

CHAPTER III

THE RULES OF INSPECTION

BRATISLAVA STOCK EXCHANGE

CONTENTS

Article 1.....	1
Introductory Provisions	1
Article 2.....	1
Subjects of Inspection	1
Article 3.....	1
Object of Inspection	1
Article 4.....	2
Performance of Inspection	2
Article 5.....	3
Monitoring of Transactions.....	3
Article 6.....	3
Inspection Types and Features	3
Article 7.....	3
Inspection Notice.....	3
Article 8.....	3
Performance of Continuous Inspection, Inspection at Instigation and Random Inspection ..	3
Article 9.....	4
Performance of Systematic and Complex Inspection	4
Article 10.....	4
Processing of Systematic and Complex Inspection Results by the Stock Exchange	4
Article 11.....	5
Rights and Obligations of Subjects of Inspection	5
Article 12.....	6
Rights and Obligations of the Stock Exchange	6
Article 13.....	6
Protection against Laundering of Proceeds from Criminal Activity.....	6
Article 14.....	7
Market Manipulation and Misuse of Confidential Information	7

Article 1

Introductory Provisions

- 1.1 The Rules of Inspection (“the Rules” hereinafter) are issued by the Bratislava Stock Exchange (“the Stock Exchange” hereinafter) in compliance with the Act No 429/2002 (Coll.) on the Stock Exchange as amended by later legislation (“the Stock Exchange Act” hereinafter).
- 1.2 The Rules and their amendments are approved by the National Bank of Slovakia (“NBS” hereinafter) in compliance with the Act No 747/2004 (Coll.) on Financial Market Supervision and on Amendments and Supplements to Related Laws as amended by later legislation, based on a proposal of the Stock Exchange’s Board of Directors.
- 1.3 The Rules primarily stipulate the Stock Exchange’s procedure in the performance of inspection, specify the entities that are subject to inspection and stipulate their rights and obligations including the Stock Exchange’s rights and obligations in the performance of inspection.
- 1.4 Stock Exchange inspection is performed by an authorized employee responsible for the inspection of Stock Exchange deals in collaboration with other divisions of the Stock Exchange, in compliance with §13 Section 6 of the Stock Exchange Act.

Article 2

Subjects of Inspection

- 2.1 The following entities are subject to the Stock Exchange’s inspection (“subjects of inspection” hereinafter):
 - a) The Stock Exchange members;
 - b) the NBS.

Article 3

Object of Inspection

- 3.1 The following is the object of the Stock Exchange’s inspection:
 - a) Monitoring, recording and evaluation of data on transactions (“monitoring of transactions” hereinafter);
 - b) Examination of fulfilment of and conformity with the obligations arising to the subjects of inspection from the Stock Exchange Rules, except for the fulfilment of membership criteria and obligations related to Stock Exchange membership, the inspection of which is carried out in compliance with the Rules of Membership.
- 3.2 Inspection focuses primarily on the observance of the Stock Exchange Rules and separate laws pertaining to the activity of subjects of inspection on the Stock Exchange¹, the protection of financial market participants against laundering of proceeds from criminal activity pursuant to a separate regulation², against market manipulation

¹For example, Act No 429/2002 (Coll.) on the Stock Exchange, Act No 566/2001 (Coll.) on Securities and Investment Services and on Amendments and Supplements to Related Laws as amended by later legislation, etc.

²Act No 297/2008 (Coll.) on Protection Against Laundering of Proceeds From Criminal Activity and Protection Against Financing of Terrorism and on Amendments and Supplements to Related Laws as amended by later legislation (the “AML law” hereinafter).

pursuant to a separate regulation³, against misuse of confidential information pursuant to a separate regulation³ as well as against any other action or behaviour of the financial market participants which might cause damage to other participants

