

09 Annex - Financial services

**36. ANNUAL REPORT ON THE SITUATION AT CAPITAL
MARKET AND OPERATION OF THE SECURITIES
COMMISSION OF MONTENEGRO FOR 2008**



**MONTENEGRO
SECURITIES COMMISSION OF MONTENEGRO
ANNUAL REPORT
ON THE SITUATION AT CAPITAL MARKET
AND OPERATION OF THE SECURITIES COMMISSION OF MONTENEGRO FOR 2008**

Podgorica, 30 June 2009

Introductory Notes

International financial crisis, reflected through descent of interest for operation at capital market, withdrawal of investments and deposits from Montenegro, reduced loan activity of the banks and expressive uncertainty about the „unknown“ – duration and implication of the crisis, affects the Commission's focus of activity and utilization of available professional and technical potentials of the Commission on activities that should facilitate further development of capital market, surpassing investors fear and enhancement of industry activities as a whole.

From the multitude of developments and trends affecting dimensions of current global crisis of financial sector, several of them can be distinguished as the primary ones.

From macroeconomic point of view, a redistribution of the world's wealth is taking a place, manufacturing centres of China and India are growing, as well as energy centres of Russia and the Near East, while the countries of developed capitalism expand industry of intellectual services, i.e. more and more added value is created in the sphere of intellectual and other specialist services. A redistribution of the world's wealth is reflected in a fact that the First world countries have less money while the Third world countries possess more money and capital. This does not mean at all that the First world countries do not have leading role anymore and are getting poor, but simply that division and competitiveness of performing certain jobs are changing.

Current global financial crisis has originated in financial sector and afterwards transferred to real sector, unlike previous large crisis that had evolved in the real sector. Financial sector represents a circulatory system of an economy. When circulatory system is sick, other parts of the system cannot develop either but also fall into crisis.

From macroeconomic point of view, this is the crisis of confidence in banking sector, caused by its intransparency.

Global regulation of the banks' capital adequacy, as defined by the Bank for International Settlements (BIS) requires from all international banks to hold own capital at the level of at least 8% of total amount of their assets. Regulation of the banks' capital adequacy practically delimits amount of the bank's profit by limiting amount of its asset at only 12,5 times comparing to own capital.

However, life cannot be prescribed. The banks in the USA swiftly responded to this challenge formally fulfilling this requirement by reducing their assets through "securitization", i.e. by selling their claims in the form of securities. This financial technology rapidly dispersed throughout the world, particularly in the countries with large and strong capital markets.

In countries where capital markets are not very large and on which markets are difficult to sell "securitized" loans, such as in Asia, the banks could not employ this new financial technology so they were compelled to reduce their loans as well as profits. In that way international regulation of the bank's capital adequacy, which was justified by desire to establish equal conditions for everyone, actually created competitive inequality because of diversely structured financial systems in different countries.

Capital market is collateral damage of the current crisis. Capital market is the liquid market. When uncertainty and fear rule, people do not invest in the stocks and other risky instruments, but recall their investments (sell stocks and derivatives).

In a time of uncertainty, people invest in government bonds and precious metals. Corporate bonds are not attractive. The bond is not stock exchange instrument and is held mostly to maturity and collection. Trading in derivatives on the bonds is developed to a certain extent.

Capital market reacts to information, and investors form their expectations for the future based on these information. The prices at the stock exchanges move accordingly. A drop in prices at the stock exchanges represents evidence that market functions in efficient manner. Response to the crisis and fall of stock exchange indices in certain countries led to temporal closure of the stock exchange or administrative limitation of drop prices – state intervention on the stock exchange – which proved to be a bad signal to all investors. Such measures induce investors to be uncertain about free disposal of their assets. American stock exchanges were not closed during the last

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crisis, and the fall of indices amounted to around 30%. Stock exchange in Moscow has been closed from time to time and amount of drop indices was limited for one day. The result was total fall of the stock exchange indices of around 80%. This measure certainly does not represent proper response to the crisis as it does not deal with its cause. This is a crisis of confidence – fear.

Expectations for our capital market in 2009 would be as follows:

- We expect large offer of the stocks for sale and low sustained demand, which will affect maintenance of indices and prices at relatively low level during all the year;
- We expect consolidation of the ownership within the portfolio of investment funds for purpose of sale or seeking a partner for certain companies and portfolios;
- We do not expect significant development of private pension funds due to uncertainty of investors with regard to the expectations;
- If privatization of energy sector is conducted, we expect positive effects on capital market.

1. Capital Market Situation

1.1. Turnover and the Number of Transactions by Month

Total realized turnover on Montenegrin stock exchanges during 2008 amounted to EUR 160,334,042, i.e. EUR 50,432,759 on stock market¹ and EUR 109,901,283 on free market². Comparing this to total turnover realized during previous year it came to drop in turnover of 77.96%.

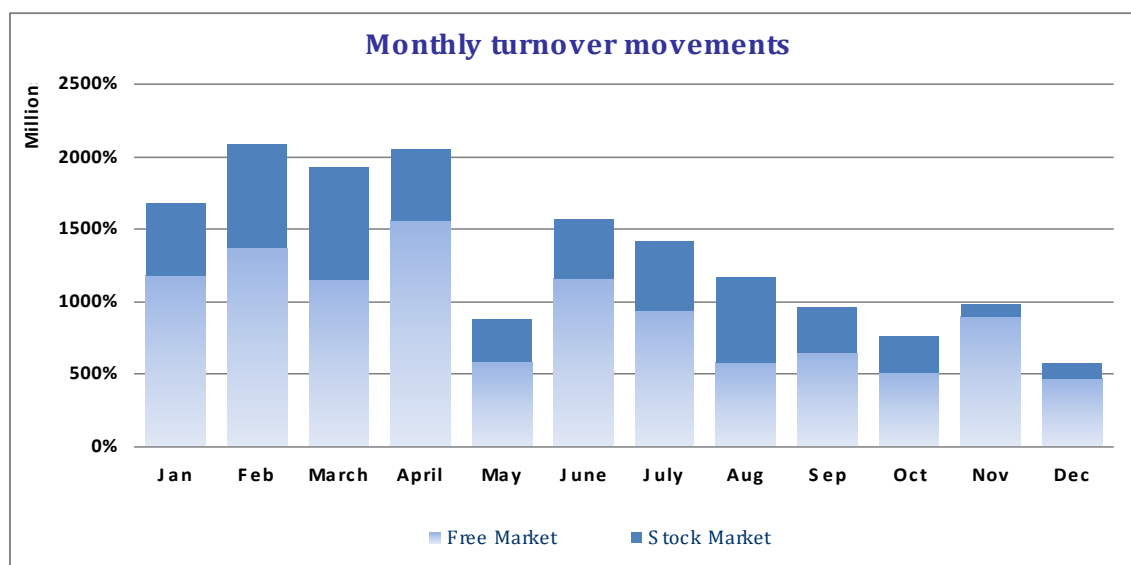
Period	Name of the segment		Total
	Stock Market	Free Market	
January	€4,992,297	€11,790,638	€16,782,936
February	€7,177,700	€13,650,818	€20,828,518
March	€7,863,884	€11,403,193	€19,267,077
April	€4,965,269	€15,543,724	€20,508,993
May	€2,965,598	€5,801,351	€8,766,949
June	€4,143,038	€11,523,116	€15,666,154
July	€4,880,583	€9,351,530	€14,232,113
August	€5,865,232	€5,801,115	€11,666,347
September	€3,216,936	€6,391,942	€9,608,878
October	€2,498,734	€5,079,202	€7,577,936
November	€825,348	€8,897,890	€9,723,238
December	€1,038,139	€4,666,764	€5,704,903

¹ By „Stock Market“ we imply trade in stocks of the companies that are quoted on A and B lists of Montenegrin stock exchanges.

² By „Free Market“ we imply trade in stocks from the free market (not quoted at A and B list), trade in bonds and trade in stocks of the Mutual Investments Funds (Investment Funds).

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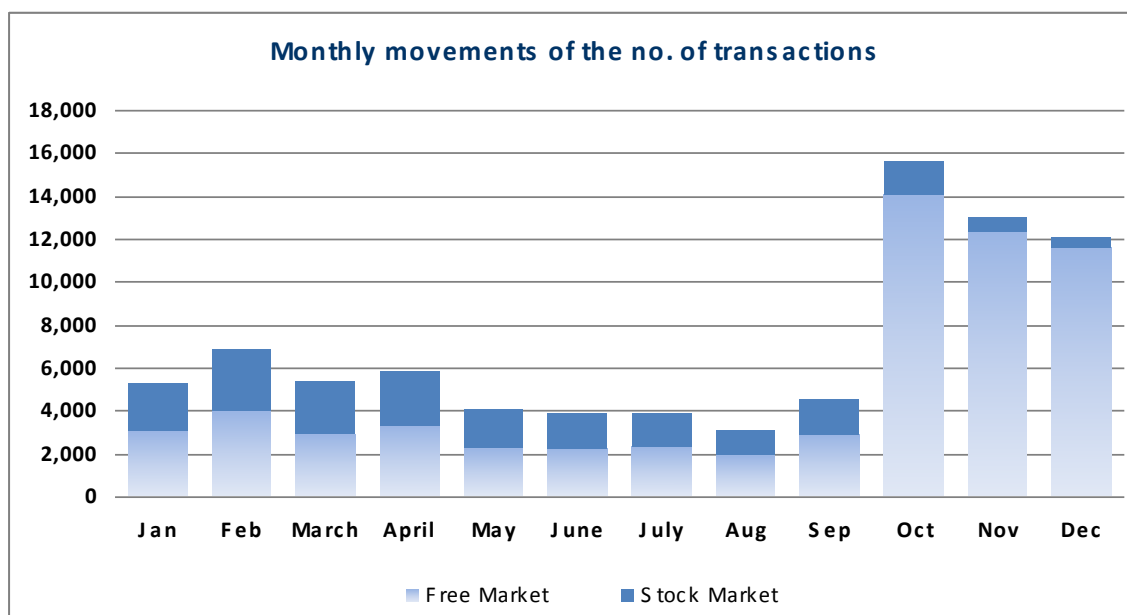
Total	€50,432,759	€109,901,283	€160,334,042
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By observing graph of monthly dynamics of turnovers, we can conclude that after first four months of the year, in which considerable turnovers were achieved, it comes to sudden drop in turnover in May, followed by increase of turnover that had descending trend in the following months.

Total realized number of transactions on Montenegrin stock exchanges during 2008 amounted to 83,348, i.e. 20,701 transactions on stock market and 62,647 transactions on free market. Comparing this to number of transactions realized in 2007 we observe decrease in number of transactions for 62.92%.

Period	Name of the segment		Total
	Stock Market	Free Market	
January	2,286	3,015	5,301
February	2,927	3,912	6,839
March	2,434	2,901	5,335
April	2,543	3,268	5,811
May	1,786	2,248	4,034
June	1,641	2,233	3,874
July	1,556	2,337	3,893
August	1,124	1,904	3,028
September	1,623	2,886	4,509
October	1,549	14,032	15,581
November	712	12,310	13,022
December	520	11,601	12,121
Total	20,701	62,647	83,348



By analyzing graphical illustration of monthly dynamics of the number of transactions, we conclude that drop in stock prices on free market caused manifestation of larger confidence in stocks from the stock exchange market, so the number of transactions on the stock market for several months was approximate to number of transactions on free market. The last three months of 2008 represent exception from this, as significantly larger number of effected transactions was observed on free market solely because of increased trade in bonds.

1.2. Turnover and the Number of Transactions by Market Segments

Two basic segments of capital market are stock market and free market. The next table presents turnover and number of transactions by individual segments.

Segment	Turnover	% share in turnover	No. of transactions	% share in the no. of transactions
Stock Market	€50,432,759	31.45%	20,701	24.84%
Free Market	€109,901,283	68.55%	62,647	75.16%
Total	€160,334,042	100.00%	83,348	100.00%

Comparing these figures to data from the previous year, in which 45.83% of turnover was performed on stock market and remaining 54.17% on free market, we notice substantially higher participation of turnover and the number of transactions on free market. This increase of participation represents a consequence of large number of trades in bonds.

In addition, considering that we have lower decrease of total transactions number comparing to decrease of total turnover for 19%, we can conclude it came to “market extension”, i.e. situation that larger number of people and companies participated in trade with somewhat lower average value per transaction.

Turnover and the number of transactions on stock market

In order to be listed on A or B list of stock market, the companies must, apart from meeting general conditions, fulfil certain criteria with respect to amount of capital, the number of shareholders,

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financial condition, obligation to provide information on operation and so on. Conditions for quotation are regulated by particular rules on quotation prescribed by the stock exchanges, which describe with more details conditions a company should fulfil to be quoted on A or B list of stock market.

Segment	Turnover	% share in turnover	No. of transactions	% share in the no. of transactions
A list	€16,495,852	32.71%	5,747	27.76%
B list	€33,936,907	67.29%	14,954	72.24%
Total	€50,432,759	100.00%	20,701	100.00%

Turnover and number of transaction in stocks from A list

Nine companies³ fulfilled conditions for quotation at A lists of Montenegrin stock exchanges. The next table gives us an overview of turnover, the number of transactions and share in total turnover, of these companies' stocks. We can point out results of trade in stocks of the company Crnogorski telekom a.d. Podgorica, whose share in total turnover amounted to 5.51%, while trade in stocks of this company represent 53.58% of turnover made on the stocks of companies quoted at A lists.

Name of the company	Stock Exchange	Symb ol	Turnover	No. of transactions	Share in total turnover
13 jul - Plantaže a.d. Podgorica	Montenegrob erza	PLAP	€2,378,119	2,699	1.4832 %
Atlasmont banka a.d. Podgorica	Nex berza	ATBA	€801,095	50	0.4996 %
Barska plovdba a.d. Bar	Montenegrob erza	PUTE	€400,819	345	0.2500 %
Crnogorska Komercijalna Banka a.d. Podgorica	Montenegrob erza	CKBP	-	-	0.0000 %
Crnogorski telekom a.d. Podgorica	Nex berza	TECG	€8,838,630	2,530	5.5126 %
Komercijalna banka a.d. Budva	Montenegrob erza	KOBD	-	-	0.0000 %
Lovcen osiguranje a.d. Podgorica	Montenegrob erza	LOVO	€416,459	12	0.2597 %
NLB Montenegrobanka a.d Podgorica	Montenegrob erza	OBN M	-	-	0.0000 %
Prva banka Crne Gore a.d. Podgorica	Montenegrob erza	NKBA	€2,744,131	91	1.7115 %
Prva banka Crne Gore a.d. Podgorica	Montenegrob erza	1NKBA	€916,597	20	0.5717 %

³ Trade in stocks of company Prva banka Crne Gore a.d. Podgorica, with symbol 1NKBA, relates to primary issuance of this company's stocks and is separately treated in the table for reason of more detailed review.

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Total			€16,495,85 1	5,747	10.2884 %
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Turnover and the number of transactions in stocks from B list

Name of the company	Stock Exchange	Symbo l	Turnover	No. of transac.	Share in total turnover
Cetinjeturist a.d. Cetinje	Montenegroberz a	CETU	€1,720,81	339	1.0783%
CMC a.d. Podgorica	Montenegroberz a	INMR	€180,268	43	0.1124%
Crnagoraput a.d. Podgorica	Montenegroberz a	CPUT	€2,678,228	269	1.6704%
Duvanski kombinat a.d. Podgorica	Nex berza	DKPG	€ 646,622	711	0.4033%
Elektroprivreda Crne Gore a.d. Nikšić	Nex berza	EPCG	€9,855,974	4,305	6.1471%
Hipotekarna banka a.d. Podgorica	Montenegroberz a	HIBP	€377,358	54	0.2354%
HP Fjord a.d. Kotor	Montenegroberz a	FJOK	€20,654	10	0.0129%
HTP "Albatros" a.d. Ulcinj	Montenegroberz a	ALBA	€726,344	24	0.4530%
HTP Boka a.d. Herceg Novi	Nex berza	HTBO	€16,177	55	0.0101%
HTP Korali a.d. Bar	Nex berza	KORB	€99,558	58	0.0621%
HTP Onogošt AD Nikšić	Montenegroberz a	ONOG	€196,623	261	0.1226%
HTP Velika plaža a.d. Ulcinj	Montenegroberz a	BRJE	€51,418	50	0.0321%
Institut crne metalurgije a.d. Nikšić	Montenegroberz a	ZEIN	€35,059	164	0.0219%
Institut Simo Milošević a.d. Igalo	Nex berza	INSM	€736,349	485	0.4593%
Invest banka Montenegro a.d. Podgorica	Montenegroberz a	PLJB	€29,297	5	0.0183%
Invest banka Montenegro a.d. Podgorica povl. akc.	Montenegroberz a	INBA	€3,076,069	19	1.9185%
Jadransko brodogradilište a.d. Bijela	Montenegroberz a	JABD	€781,213	559	0.4872%
Kombinat aluminijuma a.d. Podgorica	Montenegroberz a	KAPG	€5,371,783	2,163	3.3504%
Luka Bar a.d.	Montenegroberz a	LUBA	€3,142,368	2,559	1.9599%
Lutrija Crne Gore a.d. Podgorica	Montenegroberz a	LUCG	€82,212	80	0.0513%

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Marina a.d. Bar	Montenegroberza	MARB	€147,017	188	0.0917%
Mermer a.d. Danilovgrad	Montenegroberza	MEDA	€6,167	9	0.0038%
Mješovito a.d. Herceg Novi	Montenegroberza	MJES	€53,596	49	0.0334%
Pobjeda a.d. Podgorica	Montenegroberza	NIPO	€1,489,834	852	0.9292%
Rudnici boksita a.d. Nikšić	Montenegroberza	RUBN	€78,769	80	0.0491%
Swiss osiguranje a.d. Podgorica	Montenegroberza	SWIO	€400,702	13	0.2499%
Titex AD Podgorica	Montenegroberza	TITI	€37,003	77	0.0231%
UTIP "Crna Gora" a.d. Podgorica	Montenegroberza	CRNA	€102,188	93	0.0637%
Zetatrans Logisticke usluge a.d. Podgorica	Montenegroberza	ZETP	€1,016,620	670	0.6341%
Željeznice Crne Gore a.d. Podgorica	Montenegroberza	ZECG	€772,628	710	0.4819%
Total			€33,936,907	14,954	21.1664%

Total number of 29 companies⁴ is quoted on B lists of Montenegrin stock exchanges. The previous table gave us an overview of turnover, number of transactions and total turnover of these companies' stocks. The most significant results were achieved with trade in stocks of company Elektroprivreda Crne Gore a.d. Nikšić, whose participation in total turnover amounts to 6.14%, while participation of this company's stocks in turnover realized on stocks of the companies quoted at B lists amounts to 29.04%⁵. The second place by realized turnover belong to stocks of company Kombinat aluminijuma a.d. Podgorica with achieved 3.35% of participation in total turnover, i.e. 15.82% of participation in turnover realized on stocks of the companies quoted at B lists.

1.3. Turnover Structure

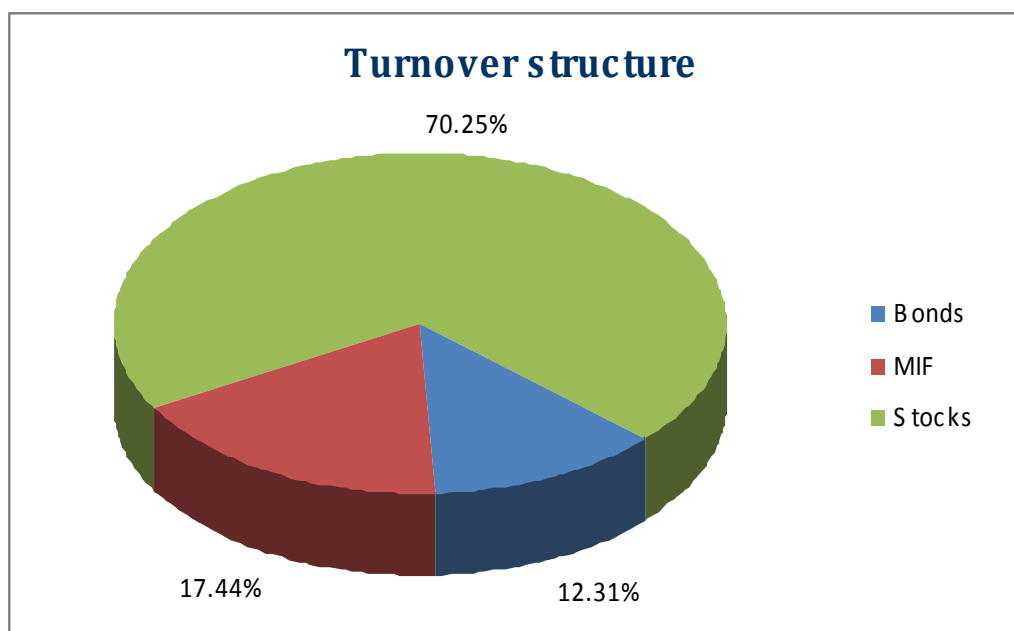
During 2008, trade in stocks of the companies amounted to EUR 112,633,025 or 70.25% of total turnover, trade in stocks of Mutual Investment Funds amounted to EUR 27,968,532 or 17.44% of total turnover, while turnover of bonds amounted to EUR 19,732,485 or 12.31% of total turnover. By comparing percentage amounts from 2008 to amounts from 2007, we conclude it comes to decrease in participation of trade in stocks of the companies for 6.85%, decrease in participation of

⁴ Trade in stocks of Invest banka Montenegro a.d. Podgorica, with symbol 1INBA, relates to trade in priority shares of this company and is separately shown in the table because of different stock exchange symbols.

⁵ It is important to note that during 2008 Elektroprivreda a.d. Nikšić moved from B list of stock market to free market where trade in stocks of this company was continued, so total amount of trade in stocks of Elektroprivreda a.d. Nikšić amounted EUR 10,635,899 in 4,956 transactions.

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trade in stocks of Mutual Investment Funds for 14.17%, and to increase in participation of trade in bonds for 188.96%. A reason for such a considerable increase of trade in bonds is directly connected to the fact that much larger number of this kind of securities was available on the market in this year.



1.3.1.

Turnover of Bonds

The next table presents turnover of individual bonds, as well as their participation in total turnover of bonds and total turnover on stock exchanges.

