection of the bottle caps which in turn forwards them to the initiative "Bottle cap for handicap". From the sale of the collected bottle caps this organization has managed to help 78 disable persons and to recycle 120t of bottle caps per year!

Paper waste management

The Administration for Joint Services of the Republic Bodies of the Republic of Serbia organizes waste paper and recycling services for the occupants of the office building in which the premises of the Securities Commission are located. The Securities Commission has participated in their paper sorting and collection program.

Student Internship Program

In the last several years, around 20 students were able to participate in the work of the Securities Commission and receive training and some professional experience by their participation in the work of the Commission. The first batch of students participated in the summer internship program in 2015, under the European Law Students Association ELSA and Securities Commission Contract. Students usually spend around two weeks in the Securities Commission dedicating proportionate amount of time to each of the organizational units of the Commission and their activities. Currently there is one student from the Belgrade Banking Academy nearing the end of her student practice at the Securities Commission.

IV Description of Actions

A. The Securities Commission Financial Education Activities

✓ **Lecture on software engineering by the RS SEC IT engineers**

On 24 January 2017, the Securities Commission held a lecture for the students of the Faculty of Applied Management, Economy and Finance from the Applied Information Technology Department. The students learned what the capital market is and the role of its regulatory authority. Furthermore, they had the opportunity to learn more on software engineering from the presented case study – development of the IT system of the Securities Commission the SECCOM. The Commission engineers also presented the Commission Electronic Submission Gateway developed for the Commission supervised entities for the quick and easy filing of regulated information.

✓ **The National competition of high-school children in entrepreneurship**

The Securities Commission provided support to the National competition of high-school children in entrepreneurship in April 2018. The SEC Chairman participated on the competition on a panel of judges. The competition was held in Belgrade, in the Centre for Culture Vlada Divljan. The children competed in devising business plans and presented their business plan presentation skills, pitching their business solutions to the panel of judges. The competition was a part of the project “National entrepreneurial competition of high-school children in Serbia – NaPred” by the Faculty of Business and Entrepreneurship and financially supported by the Serbia Development Agency (RAS). The project lasted for eight months encompassing more than 50 high-schools in Serbia.



✓ **Students of Economics, Faculty of Business, Singidunum University visit**

Students of Economics, Faculty of Business, Singidunum University visited the Belgrade Stock Exchange and the Securities Commission on Wednesday, 26 April 2017. The students had a hearty welcome by the Commission's Chairman Dedeić and Commissioner Stankovic, who explained what a capital market regulatory authority is, its main powers, competencies and functions, including the decision/making process.



✓ **Economic knowledge for prosecutors**

In the course of 2017, Vladislav Stanković, Commissioner of the Securities Commission took part in a series of two-day trainings entitled „Enhancement of economic knowledge of importance for criminal proceedings” organized by the Judicial Academy and the British Council led Consortium. The trainings are part of the European Union's Support to the Judicial Academy.

The trainings were held in Novi Sad, Niš, Kragujevac and Belgrade, and they were intended for prosecutors from the appellate jurisdictions.

The topics of the trainings were: Elements and proving of the essence of budgetary criminal offences, Elements of the essence of criminal offences related to the capital market, Elements of the essence of customs criminal offences, Budgetary criminal offences – simulation of the case from practice, Criminal offences related to the capital market, as well as customs criminal offences.



The trainings were provided in order to enhance the knowledge of judicial office holders related to criminal offences, the area of public finance, budget system, capital market, investment funds and acquisitions of joint stock companies. This education is focused on building capacities of prosecutors, deputies and associates and enhancing their knowledge about the relevance and types of evidence that may be used in criminal proceedings. The lecturers included: Jelena Kostić, European Union's Support to the Judicial Academy expert, Jelena Popović Customs Administration and Vladislav Stanković, Commissioner, Securities Commission. Under the EU Instrument for Pre-accession Assistance (IPA), the British Council led Consortium is implementing 'European Union's Support to the Judicial Academy' project. The project is supporting the enhancement of educational activities, functioning of new structures within new competences of the Judicial Academy, and establishment of the consistent judicial system of the Republic of Serbia.

✓ **Advanced economic knowledge for prosecutors**

In the course of February and March 2018, representatives of the Securities Commission



took part in a series of two-day trainings entitled „Enhancement of economic knowledge of importance for criminal proceedings – advanced level” organized by the Judicial Academy and the British Council led Consortium. The trainings are part of the European Union's Support to the Judicial Academy.

The trainings were held in Novi Sad, Niš, Kragujevac and Belgrade, and they were intended for prosecutors

and prosecutorial assistants from the appellate jurisdictions. The topics of the trainings were: Elements and proving of essence of budgetary criminal offences, essence of criminal offences related to the capital market, essence of customs criminal offences, Budgetary criminal offences – simulation of a case from practice, Criminal offences related to the capital market, as well as Customs criminal offences. The lecturers included: Jelena Kostić, European Union's Support to the Judicial Academy expert, Jelena Popović Customs Administration and Vladislav Stanković, Commissioner, Securities Commission. Under the EU Instrument for Pre-accession Assistance (IPA), the British Council led Consortium is implementing 'European Union's Support to the Judicial Academy' project. The project is supporting enhancement of educational activities,

functioning of new structures within new competences of the Judicial Academy, and establishment of the consistent judicial system of the Republic of Serbia.