Article 4

Performance of Inspection

- 4.1 Inspection of stock exchange transactions is usually performed by the authorized employee responsible for the inspection of Stock Exchange deals. If need arises, inspection can be performed in co-operation with other Stock Exchange employees based on the Stock Exchange's authorisation.
- 4.2 When performing inspection, the authorized employee responsible for the inspection of Stock Exchange deals examines primarily the existence, correctness and completeness of documents, certificates and other papers related to transactions, as well as whether the manner of realisation of transactions and related actions are in agreement with the client's instructions, with the journal of received client instructions and with the Stock Exchange Rules. The subject of inspection submits required documents, certificates, standpoints, explanations and other papers upon the request of the authorized employee responsible for the inspection of Stock Exchange deals in compliance with the Rules of Membership. The authorized employee responsible for the inspection of Stock Exchange deals performs inspection in the Stock Exchange's registered office or in the registered office/office of the subject of inspection, or at any other suitable location.
- 4.3 In connection with the performance of inspection, the authorized employee responsible for the inspection of Stock Exchange deals is entitled to demand collaboration of other bodies and divisions of the Stock Exchange, issuers of securities and entities authorised to stock exchange trading.
- 4.4 If, during the performance of inspection, the authorized employee responsible for the inspection of Stock Exchange deals obtains information which leads to a well-founded supposition that the Stock Exchange Act, a separate regulation⁴ or the Stock Exchange Rules have been violated, or that certain circumstances have occurred which could disrupt or have disrupted the course of a transaction, including the suspension of trading due to a failure or unavailability of the trading system. The authorized employee responsible for the inspection of Stock Exchange deals must immediately inform about it the NBS, the Board of Directors and the Director General.
- 4.5 The provisions of a separate regulation⁵ shall not apply to the procedure followed by the authorized employee responsible for the inspection of Stock Exchange deals.

³ Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC in effective wording (hereinafter referred to as "MAR").

⁴ Act No 566/2001(Coll.) on Securities and Investment Services and on Amendments and Supplements to Related Laws, as amended by later legislation.

⁵ Act No 747/2004 (Coll.) on Financial Market Supervision and on Amendments and Supplements to Related Laws in current wording.

Article 5

Monitoring of Transactions

- 5.1 The authorized employee responsible for the inspection of Stock Exchange deals monitors transactions on a daily basis, in compliance with the internal rules of the Stock Exchange.
- 5.2 The Stock Exchange provides the material, technical and personnel-related conditions necessary for the monitoring of transactions.

Article 6

Inspection Types and Features

- 6.1 The authorized employee responsible for the inspection of Stock Exchange deals performs the following types of inspection:
 - a) Continuous inspection: it is performed on the basis of findings from continuous monitoring and evaluation of a Stock Exchange member's trading operations;
 - b) Inspection at instigation: it is performed at instigation of a financial market participant who draws attention to a possible violation of the generally binding legal regulations or the Stock Exchange Rules by a Stock Exchange member, or at instigation of the NBS pursuant to a separate regulation⁶;
 - c) Random inspection: it is performed on the basis of random selection of a transaction concluded by a Stock Exchange member;
 - d) Systematic and complex inspection: it is performed on the basis of a schedule of systematic and complex inspections of the Stock Exchange members, approved by the Stock Exchange.

Article 7

Inspection Notice

- 7.1 Continuous inspections, inspections at instigation and random inspections are not preceded by a notice delivered to the subject of inspection, and mostly take place in the Stock Exchange's registered office unless the Stock Exchange decides otherwise.
- 7.2 Systematic and complex inspections are preceded by a notice delivered to the subject of inspection. The inspection notice is delivered to the subject of inspection at least 10 days prior to the date of inspection.
- 7.3 For weighty reasons, the subject of inspection can request the change of an inspection date in writing not later than 5 days after the delivery of the notice of systematic and complex inspection; the request must state the reasons for change. The Stock Exchange shall decide on the subject of inspection's request not later than 3 days before the date specified in the inspection notice.

Article 8

Performance of Continuous Inspection, Inspection at Instigation and Random Inspection

- 8.1 Continuous inspections, inspections at instigation and random inspections are usually performed in the form of a written notice, on the basis of which the subject of inspection

⁶§3 of the Act No 747/2004 (Coll.) on Financial Market Supervision and on Amendments and Supplements to Related Laws in current wording.

must submit all required documents or statements to the authorized employee responsible for the inspection of Stock Exchange deals in compliance with the Stock Exchange Rules.