Type of Bonds	Symbol	Turnover	Share in turnover of bonds	Share in total turnover
Government bonds with maturity 2009	DO09	€87,685	0.4444%	0.0547%
Government bonds with maturity 2010	DO10	€54,412	0.2757%	0.0339%
Government bonds with maturity 2011	DO11	€37,461	0.1898%	0.0234%
Government bonds with maturity 2012	DO12	€38,151	0.1933%	0.0238%
Government bonds with maturity 2013	DO13	€23,311	0.1181%	0.0145%
Government bonds with maturity 2014	DO14	€25,704	0.1303%	0.0160%
Government bonds with maturity 2015	DO15	€21,303	0.1080%	0.0133%
Government bonds with maturity 2016	DO16	€84,261	0.4270%	0.0526%
Government bonds with maturity 2017	DO17	€91,606	0.4642%	0.0571%
Bonds based on restitution	FO02	€10,393,981	52.6744%	6.4827%
Bonds of savings in foreign currency with maturity 2008	OB08	€14,878	0.0754%	0.0093%
Bonds of savings in foreign currency with maturity 2009	OB09	€105,925	0.5368%	0.0661%
Bonds of savings in foreign currency with maturity 2010	OB10	€82,495	0.4181%	0.0515%

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Bonds of savings in foreign currency with maturity 2011	OB11	€58,416	0.2960%	0.0364%
Bonds of savings in foreign currency with maturity 2012	OB12	€33,507	0.1698%	0.0209%
Bonds of savings in foreign currency with maturity 2013	OB13	€23,917	0.1212%	0.0149%
Bonds of savings in foreign currency with maturity 2014	OB14	€18,879	0.0957%	0.0118%
Bonds of savings in foreign currency with maturity 2015	OB15	€15,223	0.0771%	0.0095%
Bonds of savings in foreign currency with maturity 2016	OB16	€100,159	0.5076%	0.0625%
Bonds of savings in foreign currency with maturity 2017	OB17	€103,285	0.5234%	0.0644%
Bonds of pension users with maturity 20.10.2008	P08P	€97,160	0.4924%	0.0606%
Bonds of pension users with maturity 20.10.2009	P09D	€941,326	4.7704%	0.5871%
Bonds of pension users with maturity 20.04.2009	P09P	€1,140,987	5.7823%	0.7116%
Bonds of pension users with maturity 20.10.2010	P10D	€ 611,767	3.1003%	0.3816%
Bonds of pension users with maturity 20.04.2010	P10P	€723,073	3.6644%	0.4510%
Bonds of pension users with maturity 20.10.2011	P11P	€573,782	2.9078%	0.3579%
Bonds based on restitution (primary issuance)	FO02-B	€3,377,066	17.1142%	2.1063%
Municipality Budva	1BD11	€97,200	0.4926%	0.0606%
Municipality Budva	1BD12	€93,686	0.4748%	0.0584%
Municipality Budva	1BD13	€90,064	0.4564%	0.0562%
Municipality Budva	1BD14	€86,336	0.4375%	0.0538%
Municipality Budva	1BD15	€82,489	0.4180%	0.0514%
Municipality Budva	1BD16	€78,536	0.3980%	0.0490%
Municipality Budva	1BD17	€74,464	0.3774%	0.0464%
Bonds of Municipality Plav with maturity 2010	1PL10	€40,313	0.2043%	0.0251%
Bonds of Municipality Plav with maturity 2011	1PL11	€38,856	0.1969%	0.0242%
Bonds of Municipality Plav with maturity 2012	1PL12	€37,354	0.1893%	0.0233%
Bonds of Municipality Plav with maturity 2013	1PL13	€35,807	0.1815%	0.0223%
Bonds of Municipality Plav with maturity 2014	1PL14	€34,212	0.1734%	0.0213%
Bonds of Municipality Plav with maturity 2015	1PL15	€32,572	0.1651%	0.0203%
Bonds of Municipality Plav with maturity 2016	1PL16	€30,884	0.1565%	0.0193%

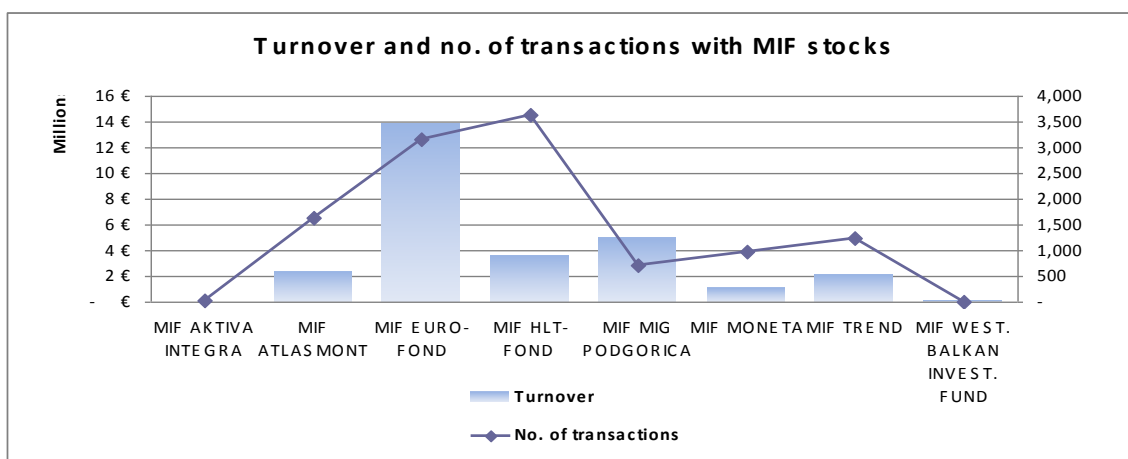
A turnover of bonds based on restitution keeps dominant participation in turnover of bonds with 52.67%, i.e. with 6.48% of participation in total turnover. If primary issuance of these bonds would be added to this amount, we would come to data that the bonds based on restitution had participation of 69.78% in total turnover of bonds, while in the same their participation in total turnover realized on stock exchanges would amount to 8.58%.

1.3.2. Turnover of the Stocks of Mutual Investment Funds

The next table gives us an overview of the number of transactions and turnover of the Mutual Investment Funds' stocks realized during 2008.

Name of the Fund	Symbol	No. of transac.	Turnover	Share in turnover of MIF stocks	Share in total realized turnover
MIF AKTIVA INTEGRA AD PODGORIC	AKIN	15	€15,472	0.0553%	0.0096%
MIF ATLASMONT PODGORICA	ATMO	1,640	€2,274,980	8.1341%	1.4189%
MIF EURO-FOND PODGORICA	EURF	3,165	€13,928,991	49.8024%	8.6875%
MIF HLT-FOND PODGORICA	HLTA	3,626	€3,536,382	12.6441%	2.2056%
MIF MIG PODGORICA	MIGF	711	€4,997,497	17.8683%	3.1169%
MIF MONETA PODGORICA	MONF	963	€1,064,465	3.8059%	0.6639%
MIF TREND PODGORICA	TREN	1,228	€2,057,246	7.3556%	1.2831%
MIF WESTERN BALKAN INVES. FUND	WEBA	4	€93,500	0.3343%	0.0583%

We can notice that the stocks of FZU Euro-fond Podgorica stand out with regard to realized turnover, whose trading realized 49.8% turnover in MIF stocks. In addition, this fund has very distinguished participation in total realized turnover on Montenegrin stock exchanges, amounting to 8.68%. The next graph gives us review of relation between turnover and the number of transactions with MIF stocks.



1.4. Turnover Structure by Authorized Participants

During 2008, total number of 33 authorized participants was reported as members of the stock exchanges. The next table presents a review of their participations in the number of transactions and turnover in absolute values.

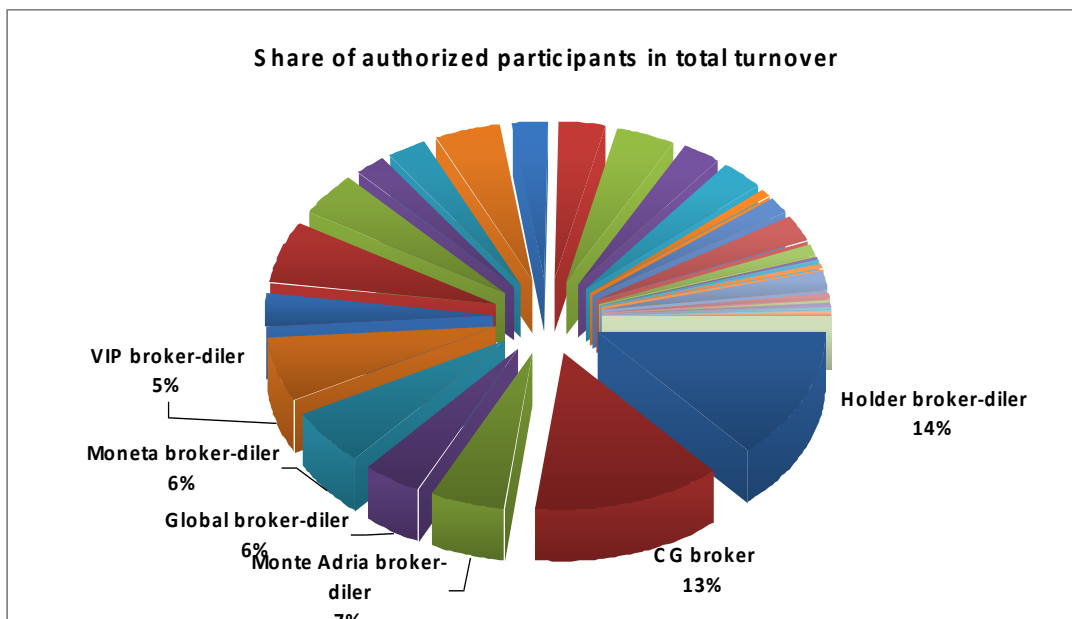
Name of the Authorized Participant	No. of transactions			Total value		
	Primary	Secondary	Total	Primary	Secondary	Total
3M broker diler	0	8,493	8,493	€0	€9,400,510	€9,400,510
Aktiva broker	0	617	617	€0	€939,896	€939,896
Anglo broker diler	0	611	611	€0	€1,636,482	€1,636,482

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Bull & Bear broker diler	0	6,196	6,196	€0	€2,192,193	€2,192,193
CG broker	0	13,604	13,604	€0	€42,535,977	€42,535,977
Energo broker	0	6,248	6,248	€0	€14,800,475	€14,800,475
Fidelity broker	0	590	590	€0	€6,138,734	€6,138,734
Finativa broker diler	0	1,004	1,004	€0	€1,692,207	€1,692,207
First Financial securities	0	2,642	2,642	€0	€10,449,593	€10,449,593
Global broker diler	0	5,178	5,178	€0	€20,322,616	€20,322,616
Holder broker diler	42	19,265	19,307	€1,838,194	€41,949,760	€43,787,955
Hypo Alpe Adria broker diler	2	2,010	2,012	€200	€13,363,471	€13,363,671
IN broker	0	55	55	€0	€38,206	€38,206
Invest banka Montenegro	0	1,525	1,525	€0	€9,167,821	€9,167,821
KBC Securities Montenegro	0	4,880	4,880	€0	€14,660,507	€14,660,507
M&V Invest broker diler	0	655	655	€0	€932,752	€932,752
Market broker	7	14,520	14,527	€249,998	€13,045,863	€13,295,862
MB broker	0	3,612	3,612	€0	€5,809,908	€5,809,908
MIK broker diler	0	1,351	1,351	€0	€3,155,323	€3,155,323
Moneta broker diler	0	6,673	6,673	€0	€19,219,142	€19,219,142
Monte Adria broker diler	0	6,366	6,366	€0	€21,527,244	€21,527,244
Monte broker	0	6,659	6,659	€0	€8,571,296	€8,571,296
Montenegro broker diler	0	2,100	2,100	€0	€947,821	€947,821
MV broker	0	1,185	1,185	€0	€844,974	€844,974
Narodni broker	0	48	48	€0	€56,142	€56,142
NK broker	0	14,009	14,009	€0	€10,037,237	€10,037,237
Nobl broker	0	41	41	€0	€37,605	€37,605
Nove broker	0	16,186	16,186	€0	€6,573,793	€6,573,793
Onyx broker	0	2,557	2,557	€0	€9,203,266	€9,203,266
Partner broker	0	1,686	1,686	€0	€1,178,511	€1,178,511
Podgorički broker	0	1,879	1,879	€0	€9,722,587	€9,722,587
VIP broker diler	14	13,633	13,647	€852,774	€15,968,901	€16,821,675
Wall Street broker	7	546	553	€602,776	€1,003,331	€1,606,107

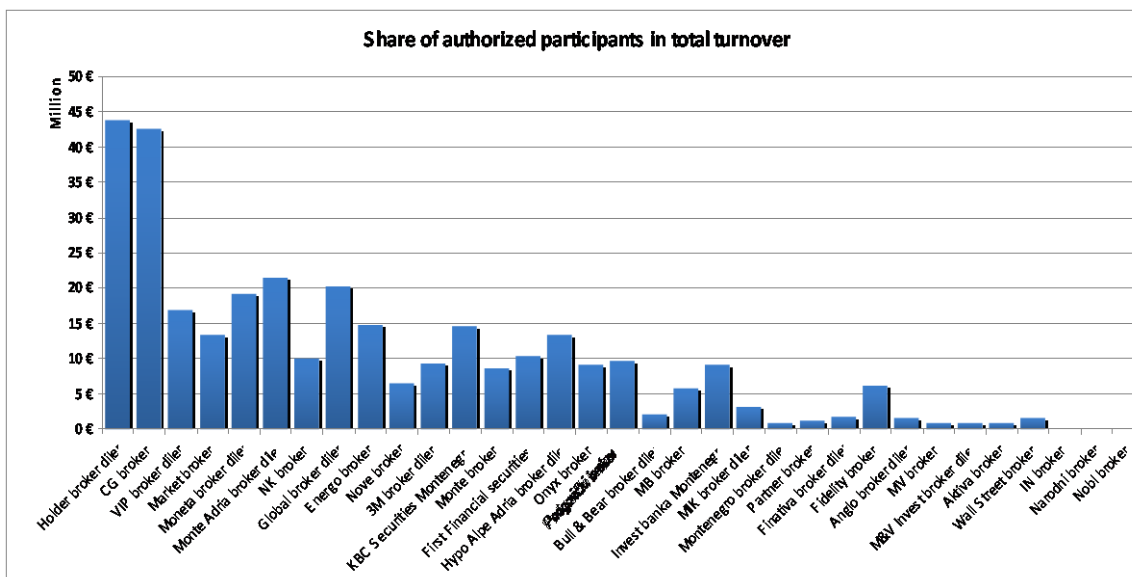
The next graph shows percentage share of individual authorized participants in totalturnover.

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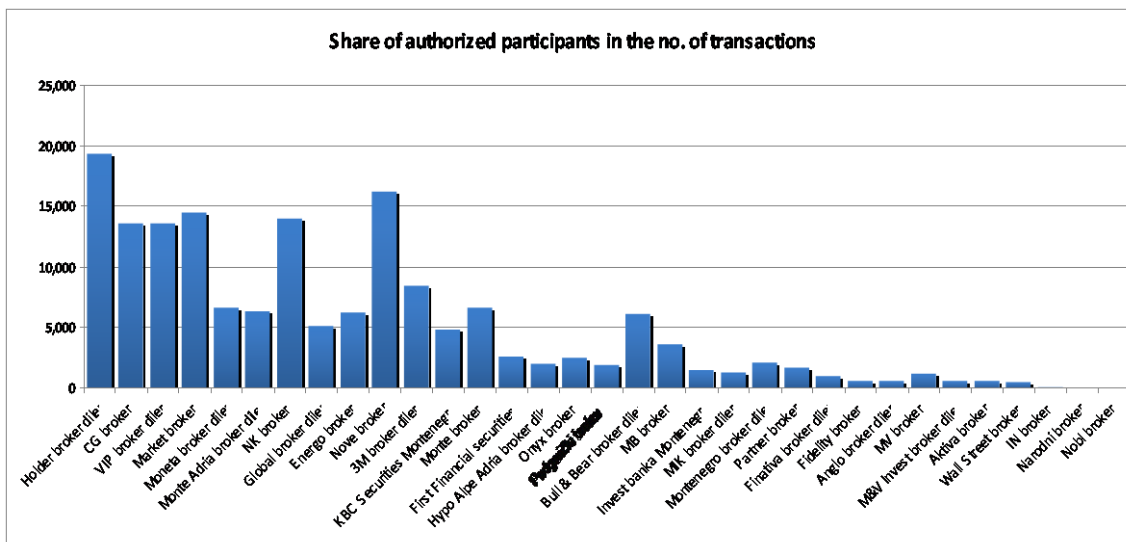
For reason of better visibility, the graph shows only the names of authorized participants with large share in total turnover. We notice that two authorized participants, namely Holder broker-diler with 14% and CG broker with 13% of total participation, are the most prominent with regard to volume of their participation.

The next graphical overview gives us a review of share of individual authorized participants in total turnover.

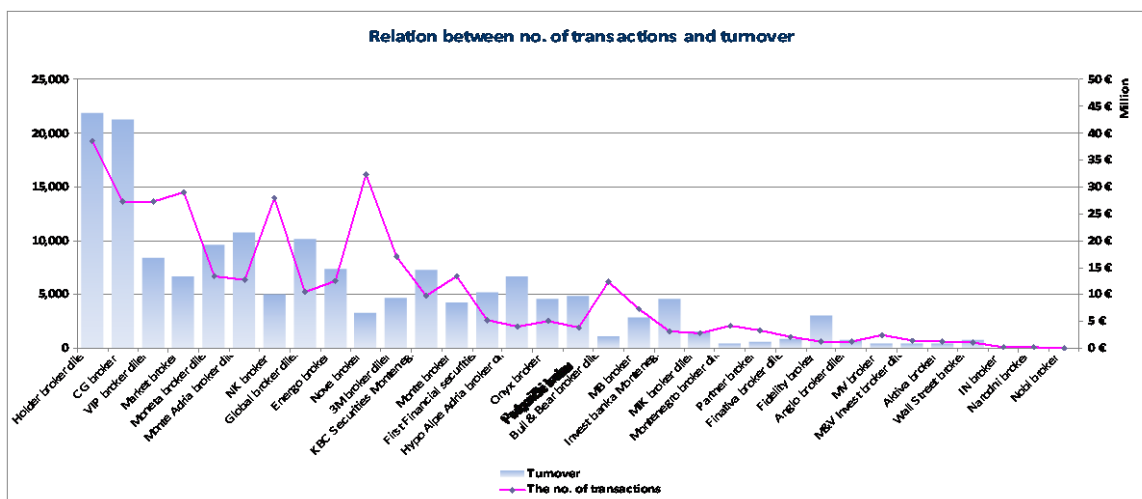


An overview of realized number of transactions of individual authorized participants is presented in the following graph.

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An overview of relation between realized number of transactions and turnover by individual authorized participants is presented in the following graph.



1.5. The Most Liquid Stocks⁶

By “stock liquidity” we imply high frequency of trade in certain security. As criterion for determining the companies whose stocks can be considered as the most liquid stocks is the number of transactions that must be over 500 while the turnover that must be over EUR 700,000. Naturally, these criteria are not fixed and can be changed from year to year depending on actual condition of the market.

The next tables give us an overview of companies with the most liquid stocks, as well as absolute amounts of the number of transactions and turnover.

Name of the company	Symbol	No. of transactions	Turnover
Elektroprivreda Crne Gore a.d.	EPCG	4,956	€10,635,899

⁶ The bonds and the stocks of MIF's are not included in this category

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Nikšić					
Crnogorski Telekom a.d. Podgorica			TECG	2,530	€8,838,630
Kombinat aluminijuma a.d. Podgorica			KAPG	2,163	€5,371,783
Izbor a.d. Bar			IZBR	2,612	€5,302,601
Solana Bajo Sekulić a.d. Ulcinj			SOBS	1,012	€5,033,183
Luka Bar a.d.			LUBA	2,559	€3,142,368
Jugopetrol a.d. Kotor			JGPK	773	€2,526,780
13 Jul Plantaže a.d. Podgorica			PLAP	2,699	€2,378,119
HTP Budvanska Rivijera a.d. Budva			BUDR	555	€1,844,471
HTP Mimoza a.d. Tivat			MIMO	514	€1,806,714
Pobjeda a.d. Podgorica			NIPO	852	€1,489,834
Željezara a.d. Nikšić			ZEHK	980	€1,210,735
AD Zetatrans Logističke usluge			ZETP	670	€1,016,620
HTP Ulcinjska rivijera a.d. Ulcinj			ULRI	642	€933,686
Željeznice Crne Gore a.d. Podgorica			ZECG	710	€772,628

1.6. Stock Exchange Indices Movement

Stock exchange indices represent technical methods for measurement of changes in prices of the stocks. The basic goal of calculating and publishing indices is provision of information to the public on movements observed at individual market segments. Montenegrin stock exchanges currently calculate three following stock exchange indices:

- New Stock Exchange of Montenegro (NEX Montenegro) calculates NEX20 and NEX PIF indices
- Montenegroberza calculates MOSTE Index

1.6.1. NEX20 Index

NEX20 index constitutes of twenty issuers that have the largest market capitalization, realized turnover and the number of transactions on the NEX Montenegro Stock Exchange. This index is weighted, which means that participation of individual issuer in the index is determined based on capitalization, turnover and the number of performed transaction on the NEX Montenegro Stock Exchange. Participation of individual issuers in the index is established based on followings criterion:

- Market capitalization – 80%
- Realized turnover – 10%
- The number of transactions effected on the NEX Montenegro Stock Exchange – 10%

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Calculation of the index is performed in real time, i.e. after every transaction effected. The next table gives an overview of companies whose stocks are included in the structure of NEX20 Index according to the latest revision performed on 12 December 2008 and which was valid as of 31 December 2008.

Symbol – Issuer	Share in %
ATBA - ATLASMONT BANKA A.D. PODGORICA	15.80%
ZEHK - HK ŽELJEZARA NIKŠIĆ AD NIKŠIĆ	1.41%
DKPG - DUVANSKI KOMBINAT A.D. PODGORICA	1.82%
EPCG - ELEKTROPRIVREDA CRNE GORE A.D. NIKŠIĆ	20.00%
MIMO - HTP MIMOZA A.D. TIVAT	1.81%
HTBO - HTP BOKA A.D. HERCEG NOVI	4.02%
BUDR - HTP BUDVANSKA RIVIJERA A.D. BUDVA	3.78%
KORB - HTP KORALI A.D. BAR	3.00%
ULRI - HTP ULCINJSKA RIVIJERA A.D. ULCINJ	2.04%
INSM - INSTITUT SIMO MILOŠEVIĆ A.D. IGALO	3.78%
JGPK - JUGOPETROL A.D.KOTOR	6.08%
IZBR - IZBOR A.D. BAR	5.32%
JAPE - JADRAN A.D. PERAST	0.42%
JASA - JADRANSKI SAJAM A.D. BUDVA	1.24%
ZZIB - ZAVOD ZA IZGRADNJU BARA A.D	0.52%
NOPR - NOVI PRVOBORAC A.D. HERCEG NOVI	0.58%
SOBS - SOLANA BAJO SEKULIĆ A.D. ULCINJ	4.35%
TECG - CRNOGORSKI TELEKOM A.D. PODGORICA	20.00%
NAKO - NAPREDAK A.D. KOTOR	1.13%
TRNK - TREBJESA A.D. NIKŠIĆ	2.92%

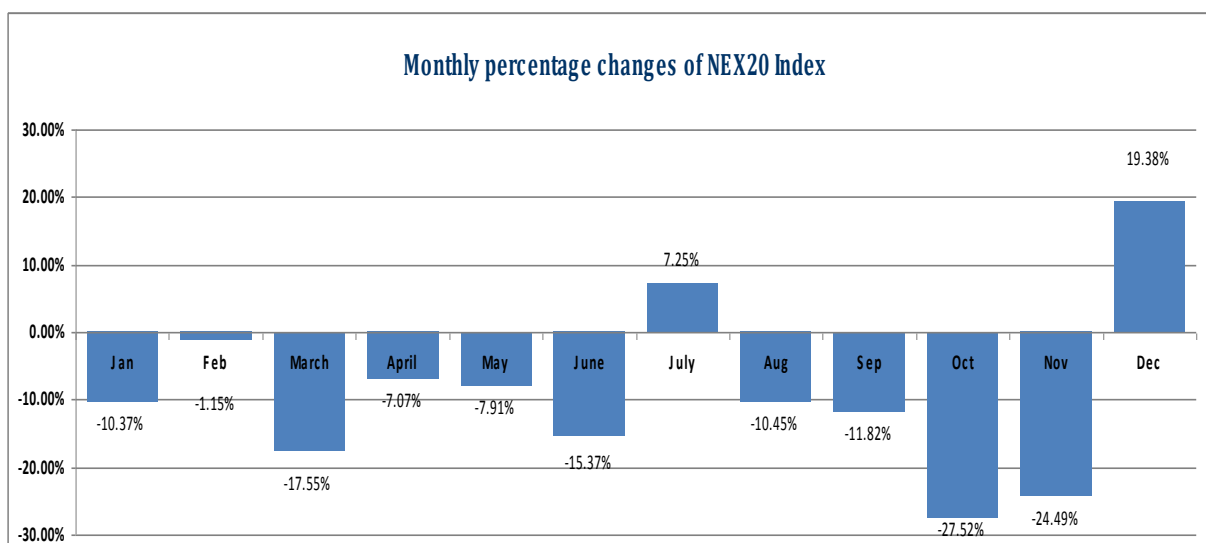
NEX20 index recorded a drop of 70.72% in 2008, reaching a level of 10,002.93 points as of 31 December 2008. The next table gives a review of opening and closing values of the index, maximum and minimum values in 2008, as well as historical values.