✓ **Singidunum University Students visit Securities Commission**

The Stock Exchange and the Securities Commission welcomed second-year students from the Business Faculty of the Singidunum University on 31 May 2018. Ms Tijana Cvetković Gajičić Senior Adviser in the Securities Commission held a presentation for the students. She talked about the role and tasks of the Commission, capital market, market participants and their interrelationships.

The Commission was also visited by the students from the Faculty of Law of Eastern Sarajevo University, from Bijeljina, with their professor Ms Dijana Marković Bajalović.

✓ **BU FOS students visit Securities Commission**



Students from the Belgrade University, Faculty of Organizational Sciences (BU FOS) attending the fourth year of studies, visited the Belgrade Stock Exchange and the Securities Commission, along with their professors from the Financial Management and Accounting Department of FOS, on 24 October 2018. The Chairman of the Securities Commission Mr Predrag Dedeić gave a hearty welcome to the students and explained what the Commission is, what

values young people should pursue and what they mean for the future of the capital market. Ms Tijana Cvetković Gajičić, Senior Adviser in the Securities Commission, held a presentation about the role and tasks of the Commission, the legal framework, capital market, market participants and activities of the Commission in the European integration process.

✓ **Presentation held for the Chamber of Certified Auditors**

As part of the continuous trainings of auditors organized by the Chamber of Certified Auditors, representatives of the Securities Commission held a presentation about reporting requirements for publicly traded companies and audit companies, on 22 October 2018. Bojana Tomić Brkušanić and Ivana Vuksanović talked about the reporting obligations publicly traded companies and audit companies have to the Commission and expounded on the problems observed in practice.



B. The Securities Commission Anti-Money Laundering Activities

General Information on RS SEC Anti-Money Laundering Activities

The Securities Commission as a supervisory authority enforcing the Law on the Prevention of Money Laundering and Terrorism Financing plays an important role in the implementation of the National Anti-Money Laundering and Terrorism Financing Strategy in the Republic of Serbia. This strategy entails cooperation among all competent state authorities as the system can only be effective in cooperation of all bodies and the exchange of information and expertise, shared access to data bases and inter-sectoral task forces. In conduct of these activities the international standards have been consistently applied (Recommendations and Methodology by FATF (Financial Action Task Force – FATF) and the European Union directives on prevention of money laundering etc.

In addition to the regular supervision conducted by the Securities Commission over application of the AML and TF Law by the reporting entities supervised by the Serbian Securities Commission (broker-dealer companies, authorized banks, custody banks, investment fund management companies), the Commission is active in combating money laundering and terrorism financing by cooperation and participants in working bodies, in formulation of the National ML/TF Risk Assessment. It regularly notifies its supervised entities on topicalities in the area and organizes presentations and workshops for them on the new developments in the AML/TF area.

Moreover, the Commission regularly reports on the activities it undertakes and the progress achieved regarding the application of recommendations Committee of Experts on the Evaluation of Anti-Money Laundering Measures and Financing of Terrorism - MONEYVAL of the Council of Europe, and files quarterly reports to the FATF's International Cooperation Review Group (ICRG).

Examples of the specific activities

✓ AML/TF workshop and presentation of new Guidelines

On Wednesday 21 March, a workshop and presentation of new Guidelines was held on the premises of the Securities Commission. The new Guidelines govern money laundering and terrorism financing risk assessment and application of the Law on prevention of money laundering and terrorism financing for entities supervised by the Securities

Commission. The reporting entities supervised by the Commission have been instructed on the new, most important features of the newly adopted Law.

The presentation has included analysis and assessment of risk from money laundering and terrorism financing reporting entities perform, links to the national risk assessment, how reporting entities are to derive category of risk from the risk criteria determined in the Guidelines, based on which they place a customer, business relation or a service into a risk category, how structural risk is determined, and what inherent risk is.

After the presentation of new Guidelines, the participants have discussed some problems which appear in practice. The workshop gathered together almost 60 representatives from reporting entities supervised by the Securities Commission.



✓ **A presentation held on the National Risk Assessment**



On Friday, 28 September, a presentation was held on the ML/TF National Risk Assessment as well as the Action plan for Implementing Recommendations from the Risk Assessment of Money Laundering and Risk Assessment of Terrorism Financing. The event was organized by the Ministry of Finance, Administration for the Prevention of Money Laundering (APML) and held on the premises of the Serbian Bank Association. Goran Kuprešanin, representative of the Securities Commission presented the results of the National Risk Assessment and vulnerabilities of the financial system from money laundering, putting special emphasis on authorized banks and custody banks, entities supervised by the Commission. The national risk coordinator Jelena Pantelić of APML, as well as team leaders of parties that worked on the Assessment, from APML, National Bank of Serbia, Republic Prosecutor's Office and Prosecutor's Office for Organized Crime also took part in presenting the findings of the NRA.