- 8.2 If, through continuous inspection, inspection at instigation or random inspection, the authorized employee responsible for the inspection of Stock Exchange deals finds a violation of the Stock Exchange Rules or, respectively, a violation of the generally binding legal regulations pertaining to the capital market, it shall make a record of such inspection. The Stock Exchange Deals Inspection Department shall then immediately inform the Stock Exchange of the result of inspection and, in the event of inspection at instigation, also the financial market participant (taking into account the confidentiality obligation according to a separate regulation⁷) or, respectively, the NBS.

Article 9

Performance of Systematic and Complex Inspection

- 9.1 Systematic and complex inspections are usually performed by the authorized employee responsible for the inspection of Stock Exchange deals or other authorized employees of the Stock Exchange on the basis of a special written authorisation of the Stock Exchange (“authorized persons” hereinafter).
- 9.2 At the start of systematic and complex inspection, the authorised persons submit to the subject of inspection their authorisation to perform inspection and a list of inspected realities, which the subject of inspection has to document by certificates, documents or other papers specified by the Stock Exchange. The Stock Exchange is entitled to review the submitted materials at a location other than the place of inspection, i.e. at the Stock Exchange’s registered office.

Article 10

Processing of Systematic and Complex Inspection Results by the Stock Exchange

- 10.1 The authorized employee responsible for the inspection of Stock Exchange deals shall process the results of systematic and complex inspection in the form of protocol.
- 10.2 The first version of protocol (“inspection protocol” hereinafter) is delivered to the subject of inspection without undue delay, but not later than 60 days after the performance of inspection.
- 10.3 The subject of inspection is entitled to give its opinion on the inspection protocol within 14 days from the service thereof. Such opinion must be submitted in written form and signed by the statutory body of the subject of inspection. The opinion of the subject of inspection on inspection results stated in the inspection protocol is an indivisible part of the protocol. If the subject of inspection fails to deliver its opinion on the inspection protocol within the aforementioned period, it shall be deemed that the subject of inspection agrees with the content of the inspection protocol and with findings stated therein.
- 10.4 After it has obtained the opinion of the subject of inspection, the authorized employee responsible for the inspection of Stock Exchange deals shall include in the inspection protocol a statement on the subject of inspection’s opinion.

⁷ §17 of the Stock Exchange Act No 429/2002 (Coll.).

- 10.5 Based on the results of inspection, the authorized employee responsible for the inspection of Stock Exchange deals shall submit the inspection protocol, along with a proposal for further action to be taken against the subject of inspection depending on the significance of findings, to the Stock Exchange. The Stock Exchange shall then decide on further action or, respectively, imposition of measures and sanctions in compliance with the Rules of Membership.
- 10.6 In compliance with the Rules of Membership, the Stock Exchange is entitled to take measures against and impose sanctions on the subject of inspection within one year after finding deficiencies, but not later than three years after the occurrence of such deficiencies. There is no appeal against the Stock Exchange's decision on the results of inspection and on the imposition of a measure or sanction.
- 10.7 If the Stock Exchange decides to impose a measure or sanction on the basis of inspection results, the Stock Exchange shall make an entry in the inspection protocol regarding the imposed measure or sanction ("the resulting protocol" hereinafter).
- 10.8 The Stock Exchange shall deliver the resulting protocol to the subject of inspection.
- 10.9 The day of delivery of the resulting protocol is deemed as the day of conclusion of the systematic and complex inspection.

Article 11

Rights and Obligations of Subjects of Inspection

- 11.1 After it has been notified of the performance of systematic and complex inspection by the authorized employee responsible for the inspection of Stock Exchange deals, the subject of inspection must:
 - a) appoint a contact person and inform the authorized employee responsible for the inspection of Stock Exchange deals of his/her name at least 3 working days before the start of inspection; the contact person is in charge of communication with the inspection group and prevents from situations that could limit the performance of inspection or thwart its performance. Not later than on the day of inspection performance, the contact person must submit to the inspection group a written authorisation, signed by authorised representatives, for all actions in the name of the subject of inspection related to the performance of inspection;
 - b) submit to the Stock Exchange any required documents and certificates within the time period stipulated by the Stock Exchange -- primarily the certificates of incorporation, business contracts, instructions and related papers proving their truthfulness, a journal of received client instructions, the financial settlements of transactions and so forth, or provide information and other papers on the realities being inspected in compliance with the Rules of Membership;
 - c) provide the Stock Exchange with the copies of required documents, certificates and papers;
 - d) allow access to its facilities and business premises for authorised employees if the inspection takes place in the office/registered office of the subject of inspection, and ensure necessary collaboration.
- 11.2 The subject of inspection has the following rights:
 - a) To submit, in well-founded cases, a proposal for change of the date of systematic and complex inspection;
 - b) To give an opinion on the protocol.