NEX20	Amount	Date
Value at 2007-12-31	34,168.83	
Value at 2008-12-31	10,002.93	
Absolute change	-24,165.9	
Percentage change	-70.72%	
Max value in 12 months of 2008	33,210.74	2008-11-01
Min value in 12 months of 2008	7,052.32	2008-12-04

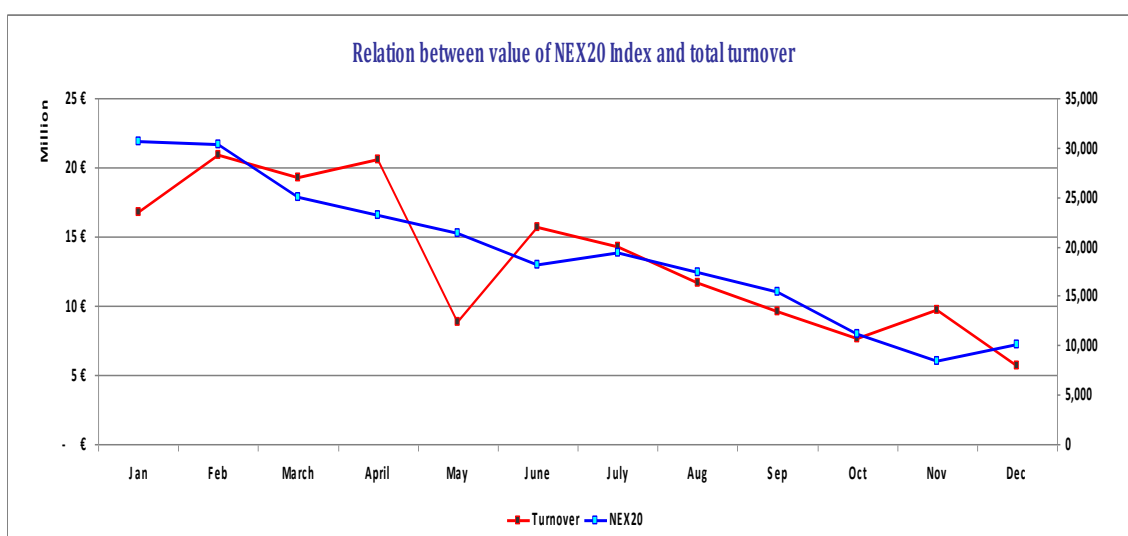
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Historical max value	48,617.88	2007-05-07
Historical min value	918.57	2003-04-11

By observing graph of monthly movements of NEX20 Index percentage changes, it can be noticed that uneven monthly drops in values of the index are recorded in a period from the beginning of the year until July, while a growth of 7.25% was recorded in July for the first time in 2008. Constant drop in values of NEX20 Index was observed during the next four months, while considerable growth of 19.38% was recorded in December.



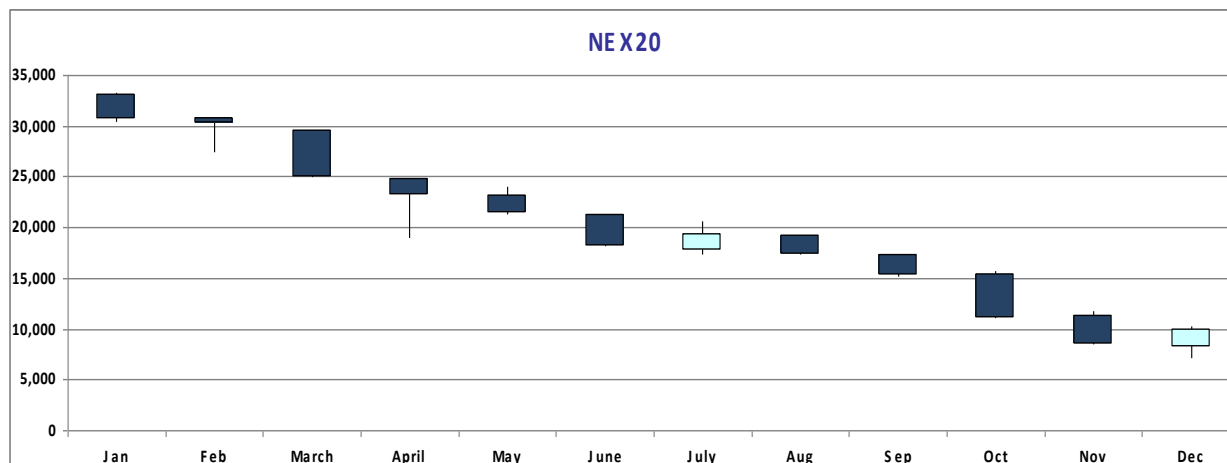
From graphical review of relation between movement of NEX20 Index and total realized turnover on Montenegrin stock exchanges, we can notice that movement of these two categories was even in many parts. That could lead us to conclusion that decrease of turnover represents a consequence of reduced demand, which again leads to drop in prices and ultimately to decrease in value of NEX20 Index.



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The next graph shows monthly movements of NEX20 Index through “stock chart”. Namely, four elements are used for displaying monthly values and movements during the month.

It is also necessary to mention that dark blue colour represents decrease in values of the index, while light blue colour represents growth of the index for observed period.



By observing stock graph of NEX20 Index movements we can notice that, for instance, minimum value in February was visibly lower than the closing one, i.e. final value for that month. This leads us to conclusion that value of NEX20 Index was changing considerably in both directions (positive and negative). In March we had situation where maximum and opening value of the index are equal, as well as its minimum and closing values. From this, we can presume that NEX20 Index recorded constant decrease in this month. In April we had situation similar to the one in February, i.e. significant variations in values of the index. Namely, minimum value of the index in this month was even more distinguishably lower than the closing value in that month. Unlike previous months, during which we mostly had equal opening and maximum values of the index, maximum value in May was noticeably higher than the opening value, but having in mind that at the end of the month closing value of the index was actually equal to the minimum one. Decrease of value is continued through June without showing significant variations, in which way we had the situation identical to the one in March, i.e. equalization of maximum and opening values as well as equalization of minimum and closing values.

The values movements in the first six months were presented by dark blue colour, which means that value of the index in these months was in descent, while light blue colour, which represents growth of index values in observed period, appears in July for the first time in 2008. In August, once again we had the situation of decreasing index values without significant variations. During the next three months, we had identical situation, i.e. maximum values that were above opening values for the month, but with decrease at the end of the month, which was especially expressed in October, i.e. we had situation of equalization of closing and minimum values. In December, monthly growth of NEX Index values was recorded, with slight variations.

1.6.2. NEX PIF Index

NEX PIF Index consists of six Mutual Investment Funds stocks. The index is weighted, which implies that participation of individual fund in the index is determined based on capitalization, the number of stocks and the number of transactions effected on NEX Montenegro Stock Exchange. Participation of individual funds in the index is established based on following criterion:

- Market capitalization of the fund – 50%
- Number of the fund's stocks – 25%

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- Number of transactions effected on NEX Montenegro Stock Exchange from the beginning of trading with the fund's stocks – 25%

Calculation of NEX PIF Index value, as it was the case with NEX20 index as well, is performed in real time, i.e. after every transactions effected. The next table shows a review of the funds' participation that are included in composition of NEX PIF Index and their percentage participation.

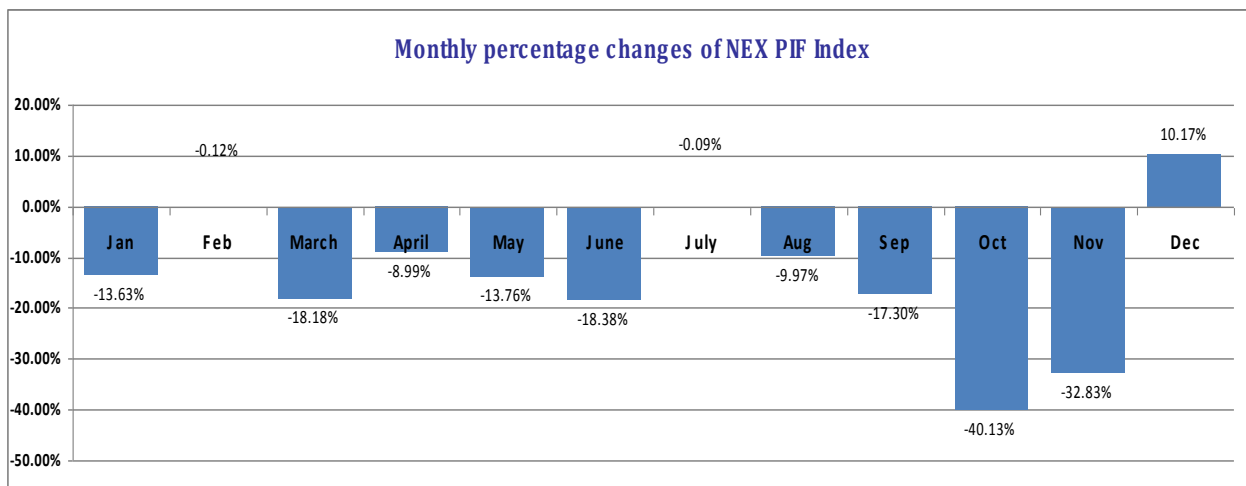
Symbol – Issuer	Share in %
ATMO - MIF ATLASMONT PODGORICA	16.73%
EURF - MIF EURO-FOND PODGORICA	20.95%
HLTA - MIF HLT-FOND PODGORICA	30.81%
MIGF - MIF MIG PODGORICA	6.99%
MONF - MIF MONETA PODGORICA	10.48%
TREN - MIF TREND PODGORICA	14.05%

At the end of observed period, NEX PIF Index was found at the level of 5,844.64 points, which represents decrease of 85.1% comparing to the beginning of the year. The next table gives an overview of opening and closing values of the index, its maximum and minimum values in 2008, as well as and historical values.

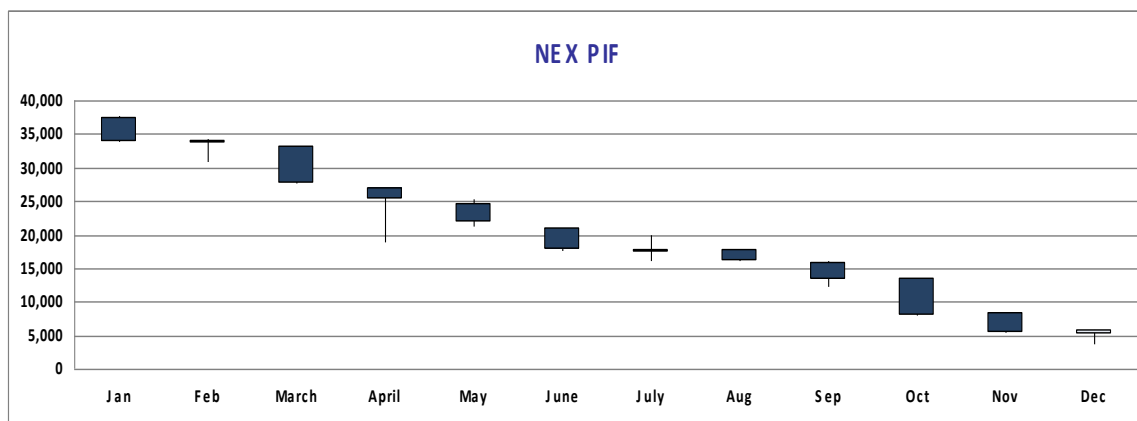
NEX PIF	Amount	Date
Value at 2007-12-31	39,229.17	
Value at 2008-12-31	5,844.64	
Absolute change	-33,384.53	
Percentage change	-85.1%	
Max value in 12 months of 2008	37,667.18	2008-01-10
Min value in 12 months of 2008	3,736.10	2008-12-04
Historical max value	50,780.54	2007-08-17
Historical min value	959.53	2003-02-02

The graph of monthly percentage change in values of NEX PIF Index shows almost identical situation as relevant graph of NEX20 Index. Such similar movements prove that certain market segments reacted unanimously at situation on capital market.

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The following graph presents monthly movements of NEX20 Index using “stock chart”.



As in case of NEX20, the parameters required for creation of this graph are:

- Value at the beginning of the month
- Maximum value during the month
- Minimum value during the month
- Value at the end of the month⁷

By analyzing monthly dynamics of NEX PIF Index, we notice that opening and maximum value of NEX PIF Index in January were approximately equal, as well as value of the index at the end of the month and minimum value of the index. This tells us that constant drop in value of the index was recorded during the month, without any larger oscillations. In February, significant oscillations were recorded in both directions, i.e. the index showed considerable decrease, but at the end of the month it was returned at the level approximate to opening value in that month. In the next month, March, we had the same situation as in January, i.e. constant decrease of values without significant oscillations, which originated from equalized opening and maximum values, as well as from closing and minimum values of the index. In this month we also had distinguish volume of

⁷ More detailed legend can be found at the page 16

decrease, which tell us about considerable decrease of index values. Movements of NEX PIF Index value in April was similar to the movements observed in February, but with even more distinguished oscillations. Namely, significant decrease in value of the index is recorded in this month, after which it came to growth in value of the index, so in total we had relatively lower decrease at the end of the month. May brings us also a decrease in value of the index, with slighter oscillations of maximum and minimum values of the index, above and under opening and closing values. In June, we had the same situation of equal opening and maximum values, as well as closing and minimum values, which again indicates movements of index values without oscillations but with trend of constant decrease. In the next month, July, we had more prominent oscillations, particularly in positive directions, so slight growth was recorded at the end of this month⁸. Noticeable decrease was observed in September, with oscillation of minimum value under the closing one for that month. In October, we had significant decrease in value of NEX PIF Index, with equal maximum and opening values, and well as minimum and closing values. In this place, we must mention that graphical review of decrease have larger significance at lower absolute values. Similar situation was observed in November, i.e. constant decrease in index values during this month. Only in December we had overall positive movements of index values at monthly level, with values varying under closing values during the month.

1.6.3. MOSTE Index

MOSTE Index is introduced on 1 March 2003 and includes movements of prices for the stocks of twenty-nine companies from different industries, that are the most traded on Montenegroberza Stock Exchange, as well as the stocks of six Mutual Investment Funds.

MOSTE Index is the price index and is calculated in real time based on average prices of securities that are included in index composition. Criterion for inclusion in index composition is trading frequency with particular security, i.e. its liquidity. The following table represents a review of securities that are included in MOSTE Index composition, as well as their percentage participation in this index.

Symbol	Issuer	Share in %
ALBA	HTO Albatros a.d. Ulcinj	0.99%
BUDR	HTP Budvanska rivijera a.d. Budva	2.06%
NIPO	Pobjeda a.d. Podgorica	2.53%
LUCG	Lutrija Crne Gore a.d. Podgorica	1.47%
JGPK	Jugopetrol a.d. Kotor	0.62%
LOVO	Lovćen osiguranje a.d. Podgorica	5.92%
ZEHK	Željezara a.d. Nikšić	0.94%
INMR	CMC a.d. Podgorica	0.91%
MARB	Marina a.d. Bar	0.46%
PLAP	Plantaže a.d. Podgorica	10.58%
PUTE	Barska plovidba a.d. Bar	0.38%

⁸ Difference between stock chart of NEX PIF Index, according to which a growth was recorded in July, and the graph of monthly percentage change in value of NEX PIF Index, according to which a minimum decrease was recorded in July, is in the opening values used for the calculation, i.e. for the stock chart that was the value at the first day of trading in that month, while for the graph of monthly percentage change that was the last day of trading in the previous month.

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RUBN	Rudnici boksita a.d. Nikšić	0.79%
RUPV	Rudnik uglja a.d. Pljevlja	2.92%
ONOG	HTP Onogošt a.d. Nikšić	0.48%
LUBA	Luka Bar a.d. Bar	6.54%
CRNA	Utip Crna Gora a.d. Podgorica	1.71%
TRNK	Trebjesa a.d. Nikšić	3.08%
IZBR	Izbor a.d. Bar	1.44%
ZETP	Zetatrans a.d. Podgorica	1.42%
ATMO	Atlas mont fond	1.81%
EURF	Eurofond	3.53%
HLTA	HLT fond	4.89%
MIGF	MIG fond	1.26%
MONF	Moneta fond	1.61%
TREN	Trend fond	1.68%
HIBP	Hipotekarna banka a.d. Podgorica	3.56%
JABD	Jadransko brodogradilište a.d. Bijela	1.37%
KAPG	Kombinat aluminijuma a.d. Podgorica	1.76%
ZECG	Željeznica Crne Gore a.d. Podgorica	2.34%
EPCG	Elektroprivreda Crne Gore a.d. Nikšić	24.61%
PRIB	Primorka a.d. Bar	0.80%
ULRI	HTP Ulcinjska rivijera a.d. Ulcinj	1.45%
SOBS	Solana Bajo Sekulić a.d. Ulcinj	3.06%
HEIO	Obod a.d. Cetinje	0.12%
CPUT	Crna Gora put a.d. Podgorica	0.90%

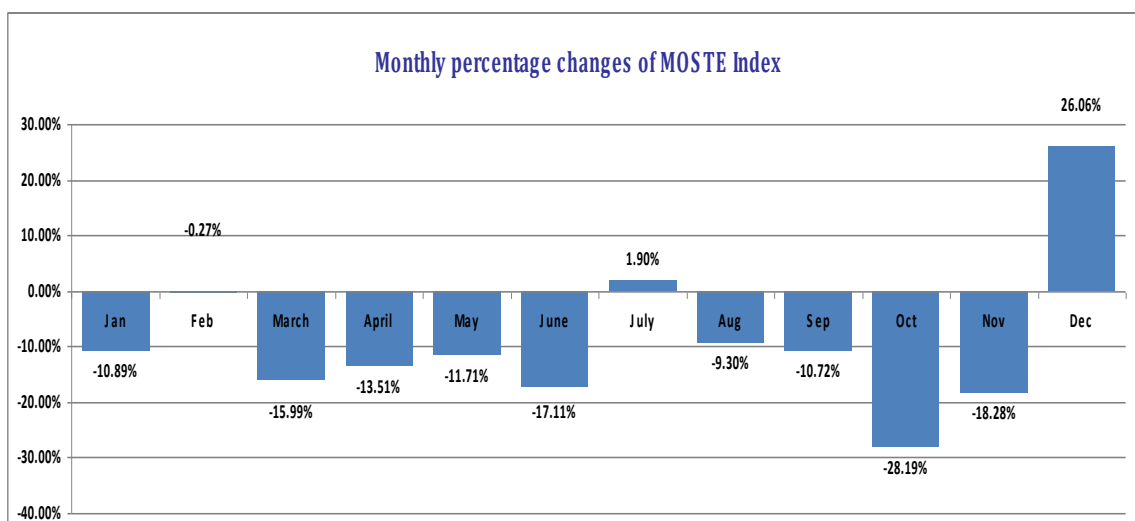
At the end of 2008, MOSTE Index was found at the level of 390.32 points, which represents decrease of 76.02% comparing to the beginning of the year. The next table gives a review of opening and closing index values, its maximum and minimal value in 2008, as well as historical values.

MOSTE	Amount	Date
Value at 2007-12-31	1,627.69	
Value at 2008-12-31	469.53	
Absolute change	-1,158.16	
Percentage change	-71.15%	
Max value in 12 months of 2008	1,613.04	2008-01-09

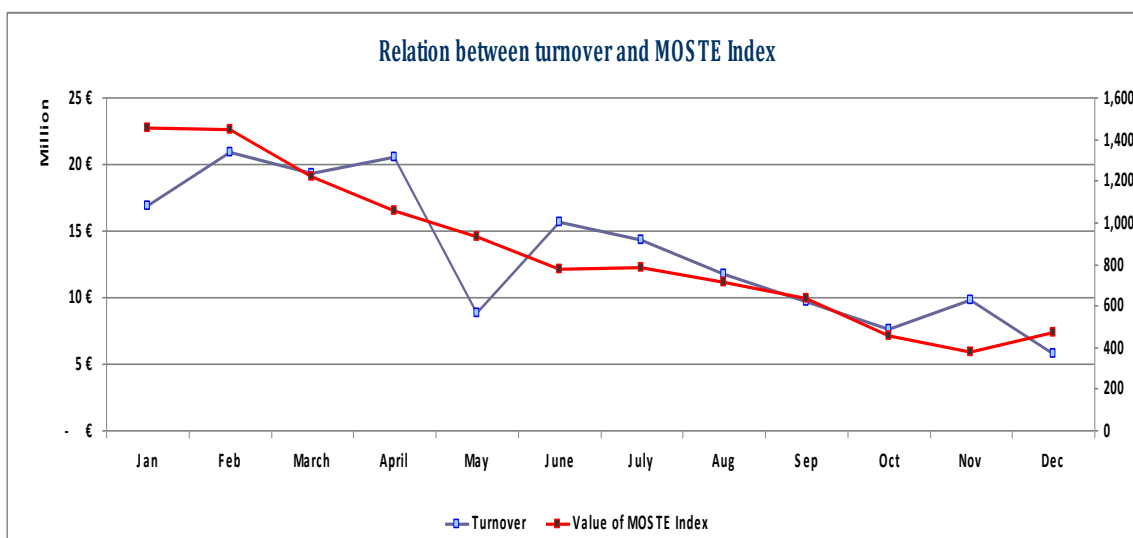
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Min value in 12 months of 2008	305.67	2008-12-304
Historical max value	2,455.42	2007-05-07
Historical min value	94.86	2004-06-23

A graph of monthly movements of MOSTE Index percentage changes shows almost identical situation as previous two indices. Positive changes are recorded in July - 1.90% and December - 26.06%, while decrease of MOST Index values was recorded in the other months, in the values that correctly reflect situation at the market.



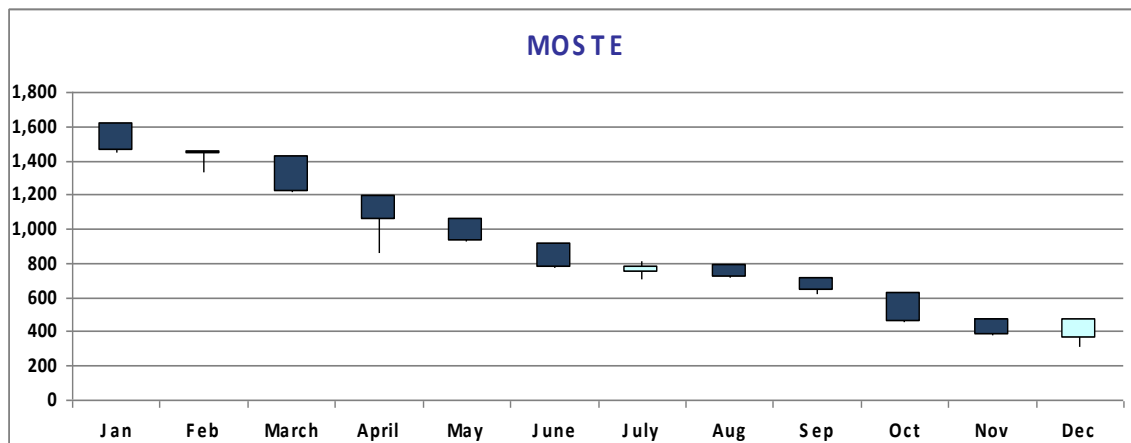
A graph showing relation between turnover and MOSTE Index value also tells us about regular movement of these two elements, i.e. decrease in turnover is equally followed by decrease in index values, which tells us about their interconnectivity.



The next graph shows monthly movements of MOSTE Index using "stock chart". As in previous

cases, the parameters required for creation of this graph are:

- Value at the beginning of the month
- Maximum value during the month
- Minimum value during the month
- Value at the end of the month⁹



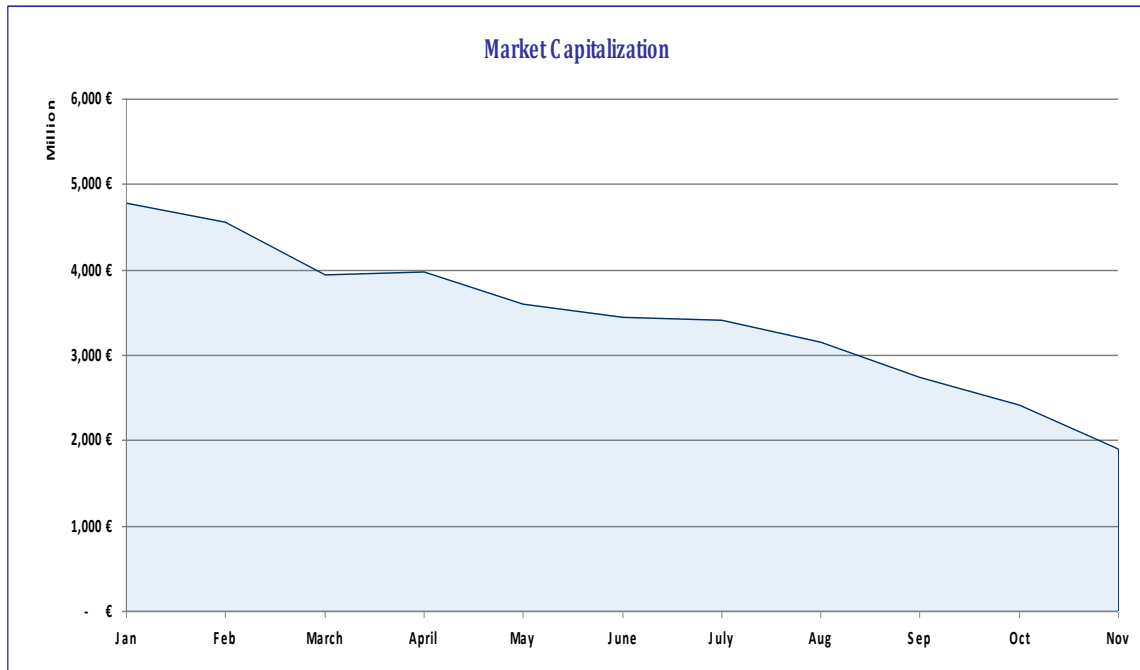
By observing „stock chart“ graph of monthly MOSTE Index movements, firstly we can observe relatively identical movements as in the graph of NEX20 Index, which once again confirms that indices of both Montenegrin stock exchanges unanimously react to situation at the market. In January, we had situation of equalized opening and maximum values, as well as equalized closing and minimum values of MOSTE Index, along with noticeable decrease. February is characterized by minimum decrease of the index value, with the note that during the month minimum value moved considerably lower than closing value at the end of the month. Significant decrease of index value was recorded in March, along with equal opening and maximum values, as well as minimum and closing values. Value of MOSTE Index dropped in April as well, with observation that minimum value during the month moved considerably below closing value. In the next months, May and June, we had identical situations, i.e. decrease of the index with equalized opening and maximum values, as well as closing and minimum values, with remark that the largest drop in value for the first six months occurred in June. In July, we had the first growth in index value on monthly level, with slight variations of index values above and below opening and closing values. Negative trends were continued in the following months, so we had similar situation in the following four months, characterized by equalized opening and maximum values, as well as equalized closing and minimum MOSTE Index values. Significant decrease was recorded in October, which in the same time represents the largest drop in index values on the monthly level in 2008. In December only, we recorded considerable growth of index value on the monthly level.

1.7. Market Capitalization

Market capitalization in the last month of 2008 reached value of EUR 1,911,381,500, which represents decrease of 57.35% comparing to the value of capitalization in December 2007. Its maximum value in this year, amounting to EUR 5,204,591,193, market capitalization reached in January.

⁹ More detailed legend can be found at the page 16

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2. Issuance of Securities Based on Corporate Activities

2.1. Issuance of Stock Representing New Capital

The following table gives an overview of issuances representing new capital.

Type of Issuance	No. of Issuances	Amount
Issuances of the Stocks Performed through Public Bid Tender	2	€6,050,088.60
Closed Bid of the Stocks to Existing Shareholders Based on Priority Right to Purchase	20	€28,750,692.67
Closed Bids of the Stocks Intended to Predetermined Entities	10	€39,820,602.14
Closed Bid Auctions to Founders During Simultaneous Foundation of Joint Stock Company	4	€1,150,000.00
Issuances of the Stocks Based on Conversion of Debt to Equity	6	€7,713,115.72
Issuances of the Stocks Based on Conversion of Reserves to Equity	1	€102,323,018.05
Issuances of the Stocks Based on Profit Distribution	10	€9,457,959.56
Issuances of the Stocks Based on Contribution in Kind	3	€8,272,740.53
TOTAL	56	€203,538,217.27

2.1.1. Issuance of Stock Performed through Public Tender

Issuance of ownership and long-term debt securities is performed through public tender. Public offer of securities is a sale based on public call for inscription and payment of securities. Issuance of securities through public tender is performed based on prior consent of the Commission.

Issuer	Amount of Approved Issuance	Successfulness
Uniga – non-life insurance	€2,250,000.00	€2,250,000.00
Prva banka Crne Gore	€3,800,088.60	€3,800,088.60
New Ski Centar Bjelasica	€1,112,000.00	€1,112,000.00
Total	€7,162,088.60	€7,162,088.60

2.1.2. Issuances Performed through Closed Bid Auction of Stocks

Closed bid auction represents an offer for purchase of ownership and long-term debt securities, which is not performed based on public call for inscription and payment of the securities. Issuance of ownership and long-term debt securities can be done through closed bid in cases when issuer offers securities on sale only to:

- 1) existing shareholders based on priority right to purchase;
- 2) the founders during simultaneous foundation of joint stock company;
- 3) professional investors for which, in the sense of the law, are considered: investment funds, pension funds, authorized participants that perform dealer operations, the banks and insurance companies;
- 4) maximum thirty predetermined entities who are obliged to buy entire issuance and are thoroughly acquainted with investment risks and issuers' business results;
- 5) in amount not larger than EUR 40,000.

2.1.2.1. Closed Bid Auction of Stocks to Existing Shareholders Based on Priority Right to Purchase

During 2008, there was total number of twenty closed bid auctions of stocks to existing shareholders based on priority right to purchase, with total amount of EUR 31,376,904.88, with the note that issuance of stocks by issuer MV Broker a.d. Nikšić was annulled due to failure of the issuance, so the total amount of successful closed bids to existing shareholders based on priority right to purchase reached value of EUR 28,750,692.65.

Issuer	Amount of Approved Issuance	Successfulness
Invest Banka Montenegro	€3,000,075.00	€1,378,785.00
Solana Bajo Sekulić	€1,200,000.45	€995,712.22
Crnogorska Komercijalna Banka	€15,000,281.76	€15,000,281.76
Invest broker	€125,000.00	€125,000.00
Gintasmont	€479,133.23	€479,133.23
MIK broker	€100,000.00	€100,000.00
Gintasmont	€479,133.23	€479,133.23
Nobl broker	€40,000.00	€40,000.00
KBC Securities	€50,000.00	€50,000.00

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MV Broker	€13,384.00	-
Gintasmont	€479,133.23	€479,133.23
Gintasmont	€958,266.46	€958,266.46
Finativa Broker	€153,578.00	€153,578.00
Grawe osiguranje	€1,014,097.83	€1,014,097.83
Gintasmont	€479,133.23	€479,133.23
Finativa Broker	€346,422.00	€346,422.00
Gintasmont	€479,133.23	€479,133.23
First Financial Bank	€5,000,000.00	€4,213,750.00
Gintasmont	€479,133.23	€479,133.23
Delta Osiguranje	€1,501,000.00	€1,500,000.00
Total	€31,376,904.88	€28,750,692.65

2.1.2.2. Closed Bid Auction to Founders during Simultaneous Foundation of Joint Stock Company

In 2008, total number of four closed bid auctions to founders during simultaneous foundation of Joint Stock Company is recorded, with total amount of EUR 1,150,000.

Issuer	Amount of Approved Issuance
Luštica	€25,000.00
DZU Market Invest	€300,000.00
Merkur životno osiguranje	€800,000.00
Balkan telekom	€25,000.00
Total	€1,150,000.00

2.1.2.3. Close Bid Auction to Predetermined Entities

During 2008, total number of ten closed bids of stocks to predetermined entities was approved with total amount of EUR 39.820.602,14, where all bids recorded 100% ratio of success.

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Issuer	Amount of Approved Issuance	Successfulness
Hypo Alpe Adria Bank	€15,000,000.00	€15,000,000.00
DZU Moneta	€20,451.67	€20,451.67
Partner broker	€50,000.00	€50,000.00
Hypo Alpe Adria Broker Dealer	€100,000.00	€100,000.00
Solana Bajo Sekulić	€2,000,006.83	€2,000,006.83
Uniqa neživotno osiguranje	€800,000.00	€800,000.00
Uniqa životno osiguranje	€800,020.44	€800,020.44
Atlas life osiguranje	€1,000,000.00	€1,000,000.00
Prva banka Crne Gore	€20,000,123.20	€20,000,123.20
KBC Securities	€50,000.00	€50,000.00
Total	€39,820,602.14	€39,820,602.14

2.1.3. Issuances of Stock Based on Conversion of Debt to Equity

Six issuances of stocks based on conversion of debt to equity were approved during 2008, in total amount of EUR 7,713,115.72.

Issuer	Amount
Livnica	€999,985.72
Daido Metal	€5,051,200.00
Živinoprodukt	€710,000.00
Crnagoracoop	€391,837.00
First Financial Securities Broker Diler	€140,000.00
Magnat Osiguranje	€420,093.00
Total	€7,713,115.72

2.1.4. Issuances of Stock Based on Conversion of Reserves to Equity

One issuance of stocks based on conversion of reserves to equity was approved during 2008, in total amount of EUR 102,323,018.05.

Issuer	Amount
Željeznica Crne Gore a.d. Podgorica	€102,323,018.05

2.1.5. Issuances of Stock Based on Profit Distribution

Total number of nine issuances of stocks based on profit distribution was approved during 2008, in total amount of EUR 9,457,959.57. The following table presents an overview of the companies that performed profit distribution during 2008.

Issuer	Amount
Grawe osiguranje	€108,476.60
Pomorski saobraćaj	€3,162,306.00
CG broker	€221,440.57
NEX berza	€621,730.95
Atlasmont Banka	€1,086,000.00
13. jul Plantaže	€2,788,543.45
Prva banka Crne Gore	€524,062.00
Atlasmont Banka	€565,000.00
Montenegroberza	€380,400.00
Total	€9,457,959.57

2.2. Issuances of Stock Representing Structural Change of Existing Capital

The following table gives a summary of issuances of stocks representing structural changes of existing capital. Eight issuances of this kind were performed during 2008, in total amount of EUR 425,436,638.35.

Type of Issuance	No. of Issuances	Amount
Issuances of stocks based on restructuring of LLP into JSC	5	€413,958,993.02
Issuance of stocks based on restructuring by merger	1	€10,026,325.33
Issuance of stocks based on stock split	1	€830,000.00

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Issuance of stocks based on stock replacement	1	€621,320.00
Total	8	€425,436,638.35

2.2.1. Issuances of Stock Based on Restructuring of LLC into JSC

Five issuances of stocks based on restructuring LLC into JSC were approved in 2008, in total amount of EUR 413,958,993.02.

Issuer	Amount
Gintasmont	€6,844,760.57
Željeznička infrastruktura Crne Gore	€345,070,925.39
Željeznički prevoz Crne Gore	€20,561,955.34
Zora Berane	€2,925,555.00
Montenegro Airlines	€38,555,796.72
Total	€413,958,993.02

2.2.2. Issuances of Stock Based on Restructuring by Merger Acquisition

One issuance of stocks based on restructuring was approved in 2008 in amount of EUR 10,026,352.33.

Issuer	Amount
Izbor Bar	€10,026,325.33

2.2.3. Issuances of Stock Based on Stock Split

One issuance of stocks based on stock split was approved in 2008, in total amount of EUR 830,000.

Issuer	Amount
Magnat Osiguranje	€830,000.00

2.2.4. Issuances of Stock Based on Stock Replacement

Issuance based on stocks replacement in amount of EUR 621,320.00 was related to 1,268 common stocks with nominal value of EUR 49.000 per stock, in which way annulation and replacement of previous issuances of stocks was performed.

Issuer	Amount
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Montenegroberza	€621,320.00
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2.3. Keeping Records on Issuance of Bonds

During 2008, three issuances of bonds were recorded, two of which were issuances of the bonds of the Government of Montenegro, the first based on indemnification of the users of pension disability insurance in amount of EUR 105,000,000 and the second based on savings in foreign currency in amount of EUR 30,000,000. The third issuance of bonds was related to Municipality of Budva and amounted to EUR 750,000.

Issuer	Amount
GoM - based on indemnification of pension users	€105,000,000.00
GoM - based on savings in foreign currencies	€30,000,000.00
Municipality Budva	€750,000.00
Total	€135,750,000.00

2.4. Public Bids for Takeover of Joint Stock Companies

Twenty-four public bids for take over of joint stock companies were recorded during 2008. Detailed review of these bids is presented in the following table.

Acquirer	Company being undertaken
Miladin Mijanović iz Podgorice	Podgoricaekspres a.d. Podgorica
Panto Market d.o.o. Igalo	Fabrika stočne hrane a.d. Spuž
Carine d.o.o. Podgorica	Kooperacija a.d. Podgorica
Šarac Miloje iz Pljevalja	Žitoprodukt a.d. Pljevlja
Agroglob d.o.o. Novi Sad	Mlina Muharem Asović a.d. Nikšić
Dragomir Lučić iz Podgorice	Podgorica Promet a.d. Podgorica
Daido Metal Company Ltd Nagoja, Japan	Daido metal a.d. Kotor
Montenegroberza a.d. Podgorica	NEX Stock Exchange a.d. Podgorica
Grubač Dragica iz Nikšića	Drvoimpex Merx a.d. Nikšić
Carine d.o.o. Podgorica	UTP Piva a.d. Plužine
Nokic Company d.o.o. Rožaje	Ibarmond a.d. Rožaje
Agrokor a.d. Zagreb	Štampa a.d. Podgorica
Javorak d.o.o. Nikšić	Šumarsko preduzeće a.d. Šavnik
Štampa a.d. Podgorica	Trgopress
Odović Snežana iz Pljevalja	UTP Tara a.d. Pljevlja
Jastreba d.o.o. Podgorica	Kodre Milenium a.d. Ulcinj
Žarko Barjaktarović & Tehnostar	BEAMAX a.d. Berane
Biznis sistem d.o.o. Nikšić	Živinoprodukt a.d. Spuž

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Pantomarket Herceg Novi d.o.o. & Uniprom d.o.o.	Plus Commerce a.d. Podgorica
Knjaz d.o.o. Nikšić	Društveni standard i ugost. a.d. Nikšić
Uglješa Vujović iz Budve	Velepromet a.d. Podgorica
Nedžib Kačar iz Rožaja	Gradina Kvarta a.d. Bijelo Polje
Crnogoracoop NB Danilovgrad	Crnogoracoop a.d. u stečaju Danilovgrad
Radivoje Bakić iz Podgorice	Impek a.d. Podgorica

3. Operation of Investment Funds

3.1 Values of Investment Funds Net Assets

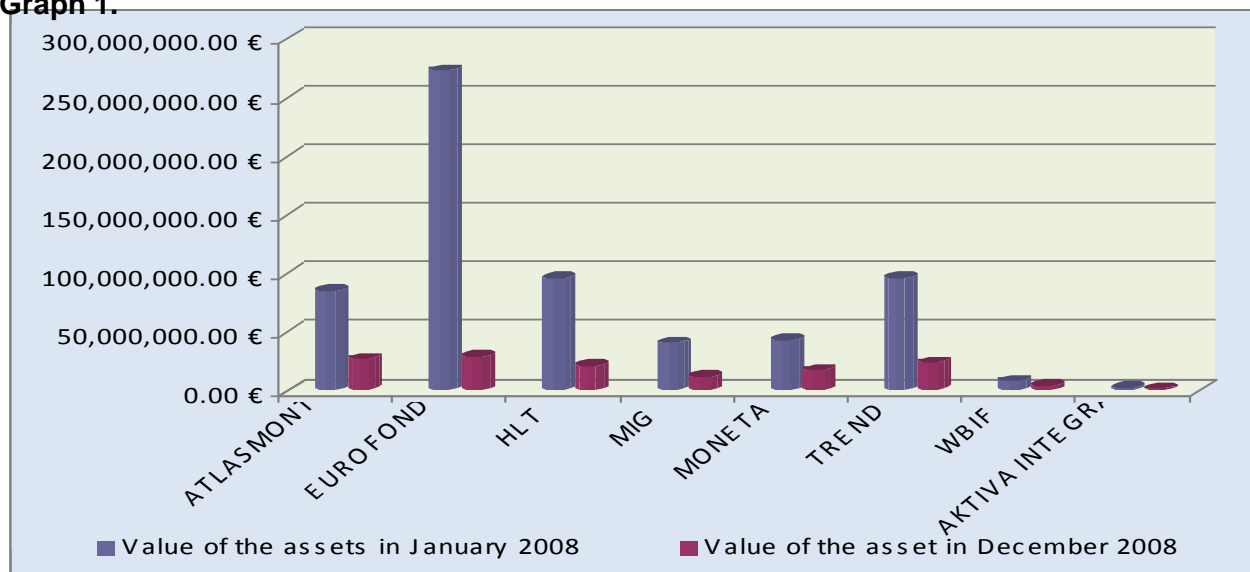
Value of Montenegrin Investment Funds' net assets represents total assets of the funds invested in securities, real estate and monetary funds, that are held on accounts of the funds or placed as term deposits, reduced for the funds' liabilities (loan indebtedness of the funds). Movements of Investment Funds' net assets in 2008 certainly reflect occurrences in Montenegrin capital market and real estate market. Namely, after intensive growth of prices in 2007, in 2008 it came to drop in prices of securities at the market, which triggered drastic decrease in value of Montenegrin Investment Funds' net assets. The following table and graph show movements of the funds' net assets in 2008, where decrease in value of the funds moved between 48.72% and 81.92%, which was percentage of the value lost by the Mutual Investment Fund „Eurofond“.

Table 1.

Value of the Funds (average) net assets in January and December 2008				
Name of the Fund	Value of the assets as of 2008-01-01	Value of the assets as of 2008-12-31	Change Absolute Percentage	
ATLASMONT	€84,661,308.66	€26,193,989.43	€-58,467,319.2	-69.06%
EUROFOND	€272,331,493.82	€28,006,545.94	€-244,324,947.88	-89.72%
HLT	€96,055,454.91	€20,926,794.31	€-75,128,660.60	-78.21%
MIG	€39,994,555.33	€11,075,651.06	€-28,918,904.27	-72.31%
MONETA	€42,589,417.14	€16,859,875.09	€-25,729,542.05	-60.41%
TREND	€95,974,288.44	€23,082,261.37	€-72,892,027.07	-75.95%
WBIF	€7,487,984.50	€3,084,368.47	€-4,403,616.03	-58.81%
AKTIVA INTEGRRA	€2,365,886.89	€1,113,791.20	€-1,252,095.69	-52.92%
Total	€641,460,389.69	€130,343,276.87	€-511,117,112.82	-79.68%

36. ANNUAL REPORT ON THE SITUATION AT CAPITAL MARKET AND OPERATION OF THE SECURITIES COMMISSION OF MONTENEGRO FOR 2008

Graph 1.



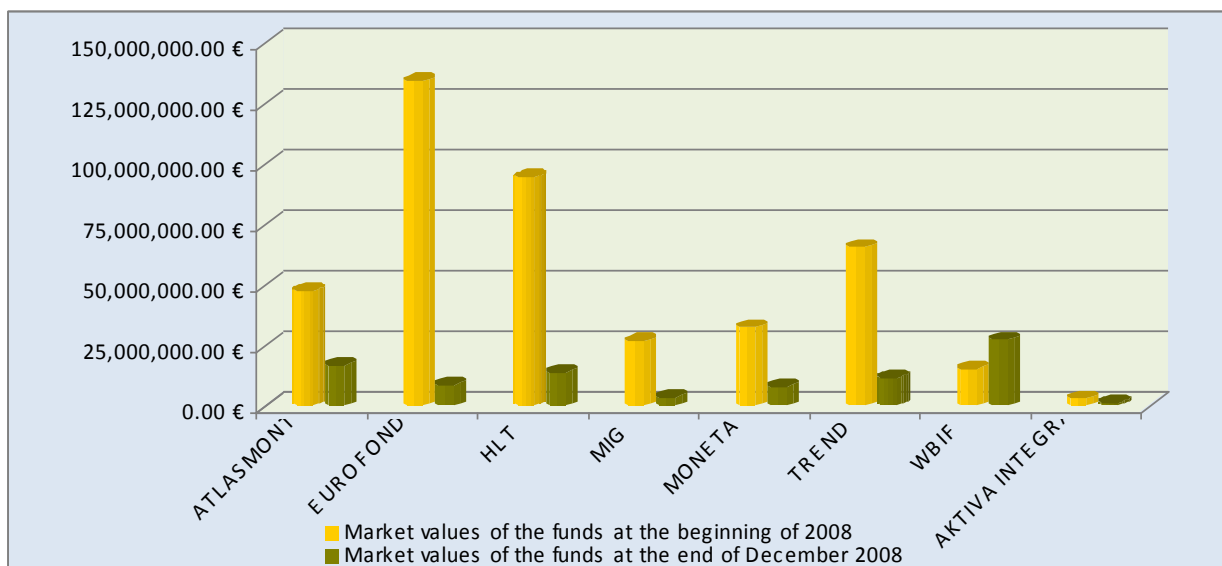
3.2. Market Values of Montenegrin Investment Funds

Market values of Investment Funds represent prices of Investment Funds stocks realized on Montenegrin stock exchanges in 2008, multiplied with total number of Investment Funds stocks. Trend of reduced demand of investors for securities, as well as for Investment Funds stocks, is present in this period, which had resulted in drastic decrease in values of Investment Funds stocks on Montenegrin stock exchanges. Out of total number of eight Investment Funds in Montenegro, market values of seven Investment Funds were decreased, while only FZU "Western Balkan Investment Fund" achieved certain growth in this year.

Table 1.