Article 12

Rights and Obligations of the Stock Exchange

- 12.1 In the performance of inspection, the Stock Exchange has primarily the following obligations:
- a) To submit the authorisation to perform inspection to the subject of inspection, if the inspection takes place in the office/registered office of the said subject;
 - b) To process the performed inspection into a protocol;
 - c) To keep all found facts confidential, and to refrain from otherwise misusing these findings;
 - d) To review the fulfilment of imposed sanctions and measures, or recommendations, by the subject of inspection.
- 12.2 In the performance of inspection, the Stock Exchange is entitled to demand collaboration of the subject of inspection.

Article 13

Protection against Laundering of Proceeds from Criminal Activity

- 13.1 In the performance of inspection, the authorized employee responsible for the inspection of Stock Exchange deals shall see that the protection of market participants against laundering of proceeds from criminal activity is ensured pursuant to a separate regulation². The authorized employee responsible for the inspection of Stock Exchange deals primarily reviews whether a prepared or a currently executed business operation could be deemed abnormal, and fulfils other tasks arising to the Stock Exchange as a liable entity from a separate regulation² unless the Stock Exchange Rules stipulate otherwise.
- 13.2 If, during the performance of inspection, a suspicion arises that a prepared or a currently executed business operation is abnormal, the authorized employee responsible for the inspection of Stock Exchange deals immediately informs the Stock Exchange statutory authority of this fact.
- 13.3 The subject of inspection must require client identification for every transaction in compliance with the Securities Act, the Collective Investment Act and the Stock Exchange Rules; the subject of inspection must refuse to realise a transaction where the client remains anonymous.
- 13.4 For every transaction with a value according to a separate regulation², the subject of inspection must verify the ownership of the funds used by the client to realise the transaction in the manner stipulated by the Securities Act. If the client fails to meet the obligations according to this Section, the subject of inspection must refuse to perform the required transaction.
- 13.5 The subject of inspection must refuse to realise the required transaction, the realisation of which is otherwise within its scope or, respectively, object of activity, if it is an unusual business operation and its realisation is indicative of laundering of proceeds from criminal activity or financing of terrorism pursuant to a separate regulation².
- 13.6 The Stock Exchange shall suspend a transaction under conditions stipulated by a separate regulation²:

- a) if there is a risk that the settlement of such transaction could thwart or considerably hinder the seizure of proceeds from criminal activity;
 - b) based on a written request of the financial police.
- 13.7 The Stock Exchange shall immediately inform the market participants, the NBS and, in the case pursuant to Section 13.6 Subsection b) also the financial police, about suspension of a transaction pursuant to Section 13.6.
- 13.8 If the execution of a transaction is indicative of laundering⁸, the Stock Exchange is entitled to decline the execution of such transaction through the Stock Exchange trading system, even if the execution is otherwise within the scope of the Stock Exchange's competence or is in compliance with the object of the Stock Exchange's activity.
- 13.9 An internal regulation shall stipulate details pertaining to the Stock Exchange's procedure for the fulfilment of obligations arising to the Stock Exchange from a separate regulation² in the protection against the laundering of proceeds from criminal activity.
- 13.10 The provisions of a separate regulation⁵ shall not apply to the Stock Exchange's decision-making with regard to suspension of a transaction pursuant to Section 13.6.