Market values of the Funds at the beginning and the end of reporting period for 2008				
Name of the Fund	Market values as of 2008-01-01	Market values as of 2008-12-31	Change	
			Absolute	Percentage
ATLASMONT	€47,537,739.59	€16,488,409.46	€-31,049,330.13	-65.32%
EUROFOND	€134,310,441.83	€8,464,143.35	€-125,846,298.48	-93.70%
HLT	€94,487,067.57	€13,582,233.00	€-80,904,834.57	-85.63%
MIG	€26,412,172.08	€3,191,836.41	€-23,220,335.67	-87.92%
MONETA	€32,115,455.30	€7,642,897.50	€-24,472,557.80	-76.20%
TREND	€65,305,318.94	€11,269,417.43	€-54,035,901.51	-82.74%
WBIF	€15,000,000.00	€27,000,000.00	€12,000,000.00	80.00%
AKTIVA INTEGRAL	€2,667,950.00	€1,067,180.00	€-1,600,770.00	-60.00%
Total	€417,836,145.31	€88,706,117.15	€-329,130,028.16	-78.77%

Graph 2.

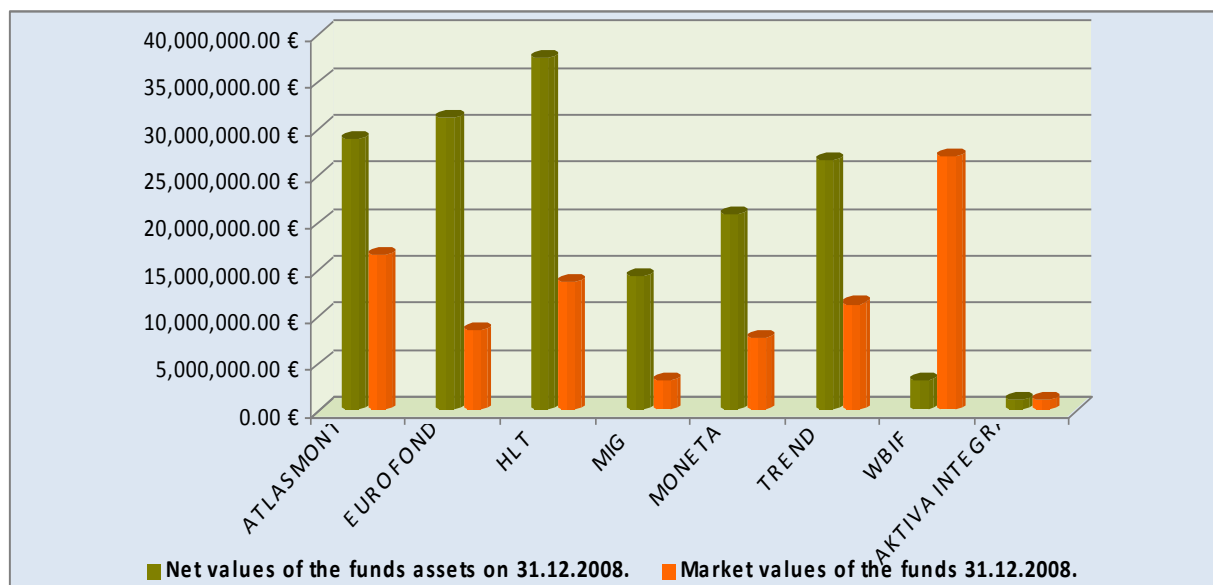


3.3. Relation between Values of Investment Funds Net Asset and Market Values

Table 3.

Relation between portfolio values and market values of the Funds at the end of 2008				
Name of the Fund	Market values as of 2008-01-01	Market values as of 2008-12-31	Change	
			Absolute	Percentage
ATLASMONT	€28,872,465.10	€16,488,409.46	€-12,384,055.64	-42.89%
EUROFOND	€31,144,070.50	€8,464,143.35	€-22,679,927.15	-72.82%
HLT	€37,422,626.89	€13,582,233.00	€-23,840,393.89	-63.71%
MIG	€14,280,593.96	€3,191,836.41	€-11,088,757.55	-77.65%
MONETA	€20,767,531.40	€7,642,897.50	€-13,124,633.90	-63.20%
TREND	€26,592,361.63	€11,269,417.43	€-15,322,944.20	-57.62%
WBIF	€3,147,178.40	€27,000,000.00	€23,852,821.60	757.91%
AKTIVA INTEGRA	€1,116,218.99	€1,067,180.00	€-49,038.99	-4.39%
Total	€163,343.046.87	€88,706.117.15	€-74,636,929.72	-45.69%

Graph 3.



From suggested data, presented above in the Table 3, it can be easily notice that the value of net assets at the end of 2008 was larger then market values of the Funds, except in case of FZU "Western Balkan Investment Fund". This shows that Investment Funds stocks were sold at discounted prices. Percentage amounts of discounts were between 4.39% and 77.65%, which was amount of a discount for the stocks of the Mutual Investment Fund "Mig".

3.4. Investment Structure of Investment Funds at the Beginning and the End of 2008

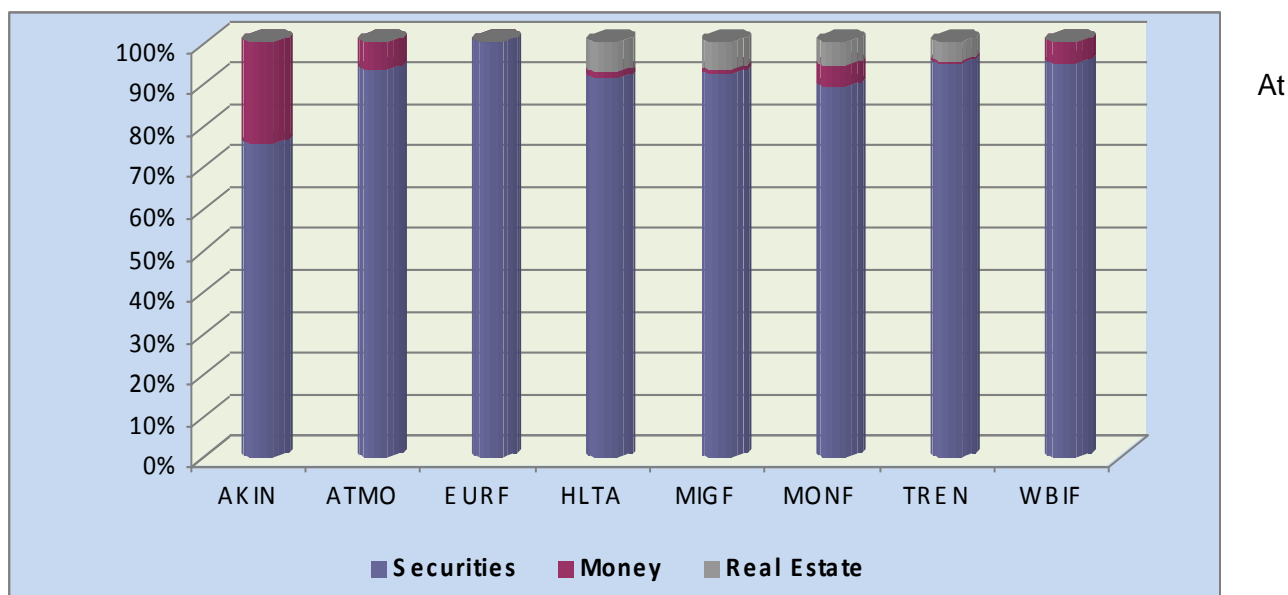
Existing Law on Investment Funds provides that the Funds can invest in securities, real estate and monetary funds. As it can be observed from the data enclosed, the largest portion of its money the Funds invested in securities, primarily the stocks.

Table 4.

The Funds' investment structure – 1 January 2008

TYPE OF INVESTMENTS / FUND	AKIN	ATMO	EURF	HLTA	MIGF	MONF	TREN	WBIF
SECURITIES	75.65%	93.26%	99.99%	91.38%	92.32%	89.08%	95.11%	94.90%
MONET. FUNDS	24.35%	6.74%	0.01%	1.71%	0.84%	5.09%	0.13%	5.10%
REAL ESTATE	0.00%	0.00%	0.00%	6.91%	6.84%	5.83%	4.76%	0.00%

Graph 4.



the beginning of 2008, as it can be seen from graph 4 and table 4, the securities had the largest share in the structure of Mutual Investment Funds, whether it was about securities of joint stock companies operating in Montenegro or about securities from the regional capital markets. This shared amounted up to 99.99%, as in case of Mutual Investment Fund "Eurofond". FZU "Aktiva Integra" had the smallest share of securities in the structure of the assets with 75.65%, while remaining 24.35% was related to monetary funds. At the beginning of the year, the largest percentage of real estate in the structure belonged to FZU "HLT" with 6.91%.

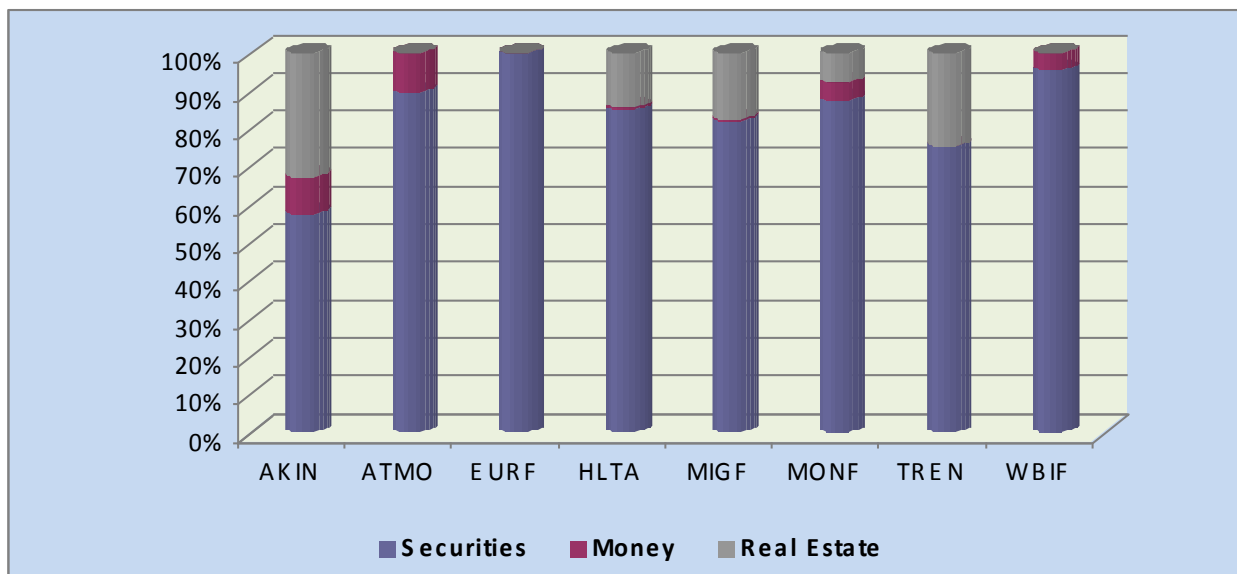
By comparing the Funds' assets structure at the beginning and the end of 2008, a growth of real estate share can easily be noticed (for the Funds that have real estate in their assets). FZU "Aktiva Integra" with 32.42% had the largest share of real estate at the end of 2008, and is followed by FZU "Trend" with 24.49%, FZU "MIG" with 17.52%, FZU "HLT" with 14.29% and FZU "Moneta" with 7.62%. Such a growth of real estate's portion in the Funds' assets structure was conditioned by drop in prices of stocks at capital markets, both in Montenegrin and regional stock exchanges. In the same time, value of the real estate in the Funds' portfolios did not change, and hereby share of securities was decreased, although they remained dominant form of investments in the structure of Investment Funds. It is also easily observed that most of the Funds handle with small amount of money for investing. The following table and graph give an overview of the Funds' asset structure.

Table 5.

The Funds' investment structure – 31 December 2008

TYPE OF INVESTMENTS / FUND	AKIN	ATMO	EURF	HLTA	MIGF	MONF	TREN	WBIF
SECURITIES	57.53%	89.66%	99.98%	85.10%	81.99%	87.71%	75.50%	95.46%
MONETARY FUNDS	10.05%	10.34%	0.02%	0.61%	0.49%	4.67%	0.01%	4.54%
REAL ESTATE	32.42%	0.00%	0.00%	14.29%	17.52%	7.62%	24.49%	0.00%

Graph 5.



3.5. Maximum and Minimum Prices of Investment Funds Stocks in 2008

The lesser interest of investors resulted in significant decrease in value of Investment Funds' stocks in 2008. The following table presents maximum and minimum prices of Investment Funds' stocks. Maximum values were realized at the beginning of the year, while minimum values were realized in December 2008.

Table 6.

Symbol	Max. prices	Min. prices
AKIN	€50.0000	€20.0000
ATMO	€0.2500	€0.0300
EURF	€0.5320	€0.0211
HLTA	€0.2202	€0.0222
MIGF	€0.2630	€0.0300
MONF	€0.2297	€0.0282
TREN	€0.3448	€0.0308
WEBA	€27,000.00	€14,999.99

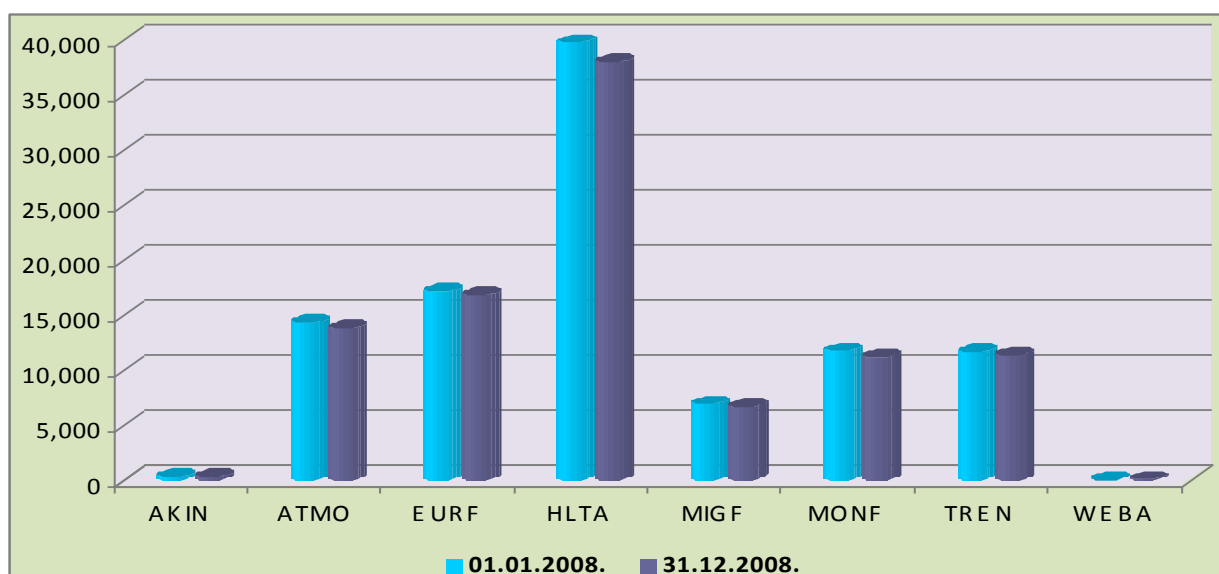
3.6. Ownership Concentracion in Investment Funds

Trend of ownership enlargement in Investment Funds observed in previous years was continued through 2008 as well. The largest reduction of the number of Investment Funds stocks' owners was recorded at "HLT" Fund, where number of shareholders was reduced for 4.48%, or in absolute amount the number of shareholders at the end of the year was lesser for 1,775 comparing to the beginning of the year. The only increase in number of shareholders was recorded at "Western Balkan Investment Fund" (one shareholder more).

Table 7. The number of shareholders at the beginning and the end of the year

Symbol	2008-01-01	2008-12-31	Absolute Change	Percentage change
AKIN	273	266	-7	-2.56%
ATMO	14,253	13,740	-513	-3.60%
EURF	17,063	16,730	-333	-1.95%
HLTA	39,629	37,854	-1,775	-4.48%
MIGF	6,859	6,622	-237	-3.46%
MONF	11,679	11,170	-509	-4.36%
TREN	11,543	11,331	-212	-1.84%
WEBA	35	36	1	2.86%

Graph 6. The number of shareholders at the beginning and the end of the year



The Securities Commission of Montenegro performs monitoring and control of companies for managing investment funds and investment funds.

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The Securities Commission of Montenegro performed:

- **Indirect controls** – monthly control of Funds' net assets (in total 96 individual controls), monthly control of Investment Funds' cash flows (in total 96 individual controls), quaternary control of operation of companies for managing investment funds and investment funds (January-March, January-June, January-September, January-December, in total 64 individual controls) and annual control of companies for managing investment funds and investment funds for 2007 (in total 16 individual controls);
- **Direct controls** – which the Commission performs at site by doing review of the books and other documentation related to operation of companies for managing investment funds and investment funds. In 2008, The Securities Commission of Montenegro executed direct control of operation of all eight investment funds where the subject of control was action of companies for managing investment funds with regard to getting into debts and pledging the funds' assets.

In the period between June and September 2008, The Securities Commission gave its consent on amendments of the statutes of companies for managing investment funds that were in accordance to the Law Amending the Company Law.

During 2008, the company for managing investment fund "Probalkan" d.o.o. Podgorica ceased operation as it did not established Investment Fund in legally determined term of one year.

3.7. Analysis of Mutual Investment Funds Indebtedness

Considerable decrease in total value of Investment Funds' assets in 2008 was established during analysis of their operation, as well as unfavourable points of indebtedness dating from the period of market expansion (during 2007).

In the observed period, the investment funds were taking loans in order to perform additional capitalization of joint stock companies in majority ownership of the investment funds, as well as to acquire real estate, gain additional amount of joint stock companies' stocks and to repay obligations of their companies for managing.

Considering that certain number of loans was approved with the grace period of a year or more, their annuities were due right in the moment of overall decrease of real estate and stocks' values that were pledged as collateral for getting loans, which additionally complicates regular repayment of debts.

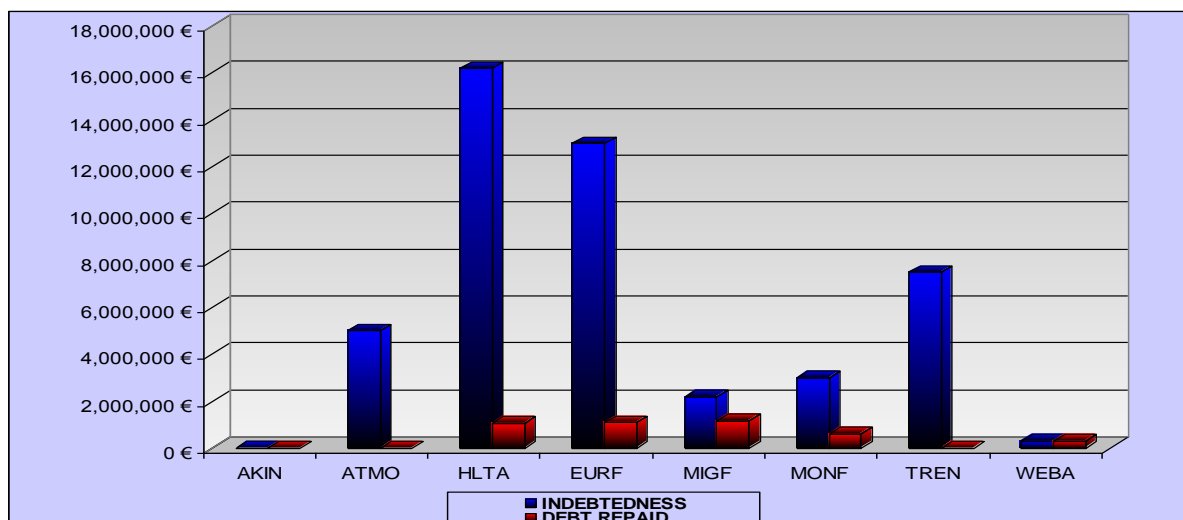
From the indebtedness analysis point of view, it is important to emphasize that not all investment funds are in the same position. FZU "Eurofond", FZU "HLT Fond" and FZU "Trend" among those investment funds in Montenegro that have largest indebtedness. The less indebted Investment Funds are FZU "MIG", FZU "Moneta" and FZU "Atlas Mont".

The following tabular and graphical reviews present indebtedness of the funds at the end of 2008:

Name of the Fund	Loan indebtedness	Repaid loans	Total obligations as of 2008-12-31
AKIN	€0.00	€0.00	€0.00
ATMO	€5,000,000.00	€0.00	€5,000,000.00
EURF	€16,203,000.00	€1,050,830.00	€15,152,170.00
HLTA	€13,500,000.00	€1,598,464.00	€11,901,536.00
MIGF	€2,870,364.58	€1,167,553.00	€1,702,811.58
MONF	€3,000,000.00	€600,000.00	€2,400,000.00
TREN	€7,500,000.00	€0.00	€7,500,000.00

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WEBA	€300,000.00	€300,000.00	€0.00
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As it can be seen from the previous table and the graph, only FZU "Aktiva Integra" was not taking loans during observed period (which includes 2007 and 2008).

FZU "Atlas Mont" took in total loans for EUR 5,000,000.00 during 2008. Its total obligations as of 31 December 2008 amounted to EUR 5,000,000.00.

FZU "Eurofond" took in total loans in amount of EUR 16,203,000.00 during 2007 and 2008. Until 31 December 2008 it repaid EUR 1,050,830.00, therefore total obligations of this fund at the end of 2008 amounted to EUR 15,152,170.00.

During 2007 and 2008, FZU "HLT FOND" took in total loans in amount of EUR 13,500,000.00. This fund repaid EUR 1,598,464.00 until 31 December 2008. Therefore, total obligations of this fund as of 31 December 2008 amounted to EUR 11,901,536.00.

FZU "MIG" took in total loans in amount of EUR 2,870,364.58 during 2007 and 2008. As of 31 December 2008 total obligations amounted to EUR 1,702,811.58, which means that the fund repaid amount of EUR 1,167,553.00 during the observed period.

In 2008, FZU "Moneta" concluded the Contract on long-term loan in amount of EUR 3,000,000.00. Regarding conditions of the loan and the way of its repayment (equal monthly instalments), as of 31 December 2008 the fund repaid EUR 600,000.00, so total obligations amounted to EUR 2,400,000.00.

FZU "Trend" did not take any loans during 2008. As of 31 December 2008, total obligations of this fund amounted to EUR 7,500,000.00, due to loan from December 2006 amounting to EUR 7,500,000.00.

During 2008, FZU "Western Balkan" took loans in amount of EUR 300,000.00. Until 31 December 2008 the Fund repaid whole amount, therefore at the end of 2008 it does not have any obligations based on loan indebtedness.

3.8. Custody Operations

The Securities Commission of Montenegro enacted Rules of Custody Operations, which came into effect on 6 October 2007.

This rules prescribe conditions and manner for performing custody operations, the types of custody operations and procedures for obtaining licence for custody operations, all this for purpose of implementing Law on Securities and Law on Voluntary Pension Funds. From the moment the

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mentioned rules on custody operations came into effect, six banks obtained licence for custody operations from The Securities Commission of Montenegro.

Name of the Bank	Date of obtaining licence
1. Invest banka Montenegro	17 December 2007
2. NLB Montenegrobanka	24 March 2008
3. Hipotekarna banka	12 May 2008
4. Prva Banka Crne Gore	25 July 2008
5. Hypo Alpe Adria Bank	19 August 2008
6. Crnogorska Komercijalna banka	29 October 2008

Custody (bank) Department can provide following services for its clients:

- opening and managing securities accounts at the Central Depository Agency on behalf and on account of lawful owners – its clients (owner securities);
- opening and managing securities accounts at the Central Depository Agency, on behalf of the custody bank, and on account of lawful owners – its clients, i.e. on behalf of its clients who are not lawful owners of the securities, and on the account of lawful owners (collective custody account);
- execution of orders for transfer of securities rights and orders for the registry of third parties on securities and the custody of transfer of the securities rights;
- collection of claims of issuers on the basis of securities, interest and dividends due, for the account of lawful owners of these securities and a custody realization of other rights belonging to lawful owners of securities, which are their clients;
- notification to shareholders regarding annual meetings of shareholders associations and representations at the meetings;
- upon the authorization of clients we perform custody of tax commitments of clients on the basis of securities of client who is a lawful owner;
- other operations defined by the contract, in compliance with law and rules of custody operations.

In order to perform its activity, a bank must become a member of the Central Depository Agency JSC Podgorica, regarding that everyday netting of trade in securities and money is performed through these institutions only.

The Securities Commission of Montenegro provides licence for this activity, as well as its consent on rules of custody operations of the banks.

All banks in Montenegro that obtained licence for custody operations, apart from NLB Montenegrobanka a.d. Podgorica, can perform custody operations for voluntary pension funds as well.

Invest banka Montenegro a.d. Podgorica, is for now the only bank to perform custody of monetary funds of the voluntary pension fund "Penzija Plus" a.d. Podgorica.

Another voluntary pension fund is announced to be established in Montenegro, which will entrust custody of its monetary funds to one of custody banks in Montenegro.

Implementation of custody operations, as a new product on the capital market of Montenegro, represents important element for development of the market itself, as it makes it more attractive for investments of institutional investors, such as pension and investment funds, insurance companies and foreign custody banks.

Operation in 2008, other then with financial crisis, was marked by the beginning of this kind of operation in Montenegro. Lack of experience with this kind of operation and globally unfavourable period for investments caused modest turnover of custody banks in 2008.

Most of the investments performed through custody banks relates to local capital market and only small portion on foreign markets.

Custody banks with the largest turnover and volume of monetary funds under their “custody” are Hypo Alpe Adria Bank a.d. Podgorica and NLB Montenegrobanka a.d. Podgorica. Other banks have smaller turnovers and their clients invest money on local market.

It is expected that custody operations give a contribution to further development of financial market, to attract direct investments from abroad and create more prosperous investments climate then the present one.

The Securities Commission performs monitoring and control of custody banks’ operations.

The Securities Commission performed:

- **Indirect control** – quaternary control of custody banks’ operations (January-March, January-June, January-September, January-December, in total 24 individual controls) and annual control of custody banks’ operations for 2008 (in total 6 individual controls).

3.9. Voluntary Pension Funds

After the Montenegrin Parliament adopted Law on Voluntary Pension Funds on 12 December 2006, the Securities Commission commenced its activities on development of supporting bylaws, which all together makes solid basis for implementation of pension reforms. This law prescribes conditions for establishment of companies for managing pension funds and organization of voluntary pension funds.

The Securities Commission performs monitoring and control of operation of companies for managing pension funds, the pension funds and the pension funds’ assets held by custody banks.

During 2008, two companies for managing voluntary pension funds obtained the licence:

- DZU Atlas Penzija, 18 March 2008
- DZU Market Invest, 16 December 2008

The first voluntary pension fund in Montenegro, "Penzija Plus", established through the partnership of Atlas Group, Employers Union and Union Trade of Montenegro, obtained the licence from the Securities Commission on 16 July 2008.

The Securities Commission performs:

- Indirect control – by reviewing reports on operation of companies for managing and the pension fund, that are delivered to the Commission as well as by obtaining information in other way,
- Direct control – performed at site by doing review of the books and other documentation related to operation of companies for managing, pension funds and custody banks in relation to operation of a pension fund.

4. Report on Operation of the Commission

4.1. Regulatory Function

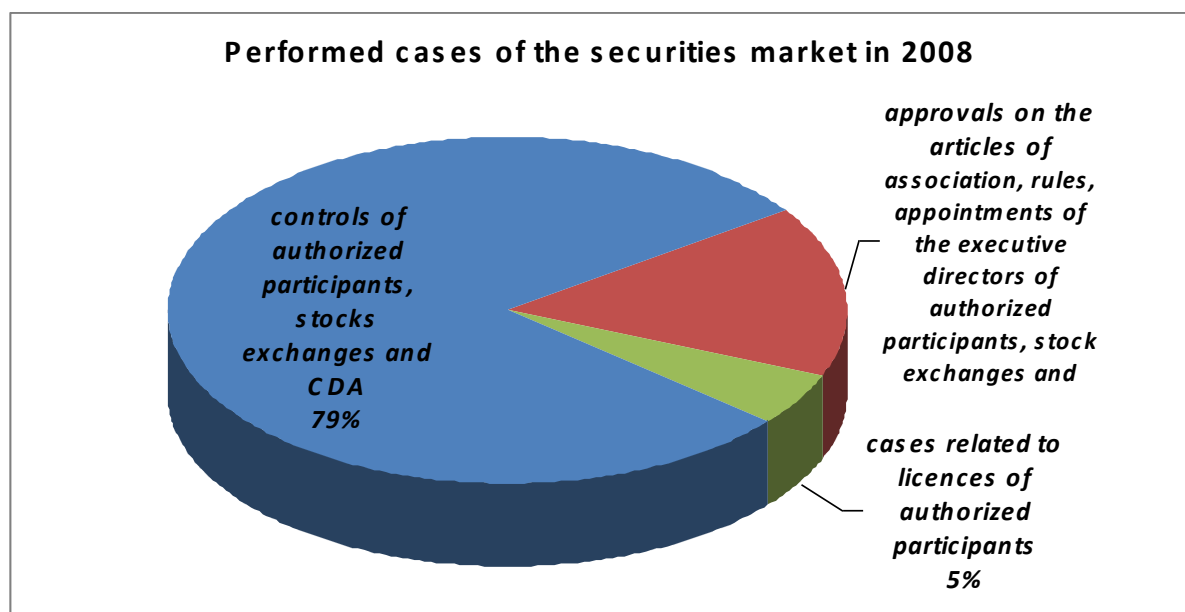
During 2008, the Commission adopted following regulations:

- 1) Rules amending the Rules on recording issuance of securities when the issuer is Republic of Montenegro and when securities are issued to in advance known acquirers;
- 2) Rules amending the Rules on the content of the summary prospectus and the manner and procedure of recording closed bids of proprietary and long-term debt securities;
- 3) Rules on the content, terms and manner of publication of financial statements of securities’ issuers;
- 4) Instructions on analysis of risk of money laundering and “meet your client” procedures and other procedures for identification of suspicious transactions.

Also, the Commission participated in development of various legal acts related to capital market by presenting its opinion, advices and experiences so that laws which are applying in Montenegro are compliant with the laws applied in European Union, all for purpose of approaching of Montenegro and its market to EU standards.

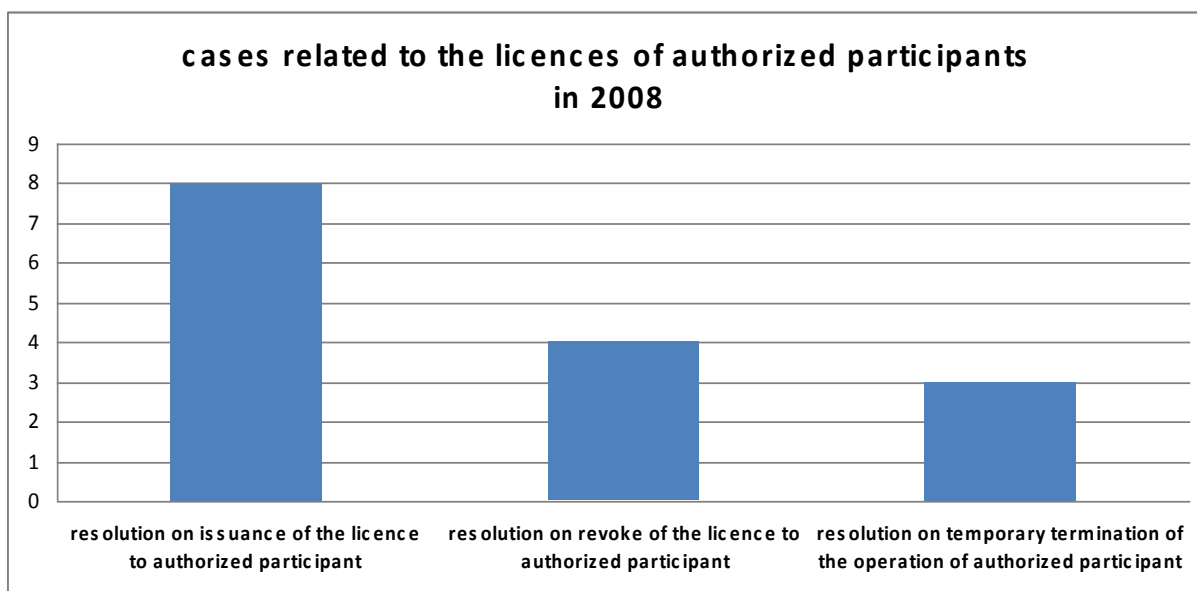
4.2. Department for Control of Securities Market

Department for securities market proceeded in total 307 cases in 2008. Out of this number, eight cases were related to providing working licence, four cases were related to revoke of the licence, three cases were related to temporary termination of operations of authorized participants at capital market, forty-nine cases were related to giving consents on statutes, rules and appointments of authorized participants' executive directors, stock exchanges and CDA, while 243 cases were related to control of authorized participants' operation, stock exchanges and CDA.



LICENCES RELATED CASES

In 2008, the Securities Commission passed fifteen resolutions on issuance of licences to authorized participants in the securities market, temporary termination of authorized participant's operation and revoke of licences to authorized participants in the securities market.



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The Securities Commission passed **eight** resolutions on issuing licences to authorized participants in the securities market in 2008, as follows:

- FIDELITY BROKER a.d. Podgorica - Resolution no. 03/2-1/2-08 from 6 February 2008;
- ANGLO BROKER DILER a.d. Podgorica (licence for dealer operations) - Resolution no. 03/2-2/4-08 from 29 February 2008;
- BULL AND BEAR BROKER DILER INVESTICIONI SAVJETNIK a.d. Podgorica - Resolution no. 03/2-3/2-08 from 27 March 2008;
- MIK BROKER DILER a.d. Podgorica (licence for dealer operations) - Resolution no. 03/2-9/2-08 from 27 June 2008;
- M&V INVEST BROKER DILER a.d. Podgorica (licence for dealer operations) - Resolution no. 03/2-12/3-08 from 25 July 2008;
- HOLDER BROKER DILER a.d. Podgorica (licence for branch operations) - Resolution no. 03/2-13/3-08 from 25 July 2008;
- FINATIVA BROKER DILER a.d. Podgorica (licence for dealer operations) - Resolution no. 03/2-20/3-08 from 30mber Dec2008;
- VIP BROKER DILER a.d. Podgorica (licence for investment manager operations) - Resolution no. 04/5-550/8-08 from 30 December 2008.

The Securities Commission passed **three** resolutions in 2008 on temporary termination of authorized participants operation, as follows:

- NARODNI BROKER a.d. Podgorica - Resolution no. 04/5-1040/2-08 from 30 June 2008;
- ANGLO BROKER DILER a.d. Podgorica - Resolution no. 04/5-1186/2-08 from 30 June 2008;
- FIDELITY BROKER a.d. Podgorica - Resolution no. 04/5-1662/2-08 from 15 October 2008.

Resolutions on temporary termination of operation were made after authorized participants in the securities market had informed all their clients, as well as stock exchanges and the Central Depository Agency on temporary termination of operation, published information on temporary termination of operation in public media, provided that every commenced trade in securities is properly finalized or transferred to other authorized participant, returned all securities from the sub-account of authorized participants at the Central Depository Agency JSC to register of the Central Depository Agency JSC Podgorica and transferred money of the clients from the sub-account of authorized participants to accounts of the clients.

During 2008, the Securities Commission passed **four** resolutions on revoke of licence to authorized participant in the securities market, based on previously made decision on liquidation, as follows:

- EUROBROKER a.d. Podgorica - Resolution no. 04/10-7/1-08 from 29 February 2008;
- NOBL BROKER a.d. Podgorica - Resolution no. 04/10-12/1-08 from 10 August 2008;
- M&V INVEST BROKER-DILER a.d. Podgorica - Resolution no. 04/5-18/2-08 from 26 November 2008;
- AKTIVA BROKER a.d. Podgorica - Resolution no. 04/5-19/2-08 from 26 November 2008.

Resolutions on revoke of licences from NOBL BROKER a.d. Podgorica, M&V INVEST BROKER-DILER a.d. Podgorica and AKTIVA BROKER a.d. Podgorica were passed based on the decision on liquidation of these authorized persons and after authorized participants in the securities market had informed all their clients, as well as stock exchanges and the Central Depository Agency on temporary termination of operation, published information on temporary termination of operation in public media, provided that every commenced trade in securities is properly finalized or transferred to other authorized participant, returned all securities from the sub-account of authorized participants at the Central Depository Agency JSC to register of the Central Depository Agency

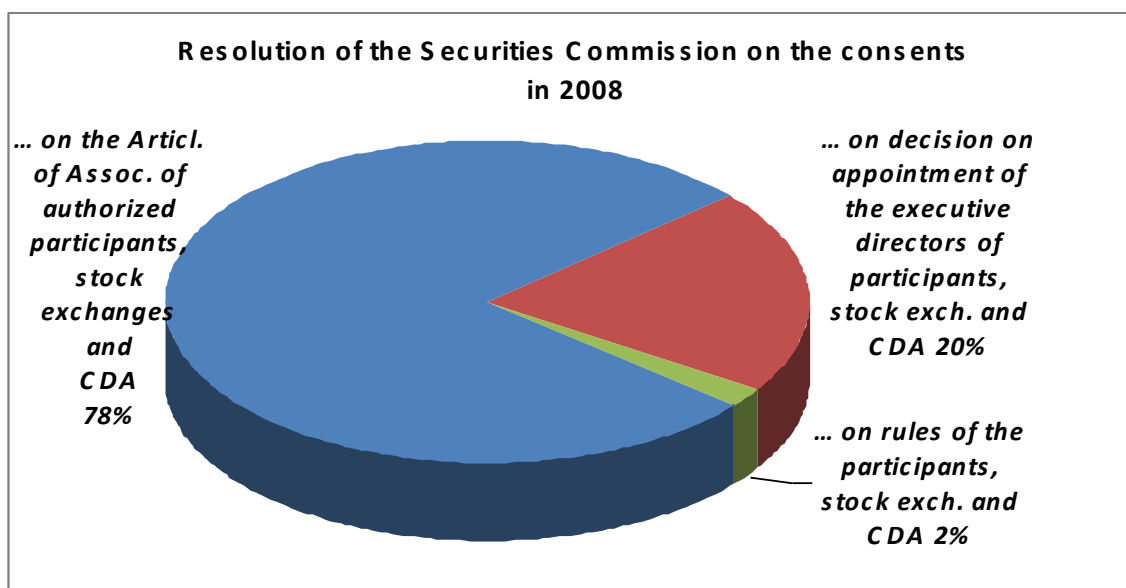
JSC Podgorica and transferred money of the clients from the sub-account of authorized participants to accounts of the clients.

CONSENTS

In 2008, the Securities Commission passed forty-eight resolutions on giving consent on statutes or amendments to the statutes, amendments to regulations and decisions on nomination of executive directors of the authorized participants, stock exchanges and the CDA.

The Securities Commission passed **thirty-eight** resolutions on giving consent on the statutes or amendments to the statutes in 2008, as follows:

- Due to adjustments to the Company Law – **28** consents
- Due to change of the name, address and/or capital – **7** consents
- Due to establishment of a branch – **3** consents



In 2008, the Securities Commission passed one resolution on giving consent to amendments to the CDA regulations (the most important modifications: introduction of contractual settlement secured by guarantee fund, special procedure in case of „non-settled“ transactions in system of individual settlement, introduction of Procedure for forced confirmation of „non-confirmed“ transactions).

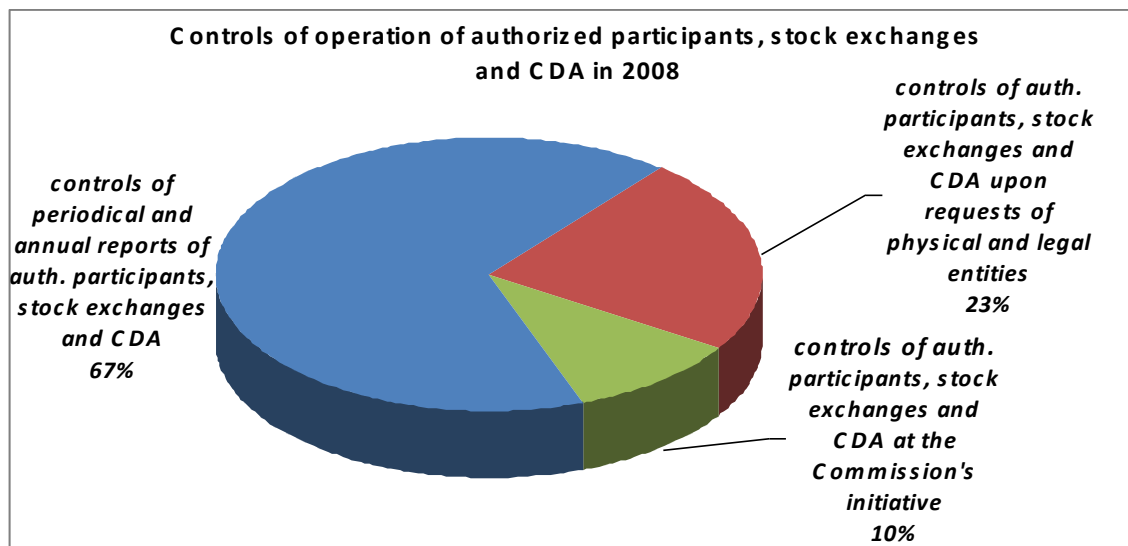
In 2008, the Securities Commission passed **ten** resolutions on the approval of the decision on appointment of the executive directors, as follows:

- Grbović Milana (AKTIVA BROKER a.d. Podgorica);
- Gegaj Pavle (BULL & BEAR BROKER DILER INVESTICIONI SAVJETNIK a.d. Podgorica);
- Dejan Keković (MIK BROKER-DEILER a.d. Podgorica);
- Aleksandar Raspopović (MONETA BROKER-DILER a.d. Podgorica);
- Manojlović Marko (ANGLO BROKER DILER a.d. Podgorica);
- Vučičević Bajko (NARODNI BROKER a.d. Podgorica);
- Miranović Maja (FIDELITY BROKER a.d. Podgorica);
- Duletić Vlado (WALL STREET BROKER a.d. Budva);
- Dragan Đukić (NOVA BERZA HARTIJA OD VRIJEDNOSTI CRNE GORE a.d. Podgorica);

- Branislav Todorović (NOVA BERZA HARTIJA OD VRIJEDNOSTI CRNE GORE a.d. Podgorica).

CONTROLS

In 2008, the Securities Commission conducted 243 controls of authorized participants, stock exchanges and CDA. Out of this number, 161 were related to indirect controls of periodical reports of authorized participants, stock exchanges and the CDA, 57 were related to the controls of authorized participants, stock exchanges and the CDA as requested by physical persons or legal entities, while 25 were related to control of authorized participants, stock exchanges and the CDA made at the initiative of the Commission.



CONTROLS PERFORMED THROUGH REVIEW OF PERIODIC AND ANNUAL REPORTS

The Securities Commission performed 161 indirect controls through the review of periodical reports of authorized participants, stock exchanges and the CDA for the following periods: January – December 2007, January – March 2008, January – June 2008, January – September 2008 and annual report for 2007.

CONTROLS OF REGISTRATION OF PROPRIETARY POSITIONS WITH THE CENTRAL DEPOSITARY AGENCY JSC PODGORICA

1. By acting in respect of **seven** requests of physical persons for examination of the proprietary positions' status at the Central Depository Agency JSC, the Commission has, based on the documentation taken over from the Central Depository Agency JSC, established that these persons are not registered as shareholders in the database of the Central Depository Agency JSC, i.e. they do not have and that they have never had any proprietary positions registered with the Central Depository Agency JSC .

In its response to these requests, the Commission pointed out that Articles 51, 52 and 53 of the Regulation on the procedure, acquisition and use of privatization vouchers (Official Gazette of Montenegro 17/01, 37/01 and 11/02) prescribed the manner and terms for submitting complaints with regard to the results of MVP (Massive Voucher Privatization) auction, as well as the procedure for correction of results in respect of complaints. Pursuant to these articles, there was a term of 15 days from the day of the receipt of the report on the MVP results to file a complaint to the Payment System Agency (ZOP) if the balance in the report did not match the submitted privatization orders for substitution of voucher points with the units of privatization funds. Since the above mentioned term expired long time ago and the complaint was not filed on time, there is no ground for the

Commission to request the correction at proprietary accounts at the Central Depository Agency JSC.

However, the applicants can also try to achieve their right in respect of the mistake that caused them damage by filing a suit to the competent court.

2. By taking action with respect to **two** requests of physical persons for control of removing stocks of the issuer Ciglana Rudeš a.d. Berane, the Securities Commission has, based on the documentation submitted by the Central Depository Agency JSC Podgorica, established that the Central Depository Agency JSC Podgorica treated stocks of Ciglana Rudeš a.d. Berane in accordance with the Law on Insolvency of Companies (Official Gazette of the Republic of Montenegro 06/02, 01/06 and 02/07) and the Law on Securities (Official Gazette of the Republic of Montenegro 59/00 and 28/06).
3. The Securities Commission investigated the request of a physical person for checking the balance at the account of the applicant in the Central Register of the Central Depository Agency with regards to the number of stocks of the issuer Elektroindustrija Obod a.d. Cetinje.

Through its control, the Commission established that Elektroindustrija Obod a.d. Cetinje at the session of the General Assembly of Shareholders from 17 January 2007 passed the decision on reducing the company's equity, and the number of the stocks of the mentioned applicant was accordingly reduced, compliant to the decision of the General Assembly of Shareholders and therefore there is no ground for the Commission to require the correction on the proprietary account of the applicant at the registry of Central Depository Agency JSC. The Commission instructed the applicant to directly approach the issuer Elektroindustrija Obod a.d. Cetinje for any further information.

4. The Commission received a request from a physical person for investigation of the reasons because of which the applicant does not possess the stocks at the registry of CDA. Through the control of the documentation provided by the Central Depository Agency JSC, it was established that the applicant actually possessed the stocks with the Central Register of CDA and the Commission informed him about this finding.

CONTROLS OF TRADE IN SECURITIES REQUESTED BY PHYSICAL PERSONS OR LEGAL ENTITIES

CONTROLS OF TRADE IN STOCKS THROUGH EURO BROKER AD BUDVA

Based on the requests of physical persons for the control of the sale of stocks through **Eurobroker a.d. Budva, 28 controls** were completed, through which the Securities Commission, based on the documentation acquired from the Central Depository Agency JSC, established that the stocks were sold by the power of attorney, through Eurobroker a.d. Budva.