Article 14

Market Manipulation and Misuse of Confidential Information

- 14.1 The subject of inspection must not perform any activities leading to market manipulation and must not participate in actions that aim to artificially influence the price of a security.
- 14.2 The subject of the Stock Exchange's inspection must refuse to perform an instruction, the obvious purpose of which is the infringement of a third party's rights or a market manipulation, and must inform the Stock Exchange of this fact without undue delay.
- 14.3 According to a separate regulation³, market manipulation means primarily the following:
- a) Placing orders to purchase or sell securities which (the orders) give or, respectively, are likely to give false, alert or misleading signals about the supply of/demand for securities or about the prices of securities;
 - b) Concluding transactions which give or, respectively, are likely to give false, alert or misleading signals about the supply of/demand for securities or cause or, respectively, are likely to cause unjustified change, maintaining or creation of price of a security, or create the image of active trading;
 - c) Placing orders to purchase or sell securities with the same or similar parameters (the same price, amount of securities etc.) individually by one or several previously agreed persons at an approximately same time, which (the orders) cause or, respectively, are likely to cause unjustified change, maintaining or creation of price of a security;
 - d) Concluding transactions, which are performed by one or several persons acting in concert, with the intention to achieve or maintain the price of a single security or several securities at an unnatural or artificial level, or with the intention to secure a dominant position in relation to the supply of/demand for security and resulting in fixing of the price of the security or creation of other unfair trading conditions for other market participants;

⁸ §2 Section 1 of the Act No 297/2008(Coll.) on Protection against Laundering of Proceeds from Criminal Activity and Protection against Financing of Terrorism and on Amendments and Supplements to Related Laws, as amended by later legislation (the "AML" law hereinafter).

- e) Concluding transactions where there is no actual change of the owner of securities, or where such change only occurs between persons acting in concert or based on a prior agreement or, respectively, concluded agreement, and where such transactions cause a change in the price of the security or its fixing;
 - f) Placing orders with a higher/lower price against the previous order to buy/order to sell with the intention to create a misleading impression that there is an order to buy/order to sell at the given price and where these orders are deleted in the trading system before conclusion of the transaction;
 - g) Placing orders to buy or orders to sell securities, or concluding transactions, with use of any form of fraudulent actions or machinations;
 - h) Concluding transactions at the closing phase of the trading day with the intention to mislead investors who act on the basis of closing prices, or with the intention to influence the closing price (e.g. due to the assessment of portfolios);
 - i) Unusual concentration of transactions in a certain security (made, for example, by one or several investors who are known to have links to the issuer or who are potential applicants in a public offer to take over);
 - j) Disseminating information or messages that give, or are likely to give, false, alert or misleading signals about the supply of, demand for, or the prices of securities by means of public media or by other means if the person who has disseminated them knows, or was supposed to know, the nature of such information.
- 14.4 The activities specified in Section 14.3 Subsections a) through i) are not deemed as market manipulation, if the Stock Exchange member placing the order or concluding the transaction demonstrates a legitimate reason to conclude that transaction and that transaction is in compliance with the Stock Exchange Rules and with established market practice.
- 14.5 According to a separate regulation³, misuse of confidential information means primarily the following:
- a) Using confidential information, directly or indirectly, to acquire or to transfer financial instruments to which such information relates on own account or a third party's account;
 - b) Using confidential information to cancel or to change an instruction referring to the financial instrument to which such information relates;
 - c) Recommending to or inciting other person to participate in trading with use of confidential information.
- 14.6 When assessing which activities can be deemed as market manipulation and misuse of confidential information, the Stock Exchange takes into account primarily the signals specified in separate regulation³.
- 14.7 In the event that the authorized employee responsible for the inspection of Stock Exchange deals records activities suspected of market manipulation or misuse of confidential information, it will immediately inform the Director General of this fact together with reasons why such suspicion exists.
- 14.8 Without undue delay, the Stock Exchange shall suspend trading of the security or exclude the security from trading on the relevant market in compliance with §38 Section 1 third sentence of the Stock Exchange Act and pertaining parts of the Stock Exchange Rules.

- 14.9 The authorized employee responsible for the inspection of Stock Exchange deals shall verify the facts that have led to suspension of trading pursuant to §38 Section 1 third sentence of the Stock Exchange Act, and shall submit a report to the NBS, the Board of Directors and Director General. The report shall state primarily whether the law and the Stock Exchange Rules have been violated, the scope of such violation and the persons responsible for such violation.

Note: Only the Slovak version of this document is legally binding.