In its response to the applicants, the Commission indicated that during December 2005 it became aware of certain irregularities in the trade in securities through Eurobroker a.d. Budva. After providing necessary documentation and conducting required control, the Commission established the existence of reasonable doubt that certain acts related to the mentioned sale had attributes of a criminal offense, particularly that there were various kinds of counterfeits. Consequently, on 19 January 2006, the Commission informed the Ministry of Interior Affairs - Security Centre Podgorica about these irregularities and it has undertaken measures from its competence. Because of the mentioned activities of Eurobroker a.d. Budva, the Commission revoked the licence from this broker on 9 May 2006 and also imposed the measure of temporary prohibition of performing broker and dealer services for the period of two years to the persons who were employed at the position of broker in Eurobroker a.d. Budva.

The Commission informed the applicants that the shortest way for achieving their rights, according to Articles 207 through 216 of the Criminal Code is to immediately file the Proposal for the realization of the property claim incurred due to execution of a criminal offence, before the Higher

Court in Podgorica, which conducts the procedure against the above-mentioned applicants. In this way, if the Court accepts this proposal, the applicants will not have to wait for the completion of the criminal procedure against the culprits and only then realize their right to compensation of the damage caused by the execution of a criminal offence through the suit procedure.

CONTROL OF TRADES IN STOCKS WITHOUT KNOWLEDGE OR ORDERS OF THE APPLICANTS

By taking action with respect to **nine** requests of physical persons for investigating trade in securities in their ownership **without their knowledge or orders**, the Commission conducted the following controls:

- trades in stocks of the issuer CRNAGORAPUT a.d. Podgorica through MONTE ADRIA BROKER-DILER a.d. Podgorica;
- trades in stocks of FZU HLT through MONTE ADRIA BROKER-DILER a.d. Podgorica;
- trades in stocks of FZU HLT through MARKET BROKER-DILER a.d. Bijelo Polje;
- trades in stocks of FZU MONETA through ONYX BROKER a.d. Budva;
- **two** trade in stocks of FZU MIG through MONTE ADRIA BROKER-DILER a.d. Podgorica;
- trades in stocks of FZU TREND through MONTE ADRIA BROKER-DILER a.d. Podgorica;
- trades in stocks of FZU TREND through HOLDER BROKER-DILER a.d. Podgorica;
- trades in stocks of FZU TREND through CG BROKER a.d. Podgorica.

In **four** cases, after the completed control of trade in stocks of FZU MIG and FZU TREND through MONTE ADRIA BROKER-DILER a.d. Podgorica, trade in stocks of FZU TREND through HOLDER BROKER-DILER a.d. Podgorica and trade in stocks of FZU TREND through CG BROKER a.d. Podgorica, the Commission delivered all provided documentations to the Ministry of Internal Affairs for further procedure, Police Directorate, Criminal Police Department, because of reasonable doubt that certain acts connected to sale of their actions had attributes of a criminal offence.

Also, after the conducted control of trade in stocks of FZU TREND through CG BROKER a.d. Podgorica, the Commission concluded that the CENTRAL DEPOSITARY AGENCY JSC Podgorica acted contrary to the provisions 11.1, 11.2 and 13.1 of the third part of the Rules of the CENTRAL DEPOSITARY AGENCY JSC Podgorica (Official Gazette of the Republic of Montenegro 28/01 and 53/07) by changing the register number based on the instruction received from the person who is not the owner of the account. The Commission instructed the executive director of the CENTRAL DEPOSITARY AGENCY JSC Podgorica to reinvestigate the responsibility of several employees because of irregularities in operating with securities and take appropriate measures against these employees.

CONTROL OF TRADE IN STOCKS OF THE ISSUER HOTEL TARA AD PLJEVLJA

A request for the control of two transactions in stocks of the issuer **HOTEL TARA a.d. Pljevlja** was delivered to the Securities Commission. The applicant, a physical person, indicates in its request that he learned that the above-mentioned stocks were the subject of trade performed in two occasions in illegal manner, with indications that it had to do with money laundering. 10,325 stocks were traded in two transactions, i.e. 5,680 stocks of the issuer HOTEL TARA a.d. Pljevlja at the price of EUR 2.50 per stock, while during 2003 the price reached the level of even EUR 6.00 per stock. He claims that the buyer took advantage of the sudden death of the majority shareholder and executed illegal transactions in which way he came into possession of 16,005 stocks of the issuer HOTEL TARA a.d. Pljevlja. The applicant claims that legal obligations for the stocks to remain at the stock exchange for no less than three days was not fulfilled, indicating that it would be interesting to find out who paid in the money for this purchase, and who withdrew the money from the sale of the stocks. By this request, he is pointing at the suspicious origin of the money in

both transactions, asking therefore the Commission to control these purchases and punish those who made irregular acts.

The Commission established that the Authorized participant in the securities market ONYX BROKER a.d. Budva acted in accordance to the Rules on the manner of conducting operation of authorized participants in the securities market (Official Gazette of RM 57/01, 23/03 and 64/03) by realizing orders, on which the name of the clients from Pljevlja is appearing, for the purchase of 10,325 and 5,680 stocks of the issuer HOTEL TARA a.d. Pljevlja at the price of EUR 2.50 per stock.

Finding that in the above-mentioned transactions there are indications of money laundering, the Securities Commission forwarded all acquired documentation related to this case to the Police Directorate, Criminal Police Department.

CONTROL OF TRADE IN STOCKS OF THE ISSUER CIGLANA RUDEŠ AD BERANE

The Securities Commission received a request from a physical person in which it is indicated that the applicant on 3 April 2007 purchased the stocks of the issuer **CIGLANA RUDEŠ a.d. Berane** through **VIP BROKER a.d.**, in which the bankruptcy procedure was finalized on 26 March 2007, and in addition he requests from the Commission to investigate the activities in the period between the bankruptcy procedure and legal validity date of the decision no. 30/04 from 14 April 2007.

Based on the conducted control, the Securities Commission established that conditions were fulfilled on 7 May 2008 for taking actions in respect of the decision of the Commercial Court in Bijelo Polje on the closure of the bankruptcy procedure over the bankruptcy debtor CIGLANA RUDEŠ a.d. Berane, upon the receipt of the resolution on the closure of the bankruptcy procedure against the bankruptcy debtor CIGLANA RUDEŠ a.d. Berane by the Central Depository Agency JSC Podgorica and that it removed the issuer CIGLANA RUDEŠ a.d. Berane from the Register of the Central Depository Agency JSC Podgorica on 15 June 2008, immediately upon the fulfilment of the conditions for removing the issuer from the registry. Also, the transaction was, in accordance to the applicant's order for purchase of the stocks of the issuer CIGLANA RUDEŠ a.d. Berane, closed on 3 April 2008, before the publication of the Decision on the closure of the bankruptcy procedure in the Official Gazette of the Republic of Montenegro, and its becoming binding and enforceable, therefore there were no conditions for this transaction not to be executed, in accordance to the order of the applicant.

CONTROL OF TRADE IN STOCKS OF THE ISSUER PLANTAŽE AD PODGORICA

ONYX BROKER a.d. approached the Securities Commission with a request to get an opinion if ONYX BROKER a.d. acted in accordance to the Law on Securities, i.e. procedure for sale of the stocks possessed by a client who filed a suit with the Basic Court in Nikšić against ONYX BROKER a.d. because of the sale of the stocks of the issuer **PLANTAŽE a.d. Podgorica** with a false identity card.

Through the inspection of the documentation collected from ONYX BROKER a.d. and the Central Depository Agency JSC, the Securities Commission came to the conclusion that the Authorized participant ONYX BROKER a.d. Budva, by realizing the order for sale of the stocks of the issuer PLANTAŽE a.d. that was requested by the person who identified himself as a client and enclosed the identity card, acted in accordance to formal legal regulations related to identification of clients as it performed the identification procedure based on the document which was both by its form and authorizations identical to identity cards issued by the authorized state body.

Because of the established material differences in the content of identification cards based on which the identification of the client issuing the order to ONYX BROKER a.d. in 2007 was performed and identification cards based on which the identification of the same client was performed when giving order to MONTE ADRIA BROKER-DILER a.d. in 2005., the Commission submitted this case with all the supporting documentation to the Ministry of Interior Affairs of

Montenegro, the Department for combating commercial crime for further processing and taking measures under the competence of this body.

CONTROL OF TRADE IN STOCKS OF THE ISSUER JUGOPETROL AD KOTOR

NEW STOCK EXCHANGE OF MONTENEGRO JSC Podgorica approached the Securities Commission with a request in which it is indicated that ENERGO BROKER a.d. Podgorica on 14 October 2008 purchased in the name of its clients 250 stock of JGPK symbol at 9:03:20 hours at the price of EUR 8.90, and sold 250 stocks of JGPK symbol at price from EUR 9.50 to EUR 9.5001 in two transactions at 13:05:53 hours. The mentioned stock exchange in its request also asks for a written confirmation on whether „Short Selling“ is allowed at Montenegrin capital market.

After collecting the documentation from the CDA and the NEX Stock Exchange, the Commission passed the Decision on direct control of operation of authorized person in the securities market ENERGO BROKER a.d. Podgorica.

The Securities Commission established that ENERGO BROKER a.d. Podgorica acted in accordance to the Rules on the manner of managing operation of authorized participants in the securities market (Official Gazette of RM 57/01, 23/03, 64/03) in the execution of orders for purchase and sale of stocks of the issuer JUGOPETROL a.d. Kotor. Regarding the fact that existing rules regulating securities operations do not prohibit the issuance of orders for sale of stocks which order issuer does not have on its account at the moment of issuing the order, there is no ground for undertaking measures from the competence of the Securities Commission against ENERGO BROKER a.d. in relation to this case.

CONTROL OF TRADE IN STOCKS OF THE ISSUER ELEKTROPRIVREDA CRNE GORE AD NIKŠIĆ

NEW STOCK EXCHANGE OF MONTENEGRO JSC Podgorica submitted a Request to the Securities Commission in which it is claimed that transactions with the stocks of the issuer ELEKTROPRIVREDA CRNE GORE a.d. Nikšić on 23 July 2008 directly affected the market price and its manipulation.

The Commission considered the Information on the control of trade in stocks of the issuer ELEKTROPRIVREDA CRNA GORA a.d. Nikšić and passed the Conclusion that for the purpose of controlling trade in stocks of the issuer ELEKTROPRIVREDA CRNA GORA a.d. Nikšić, it should conduct:

- **direct control of VIP BROKER-DILER a.d. Podgorica**
- **direct control of KBC SECURITIES MONTENEGRO a.d. Podgorica**
- **direct control of ENERGO BROKER a.d. Podgorica**
- **direct control of GLOBAL BROKER a.d. Podgorica**
- **direct control of 3M BROKER-DILER a.d. Podgorica.**

As it was established through the control, that the broker of the Authorized participant at securities market VIP BROKER-DILER did not enter the purchase order for 500 stocks of the issuer ELEKTROPRIVREDA CRNA GORA a.d. Nikšić in the order book for a client, and in that way acted contrary to Article 78 paragraph 1 items 10) and 11) of the Law on Securities and Article 32 paragraph 1 item 2 indent 2.1. of the Rules on the manner of managing operation of the authorized participants in the securities market (Official Gazette of RM 57/01 and 64/03), and that established irregularities are by their nature impossible to be resolved, so the Commission passed the Decision on undertaking measures by which it is ordered to the executive director of the Authorized participant in the securities market VIP BROKER-DILER a.d. Podgorica to reinvestigate the responsibility of the broker who, after having received the order for purchase of 500 stocks of the issuer ELEKTROPRIVREDA CRNA GORA a.d. Nikšić failed to enter the order in the order book, and to take appropriate action against this broker.

Authorized participant in the securities market VIP BROKER DILER a.d. Podgorica informed the Commission on 15 December 2008 that executive director made the decision to reduce the salary for December 2008 by 20% to the broker who after having received the order for purchase of 500 stocks of the issuer ELEKTROPRIVREDA CRNE GORE a.d. Nikšić, failed to enter the order in the order book.

It was established through the control that an order for purchase of 1,746 stocks of EPCG of a client OSTROVICA d.o.o. Podgorica of 23 July 2008, which was received by the executive director of 3M BROKER-DILER was not entered in the order book, as well as that authorized participant enters only sale orders in the order book, while purchase orders are not entered in the order book but directly to trading systems of the stock exchanges, in which way it acted contrary to Article 32, paragraph 1, item 2, indent 2.1. of the Rules on the manner of managing operation of authorized participants in the securities market, and that established irregularities by their nature cannot be eliminated, the Commission passed the Decision on undertaking measures by which it is ordered to the Board of directors of the Authorized participant in the securities market 3M BROKER-DILER a.d. Podgorica to take appropriate measures against its executive director, as he did not run the order book in the manner prescribed by article 32 paragraph 1 item 2 indent 2.1. of the Rules on the manner of managing operation of authorized participants at the securities market (Official Gazette of RM 57/01 and 64/03) and to inform the Securities Commission on these measures within 7 days from the day of receiving the decision.

The Board of directors of the authorized participant in the securities market 3M BROKER DILER a.d. Podgorica passed the decision by which the executive director was imposed the measure for reduction of the salaries by 50% and in that way acted in accordance to the Commission's Decision.

It was established through the control that ENERGO BROKER a.d. Podgorica, KBC SECURITIES MONTENEGRO a.d. Podgorica and GLOBAL BROKER a.d. Podgorica by realizing orders of their clients for trade in stocks of EPCG symbol were acting in the most favourable way for the clients and in the shortest possible period in accordance to the Rules on the manner of managing operation of authorized participants in the securities market, so there is no ground for taking measures from the Securities Commission's competence against this authorized participant in relation to this case.

Also, it was established through the control that transactions with the stocks of the issuer ELEKTROPRIVREDA CRNE GORE a.d. Nikšić of 23 July 2008 did not directly affect the market price and its manipulation, so there is no ground for taking measures from the Securities Commission's competence against this authorized participant in relation to this case.

CONTROL OF AUTHORIZED PARTICIPANT IN THE SECURITIES MARKET ONYX BROKER AD BUDVA

In this case the Securities Commission previously informed the Police Directorate – the Department for combating commercial crime and delivered it the supporting documentation for further procedure in accordance to the conclusion of the Commission's session, where the Information on control of authorized participant in the securities market was discussed and in the continuation of the control a Decision was made on direct control of the operation of Authorized participant in the securities market ONYX BROKER a.d. Budva.

Through the inspection of the documentation collected during direct control and previous direct control, the Commission established that ONYX BROKER a.d. Budva on 15 June 2006 paid out three clients (including a person who identified him/herself as a client-applicant) from its client-transfer cash account (on which money of the clients was held, as well as money from the authorized participant's fees), before the day of settlement of their sale transactions in the CDA. In that way it acted contrary to Article 28 paragraph 3 and Article 29 paragraph 1 item 1) of the Regulation of the manner of managing operation of authorized participant in the securities market (Official Gazette of RM 57/01 and 64/03) which provides that clients' account should be held separately from any other account on which authorized participant holds its money, as well as that

authorized participant takes care of clients' money in appropriate manner and continuously, providing especially that the clients' and its own money do not get mixed.

In accordance to the findings, the Commission passed the Decision on undertaking measures by which the Board of directors of the Authorized participant in the securities market 3M BROKER-DILER a.d. Podgorica was instructed to take appropriate measures against its executive director, as money of the clients and money from calculated and paid fees to ONYX BROKER a.d. for provided services was found on the cash account of the ONYX BROKER's a.d. clients, that was not withdrawn from this account which is in opposition to Article 28 paragraph 3 and Article 29 paragraph 1 item 1) of the Regulation of the manner of managing operation of authorized participants in the securities market and to inform the Securities Commission on these measures.

CONTROLS OF TRADE IN SECURITIES PERFORMED AT THE COMMISSION'S INITIATIVE

CONTROL OF THE PROCEDURE FOR TRADE IN FX SAVINGS BONDS AND BONDS OF THE RESTITUTION FUND IN THE PERIOD BETWEEN 18 FEBRUARY 2008 AND 29 FEBRUARY 2008

Through regular monitoring of trades, the Commissions' employees observed significant increase in prices of bonds of foreign exchange and bonds of the Restitution fund, before the Government made the decision on the possibility for the bonds of foreign exchange and bonds of the Restitution fund to be used for purchase of the companies' stocks and for paying of the companies' debts to the state. In regard to this, the Securities Commission on its own initiative started control of trades in bonds of foreign exchange and bonds of the Restitution fund in the period between 18 February 2008 and 29 February 2008. The prices of the Restitution Fund's bonds increased by 40% in this period.

Based on the documentation delivered by MONTENEGROBERZA a.d., NOVA BERZA HARTIJA OD VRIJEDNOSTI CRNE GORE a.d. and the CENTRAL DEPOSITORY AGENCY JSC the Commission determined that all transactions were successfully settled in the system of the CENTRAL DEPOSITORY AGENCY JSC as well as that the orders have been executed fulfilling the principle of lower price preference and previously issued order, and that none of authorized participants in the securities market has participated to a major extent in the sale or purchase of FX savings bonds or bonds of the Restitution Fund and passed the conclusion that authorized participants in the securities market executed the orders for sale and purchase of FX savings bonds and bonds of the Restitution Fund in the period between 18 February 2008 and 29 February 2008 in accordance with the Regulation on the manner of managing operation of authorized participants in the securities market (Official Gazette of the Republic of Montenegro 57/01, 23/03, 64/03).

CONTROL OF TRADE IN STOCKS OF THE ISSUERS CETINJETURIST AD AND INSTITUT SIMO MILOŠEVIĆ AD DURING THEIR INCLUSION INTO QUOTATION LIST

Controllers of the Commission observed that, after stocks of the issuer INSTITUT ZA FIZ. MED. REH. I REUM. "SIMO MILOŠEVIĆ" a.d. Herceg Novi were included in the B quotation list of NOVA BERZA HARTIJA OD VRIJEDNOSTI CRNE GORE a.d. and stocks of the issuer CETINJETURIST a.d. Cetinje in the B quotation list of MONTENEGROBERZA a.d., and that after the period of time determined for the beginning of trade in stocks of the above mentioned issuers in the stock exchanges' quotation lists in which they have been accepted, stocks of the issuer INSTITUT ZA FIZ. MED. REH. I REUM. "SIMO MILOŠEVIĆ" a.d. Herceg Novi were traded at NOVA BERZA HARTIJA OD VRIJEDNOSTI CRNE GORE a.d. and that in the trading systems of NOVA BERZA HARTIJA OD VRIJEDNOSTI CRNE GORE a.d. and MONTENEGROBERZA a.d. there were sale-purchase orders for stocks of the issuer INSTITUT ZA FIZ. MED. REH. I REUM. "SIMO MILOŠEVIĆ" a.d. Herceg Novi, i.e. CETINJETURIST a.d. Cetinje.

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It is established through the control that **MONTE ADRIA BROKER-DILER a.d, ENERGO BROKER a.d, NOVE BROKER a.d. and ANGLO BROKER a.d.** did not withdraw orders from the exchange of the issuers' stocks that are accepted in the other stock exchange's list, and that ENERGO BROKER a.d, NOVE BROKER a.d. and ANGLO BROKER a.d. closed the transactions on the stock exchange and then cancelled transactions of the issuers' stock quoted in another stock exchange's list, in which way they acted opposite to Article 78, paragraph 2, of the Law on Securities (Official Gazette of the Republic of Montenegro 59/00 and 28/06) which prescribes that in operation with securities the authorized participant must act in the best possible manner, professionally and with due diligence, and pursuant to items 6 and 7 of the Instruction on the application of conditions for quoting securities in A or B list of the stock exchange and the way of trading with these securities (OGM 59/04) by which it is prescribed that securities with the same market symbol that are quoted in A or B list of the stock exchange cannot be traded in the free stock exchange market, as well as that securities with the same symbol can be quoted in A or B list at one stock exchange only.

The Commission passed the Decision on imposing a premonition to authorized participants MONTE ADRIA BROKER-DILER a.d, ENERGO BROKER a.d, NOVA BROKER a.d. and ANGLO BROKER a.d.

Also, the Commission instructed stock exchanges to inform each other about the acceptance of stocks of the issuers from the quotation lists and that the next working day from the day of the notification about the acceptance of stocks of certain issuers on another stock exchange's quotation list, they withdraw sale-purchase orders of these issuers from their trading systems and remove those issuers from the trading lists.

CONTROL OF PRICE TRENDS OF SECURITIES OF THE ISSUERS WHOSE SECURITIES ARE TRADED ON STOCK EXCHANGE

CONTROL OF THE PRICE TRENDS OF STOCKS OF THE ISSUER FABRIKA STOČNE HRANE SPUŽ AD DANILOVGRAD

The controllers of the Commission through monitoring of the trade in stock exchanges noticed that NOVA BERZA HARTIJA OD VRIJEDNOSTI CRNE GORE a.d. on 16 January 2008 locked three transactions in stocks of the issuer FABRIKA STOČNE HRANE SPUŽ a.d. Danilovgrad in which way the total amount of 195,589 stock (88.54% of the total number of the issuers stocks) in the value of EUR 1,099,992.54 was sold. The transactions were closed through Authorized participant in the market **KBC SECURITIES MONTENEGRO a.d. Podgorica**, and the price per stock in all three transactions amounted to EUR 5,624 and it was by 999.73% higher than the average price realized through trade in stocks on the previous day of trading at NOVA BERZA HARTIJA OD VRIJEDNOSTI CRNE GORE a.d.

Through the inspection of delivered documentation, the Commission established that it was an illiquid security, i.e. that stocks of the issuer FABRIKA STOČNE HRANE SPUŽ a.d. were not traded in the period between 22 February 2006 and 16 January 2008, and there was only one order for this stock that was entered at NOVA BERZA HARTIJA OD VRIJEDNOSTI CRNE GORE a.d. on 9 October 2007. It was also determined that the purchaser of the stocks was the legal entity PANTOMARKET d.o.o. Herceg Novi, while the sellers were two physical persons and one legal entity.

Based on the findings, the Commission made the conclusion that authorized participant at the market KBC SECURITIES MONTENEGRO a.d. Podgorica during the trade in stocks of the issuer FABRIKA STOČNE HRANE SPUŽ a.d. Danilovgrad acted in accordance to trading procedures as prescribed by the Law on Securities and other regulations related to operations in securities.

CONTROL OF TRADE IN STOCKS OF THE ISSUER OTRANT KOMERC AD ULCINJ ON 15 JANUARY 2008

Through regular monitoring of trades, employees of the Securities Commission observed a significant rise of the stock prices of the issuer OTRANT KOMERC a.d. Ulcinj, which caused doubt with regard to the possibility of fixing prices and manipulation on market in order to bring other investors into fallacy. With regard to this, the Securities Commission on its own initiative commenced a control of trade in stocks of the issuer OTRANT KOMERC a.d. Ulcinj on 15 January 2008.

Based on the facts established through the control, the Securities Commission made the Conclusion that trades in stocks of the issuer OTRANT KOMERC a.d. Ulcinj on 15 January 2008 were realized in accordance with the Law on Securities (Official Gazette of RM 59/00, 10/01 and 28/06) and that Authorized participants in the securities market **HOLDER BROKER-DILER a.d. Podgorica, MONETA BROKER-DILER a.d. Podgorica** and **MARKET BROKER-DILER a.d. Bijelo Polje** executed the sale orders i.e. purchase orders of the issuer OTRANT KOMERC a.d. Ulcinj in accordance with the Regulation on the manner of managing operation of authorized participants in the securities market (Official Gazette of RM 57/01, 23/03, 64/03).

CONTROL OF SUDDEN INCREASE OF STOCK PRICES OF THE ISSUER RADVENT AD NIKŠIĆ

Employees of the Securities Commission were, by monitoring the trend of securities prices for those issuers whose securities are traded on Montenegrin stock exchanges, observed that in the period between 10 March 2008 and 5 April 2008 there were sudden changes in stock prices of the issuer RADVENT a.d. Nikšić on which bases the control was initiated.

Based on the documentation collected indirectly, the President of the Securities Commission made the Decision on the direct control of operation of the authorized participant MONTE ADRIA BROKER-DILER a.d. Podgorica for the purpose of establishing the actions undertaken by the authorized participant MONTE ADRIA BROKER-DILER a.d. Podgorica during the execution of its clients' orders in accordance to regulations.

Based on the findings, the Securities Commission made the Conclusion that Authorized participant in the securities market MONTE ADRIA BROKER-DILER a.d. Podgorica did not violate Article 22 paragraph 2 item 1 of the Regulation of the manner of managing operation of authorized participants in the securities market (Official Gazette of RM 57/01, 23/03, 64/03) by executing the client's order for purchase of stocks of the issuer RADVENT a.d. Nikšić. Namely, this Regulation prescribes that when authorized participant matches client's order with its own order or with other client's order, cannot provide unfair advantage to itself or any other client for which it operates, so there is no ground for undertaking measures from the Securities Commission competence against this authorized participant in relation to this case.

CONTROL OF CHANGES OF OPERATIONS IN THE PERIOD BETWEEN 1 JANUARY 2008 AND 2 MARCH 2008

On 7 March 2008 the Commission delivered letters to MONTENEGROBERZA a.d. and NOVA BERZA HARTIJA OD VRIJEDNOSTI CRNE GORE a.d. by which it requires from the stock exchanges to perform control of operation of their members that participated in changes of operations between 1 January 2008 and 2 March 2008 and to inform the Commission in writing on each individual case. Through this ordered control it was particularly necessary to establish the following:

- the first and the last names of authorized participants employees who performed changes of operations,
- identity of buyers and sellers of securities in relevant transactions,
- reasons for changing operations,

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- cash flows,
- date and time of relevant operations settlement,
- if and when there were transactions in relevant stocks after the transaction settlement (if yes, indicate the date and time of the transaction).

Based on the documentation submitted by the stock exchanges, the Securities Commission made the Decision on direct control of operation of authorized participants in the securities market which was to determine particularly the number of securities purchase and sale transactions on the stock exchanges that were changed based on orders of controlled entities in the period between 1 January 2008 and 3 February 2008 as well as the reasons causing changes of these operations.

Direct controls of following authorized participants were performed:

- **MONTE ADRIA BROKER-DILER a.d. Podgorica**
- **ONYX BROKER a.d. Budva**
- **GLOBAL BROKER-DILER a.d. Podgorica**
- **ENERGO BROKER a.d. Podgorica**
- **VIP BROKER-DILER a.d. Podgorica**
- **HOLDER BROKER-DILER a.d. Podgorica**
- **KBC SECURITIES MONTENEGRO a.d. Podgorica**

Based on the established facts, the Securities Commission made the conclusion:

- that Authorized participants in the securities market VIP BROKER-DILER a.d. Podgorica, MONTE ADRIA BROKER-DILER a.d. Podgorica, ONYX BROKER a.d. Budva, GLOBAL BROKER-DILER a.d. Podgorica, HOLDER BROKER-DILER a.d. Podgorica and ENERGO BROKER a.d. Podgorica acted in accordance with the regulations relevant for operations in securities.
- that Authorized participant in the securities market KBC SECURITIES MONTENEGRO a.d. Podgorica did not act in accordance with Article 78 paragraph 1 point 1), 2) and 3) of the Law on Securities (Official Gazette of RM 59/00, 10/01, 43/05), since during the change of the operation there was no order of the person who transferred the original transaction.
- that Authorized participant in the securities market KBC SECURITIES MONTENEGRO a.d. Podgorica did not act in accordance to Article 32 paragraph 1 point 1), item 1.2 of the Regulation on the manner of managing operation of authorized participants in the securities market (Official Gazette of RM 57/01, 23/03, 64/03), since in the client register it had two orders for the same transaction, number 7929 and 7056, for two different dates, 28 December 2007 and 25 December 2007, with the same number of stocks indicated, while in the order book they appear as one order.
- that the provisions of Article 52 paragraph 3 item 6) indent 3 prescribe that the stock exchange is obliged to propose activities related to efficient monitoring and control of enforcement of its rules, this law and rules adopted on the basis of this law. MONTENEGROBERZA a.d. Podgorica acted opposite to Article 93 of the Regulation of MONTENEGROBERZA a.d. Podgorica, which articles define that the stock exchange monitors trade in securities and that in case of establishing irregularities it takes appropriate measures, since it delivered an information to the Commission on performed control in this case, where it is indicated that there were no irregularities connected to trade in securities.
- that a warning measure is imposed on the Executive director of the Authorized participant in the securities market KBC SECURITIES MONTENEGRO a.d. Podgorica.

- that a warning measure is imposed on MONTENEGROBERZA a.d. Podgorica because of inappropriate execution of supervising.

CONTROL OF SUDDEN INCREASE AND DECREASE OF CERTAIN ISSUER STOCK PRICES ON 14 APRIL 2008

Employees of the Securities Commission, observing the securities price trends of those issuers whose securities are traded on Montenegrin stock exchanges, noticed that on 14 April 2008 it came to sudden changes in the stock prices of the following issuers:

- 4 NOVEMBAR FABRIKA METALNIH DJELOVA a.d. Mojkovac (symbol FAMP) rise of price by 56.25%;
- FABRIKA ELEKTRODA "PIVA" a.d. PLUŽINE a.d. Plužine (symbol FABE) drop in price by 20.15% at MONTENEGROBERZA and rise of price by 46.49% at NEX BERZA;
- HTP "BOKA" a.d. Herceg Novi (symbol HTBO) drop in price by 49.57% at MONTENEGROBERZA and drop in price by 26.57% at NEX BERZA;
- BJELASICA RADA a.d. Kotor (symbol BJER) drop in price by 84.06%;
- NAPREDAK a.d. Kotor (symbol NAKO) drop in price by 55.52%;
- HOLDING ELEKTROINDUSTRIJA "OBOD" a.d. Cetinje (symbol HEIO) drop in price by 43.30%;
- GROSS-MARKET a.d. Podgorica (symbol GROS) rise of price by 199.58%;
- MONTENEGROEXPRESS a.d. Budva (symbol MOEK) rise of price by 91.06%;
- MMK STANDARD a.d. Nikšić (symbol ZEDS) rise of price by 24.98%;
- PREDUZEĆE ZA IZGRADNJU PODGORICE a.d. Podgorica (symbol IZGR) rise of price by 22.45%;
- PUT a.d. Bar (symbol PUTB) rise of price by 15.38%;
- DAIDO METAL a.d. Kotor (symbol INLE) drop in price by 16.00%;
- OPŠTE GRAĐEVINSKO PREDUZEĆE "GORICA" a.d. Podgorica (symbol OPGO) drop in price by 24.80%;
- MONTEPRANZO-BOKAPRODUKT a.d. Podgorica (symbol MOBK) drop in price by 38.97%.

Based on the documentation delivered by the Central Depository Agency JSC Podgorica, the Securities Commission made a Decision on direct control of operation of Authorized participant in the securities market MIK BROKER a.d. Podgorica in relation to actions undertaken in respect of the clients' orders for sale and sale of stocks of the issuers HTP "BOKA" a.d. Herceg Novi, BJELASICA RADA a.d. Kotor, NAPREDAK a.d. Kotor and HOLDING ELEKTROINDUSTRIJA "OBOD" a.d. Cetinje, that were executed on 14 April 2008.

The Commission, based on facts established by insight in the documentation taken over in direct control, made the Conclusion that authorized participant at securities market MIK BROKER a.d. Podgorica by executing orders for sale and purchase of stocks of the issuers HTP "BOKA" a.d. Herceg Novi, BJELASICA RADA a.d. Kotor, NAPREDAK a.d. Kotor and HOLDING ELEKTROINDUSTRIJA "OBOD" a.d. Cetinje, executed on 14 April 2008 acted in accordance with the Law on Securities (Official Gazette of RM 59/00, 10/01, 43/05, 28/06) and the Regulation on the manner of managing operation of authorized participants in the securities market (Official Gazette of RM 57/01, 23/03, 64/03), so there is no ground for undertaking any measures from the

Securities Commission competence against the Authorized participant MIK BROKER a.d. with regard to this case.

CONTROL OF SUDDEN RISE OF SECURITIES PRICES OF CERTAIN ISSUERS ON THE STOCK EXCHANGES

Through regular monitoring of trades at MONTENEGROBERZA a.d. and NOVA BERZA HARTIJA OD VRIJEDNOSTI a.d., the Commission employees observed a sudden increase in prices of securities of certain issuers on the stock exchanges. With this regard, the Commission approached MONTENEGROBERZA a.d. and NOVA BERZA HARTIJA OD VRIJEDNOSTI a.d. with the requests that they perform required controls from their competence and inform the Commission in writing on the findings no later than Friday, 22 February 2008. This was requested in accordance to their Regulation and other regulations that define operations in securities, for all securities traded on the stock exchange on 18 February 2007 with the a price change over 15% in comparison to average price of the previous trading day.

The Commission considered the Information on the course of the control of the sudden increase in price of stocks of certain issuers and based on the conclusions adopted at the session of the Securities Commission, the President of the Commission made the Decision on direct control of Authorized participant ONYX BROKER a.d. Budva on 3 April 2008.

Based on the facts established in the direct control, the Securities Commission made the conclusion:

- that Authorized participant at securities market ONYX BROKER a.d. Podgorica properly maintains all necessary documentation in accordance to Regulation on the manner managing operation of authorized participants in the securities market (Official Gazette of RM 57/01, 23/03, 64/03).
- that operation changes through Authorized participant ONYX BROKER a.d. Podgorica were executed in accordance to item 5 of the Instructions on establishing the time of trade on stock exchanges (Official Gazette of RM 07/06).
- that Orders for purchase and sale of the stocks of TELEKOM CRNE GORE a.d. Podgorica were executed under the most favorable conditions for the client in accordance to Regulation on the manner of managing operation of authorized participants in the securities market (Official Gazette of RM 57/01, 23/03, 64/03).

CONTROL OF DISPOSING WITH CLIENT MONETARY FUNDS

The Securities Commission at its session of 7 November 2008 determined the need for conducting a comprehensive control of acting of authorized participants in the securities market with the purpose of establishing the way of acting with client funds.

With regard to this, the Commission started in 2008 the direct control of **seven** authorized participants in the securities market with regard to disposing with client monetary funds, while in 2009 the direct control with regard to disposing with client monetary funds covered all authorized participants (twenty six authorized participants).

DECISIONS ON UNDERTAKING MEASURES OF SECURITIES COMMISSION

The Securities Commission in 2008 made fifteen decisions on undertaking thirteen measures against authorized participants, including one against Montenegroberza a.d. and one against the Central Depository Agency JSC.

Decisions on undertaking measures in 2008
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Decision No.	Date	Measure
04/7-1/1-08	17.01.	Warning measure ANGLO BROKER a.d.
04/7-2/1-08	17.01.	Warning measure ENERGO BROKER a.d.
04/7-3/1-08	17.01.	Warning measure MONTE ADRIA BROKER DILER a.d.
04/7-4/1-08	17.01.	Warning measure NOVE BROKER a.d.
04/7-5/1-08	17.01.	Order to executive director of MONTE ADRIA BROKER DEALER a.d. to review responsibility of an employee
04/7-6/1-08	17.01.	Suspension of a license for 6 months broker ONYX BROKER a.d.
04/10-7/1-08	29.02.	Revoking of license to EUROBROKER a.d. Budva
04/7-8/1-08	27.03.	Order to executive director of the CENTRAL DEPOSITARY AGENCY JSC Podgorica to review responsibility of the employees
04/7-9/1-08	27.03.	Suspension of license for 130 days to a broker of HOLDER BROKER DILER a.d.
04/7-10/1-08	19.06.	Warning to MONTENEGROBERZA a.d.
04/7-11/1-08	19.06.	Warning note to executive director KBC SECURITIES
04/10-12/1-08	10.08.	Revoking of license to NOBL BROKER a.d.
04/7-13/1-08	26.11.	Order to the Board of directors 3M BROKER-DILER a.d. to take appropriate measures against executive director
04/7-14/1-08	26.11	Order to executive director of VIP BROKER DILER a.d. to review responsibility of a broker
04/7-15/1-08	16.12.	Order to the Board of directors ONYX BROKER a.d. Budva to take appropriate measures against executive director

INFORMATION THAT THE COMMISSION DELIVERED TO THE MINISTRY OF INTERIOR AFFAIRS, POLICE DIRECTORATE – DEPARTMENT FOR COMBATING COMMERCIAL CRIME IN 2008

The Commission delivered complete documentation along with the results of the control and conducted measures to the Ministry of Interior Affairs and Police Directorate and the Department for combating commercial crime for further processing under their competence, in the following cases:

- on 18 January 2008 the information on indirect control at the request of a physical person from Podgorica. By taking actions in respect of the mentioned request, the Commission established that the person from Podgorica, who concluded contract on representation with Authorized participant of MONTE ADRIA BROKER-DILER and issued the order for sale of 5,000 stocks of Mutual Investment Fund ATLAS MONT a.d. Podgorica is a male, while the person of the same first name and last name, for who the request for control was submitted to the Commission, is a female.
- on 18 January 2008 on information on the direct control of Authorized participant in the securities market ONYX BROKER a.d. Budva. Since the control determined that fifteen contracts and orders for sale of the stocks were signed by a single person, while the proxy was another person, as well as that two contracts and orders were not signed, the Securities Commission delivered all documentation to the Ministry of Interior Affairs in order to take measures from its competence with a request to inform the Commission on the undertaken measures and obtained results.

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- on 24 March 2008, the information on the results of the procedure conducted at a physical person's request for examination of the circumstances why his wife's stocks of FZU Trend were sold without her authorization or consent. By acting in respect of this case, the Commission established that the CENTRAL DEPOSITORY AGENCY JSC Podgorica on 4 April 2006 changed the unique ID number. The Securities Commission at its session held on 18 March 2008 made the decision on taking measures by which executive director of the CDA would investigate the responsibility of its employee who had changed the identity number, to undertake appropriate measures against this person and to inform the Commission on the measures undertaken. In relation to the above mentioned, the Securities Commission delivered complete documentation to the Ministry of Interior Affairs in order to take measures from its competence, asking it also to inform the Securities Commission on the conducted measures and obtained results.
- on 13 May 2008, the information on the results of a procedure conducted at a physical person's request from Podgorica to examine the sale of stocks of the issuer ELEKTROPRIVREDA CRNE GORE a.d. Nikšić that was performed based on a false identity card through Authorized participant at the market MONTE ADRIA BROKER – DILER a.d. Podgorica. By acting in this case, the Securities Commission stated that from acquired documentation it can be established that the data from the driver licence used by the person who identified itself as the applicant and which was used for the sale of the stocks are significantly different from data from identity documents submitted by the real owner of the stocks.
- on 5 June 2008, the information on the results of the procedure conducted at a physical person's request from Rozaje to examine the sale of stocks of the Fund Trend, which were in his ownership. By acting upon the submitted request, the Commission established that the sale of the applicant's stocks was performed through HOLDER BROKER a.d. Podgorica based on the proxy which, allegedly, he gave to the advocate Đurđevac Ilija from Sveta Vrača, Koror. Since in his complaint the mentioned person claimed that the stocks were sold without their knowledge, there is a reasonable doubt that certain actions in the sale of their stocks had characteristics of certain criminal offences. With regard to the above mentioned, the Securities Commission delivered complete documentation to the Ministry of Interior Affairs in order to take measures from its competence, asking it also to inform the Securities Commission on the conducted measures and obtained results.
- on 30 June 2008, the information on the results of a procedure conducted at a physical person's request from Rozaje, to examine the sale of a voucher owned by his mother, which was invested into FZU MIG FOND a.d. Podgorica and sold through Authorized participant in the securities market MONTE ADRIA BROKER-DILER a.d Podgorica without her knowledge or consent. By acting in this case, the Securities Commission stated that physical person from Gusinje on 27 April 2004 issued the order for sale of 5,000 stocks of Mutual Investment Fund MIG FOND a.d. Podgorica (market symbol: MIGF) at the lowest price of EUR 0.0114, based on the proxy of 12 March 2004 signed by the applicant's mother, by which the physical person from Gusinje was authorized to sell the stocks in her name and on her account to the third party without any restrictions and that he could withdraw money from the mentioned sale through his own giro-account. Since in his complaint the above mentioned person claims that his mother's stocks were sold without her knowledge, there is reasonable doubt that in certain actions connected to the sale of her stocks existed attributes of certain criminal offences. With regarding to the above mentioned, the Securities Commission delivered the complete documentation to the Ministry of Interior Affairs so it would under take measures from it competence, asking it also to inform the Securities Commission on conducted measures and obtained results.
- on 29 September 2008, the information on the results of the procedure conducted at a physical person's request from Kotor, to examine the sale of the stocks owned by his mother as they were sold without her knowledge or consent. By acting in this case, the Securities Commission obtained necessary documentation based on which it established that on 22 July 2006 a physical person from Podgorica concluded a contract on

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representation in securities dealing with the Authorized participant MONTE ADRIA BROKER DILER a.d. Podgorica on behalf of the applicant's mother, issuing at the same time the order for sale of 5,000 stocks of Mutual Investment Fund TREND FOND a.d. Pogorica (market symbol: TREN) at the lowest price of EUR 0.03. It was also established on 21 July 2005 that a proxy was signed with the signature of the applicant's mother, by which the other physical person from Podgorica was authorized in her name and for her account, as her representative, to sell the stocks on the stock exchange without any restrictions. Both proxies were ratified by an advocate from Podgorica. With regard to the above mentioned, the Securities Commission delivered complete documentation to the Ministry of Interior Affairs so it would undertake measures from its competence, asking it also to inform the Securities Commission on conducted measures and obtained results.

- on 26 November 2008 the information on indirect control upon a physical person's request from Pljevlja. Based on the documentation obtained from the Central Depository Agency JSC Podgorica and authorized participant at securities market ONYX BROKER a.d. Budva, the Commission established there were indications of money laundering. The Securities Commission forwarded all the acquired documentation related to this case to the Police Directorate, the Criminalistic Police Department.
- on 16 December 2008, the information on observed irregularities about the sale of the stocks of PLANTAŽE a.d. Podgorica that might have attributes of a criminal offence. On 4 November 2008, ONYX BROKER a.d. Budva delivered to the Securities Commission of Montenegro a request in which it asked for an opinion with regard to sale of stocks of the issuer PLANTAŽE a.d. Podgorica, owned by a physical person from Nikšić. Acting in respect of the submitted request, the Commission acquired documentation from the Central Depository Agency and based on the acquired documentation it determined there were differences in ID documents of the physical person from Nikšić based on which orders for sale of stocks of the issuer PLANTAŽE a.d. Podgorica were realized through MONTE ADRIA BROKER-DILER a.d. and ONYX BROKER a.d. Due to the established material differences in the content of identification documents based on which the identification was made, the Commission concluded that it should deliver the acquired documentation to the Ministry of Interior Affairs, Department for combating commercial crime for further procedure and measures from their competence, as well as to provide feedback information to the Commission on the established facts.

During the monitoring of the implementation of the Law on Prevention of Money Laundering and Terrorism Financing (Official Gazette of the Republic of Montenegro 14/07 and 04/08), the Securities Commission determined that authorized participants at securities market, the stock exchanges and the Central Depository Agency acted in accordance with obligations prescribed by the Law on Prevention of Money Laundering and Terrorism Financing (Official Gazette of the Republic of Montenegro 14/07 and 04/08).

The following table presents a review of conducted controls of authorized participants in 2008.

Comparison table of controls and market shares of authorized participants	Controls					Measur - impose d	Market share in %	
	Tota l	Review of periodic al reports	On reques t of physic al / legal entitie s	On the Commissi on request	Direct control s		Numb er of transa c.	Value of transa c.
Eurobroker	28		28			1	0.00%	0.00%

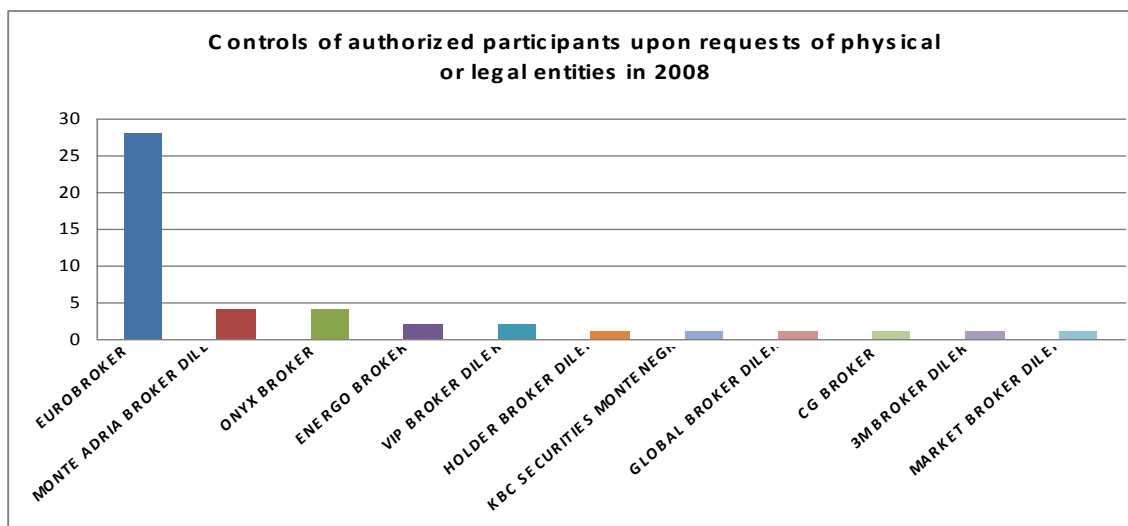
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Monte Adria Broker Diler	13	5	4	4	3	2	3.82%	6.71%
Onyx Broker	11	5	4	2	3	2	1.53%	2.87%
Holder Broker Diler	9	5	1	3	2		11.58 %	13.66 %
Energo Broker	9	5	2	2	3	1	3.75%	4.62%
VIP Broker Diler	8	5	2	1	3	1	8.19%	5.25%
KBC Securities Monten.	8	5	1	2	2	1	2.93%	4.57%
Nove Broker	7	5		2	2	1	9.71%	2.05%
Global Broker Diler	7	5	1	1	2		3.11%	6.34%
CG Broker	7	5	1	1	1		8.16%	13.26 %
3M Broker Diler	6	5	1		1	2	5.09%	2.93%
Market Broker Diler	6	5	1				8.71%	4.15%
Moneta Broker Diler	6	5		1			4.00%	5.99%
MB Broker	6	5		1			2.17%	1.81%
Montenegro Broker Diler	6	5		1			1.26%	0.30%
Hypo Alpe Adria Bank	6	5					1.21%	4.17%
MIK Broker Diler	6	5					0.81%	0.98%
NK Broker	5	5					8.40%	3.13%
Monte Broker	5	5					3.99%	2.67%
First Financial Securities	5	5					1.58%	3.26%
Podgorički Broker	5	5					1.13%	3.03%
Partner Broker	5	5					1.01%	0.37%
Invest Banka Monteneg.	5	5					0.91%	2.86%
MV Broker	5	5					0.71%	0.26%
Wall Street Broker	5	5					0.60%	0.53%
M&V Invest Broker Diler	5	5					0.39%	0.29%
Aktiva Broker	5						0.37%	0.29%
Wall Street Broker	5						0.33%	0.50%

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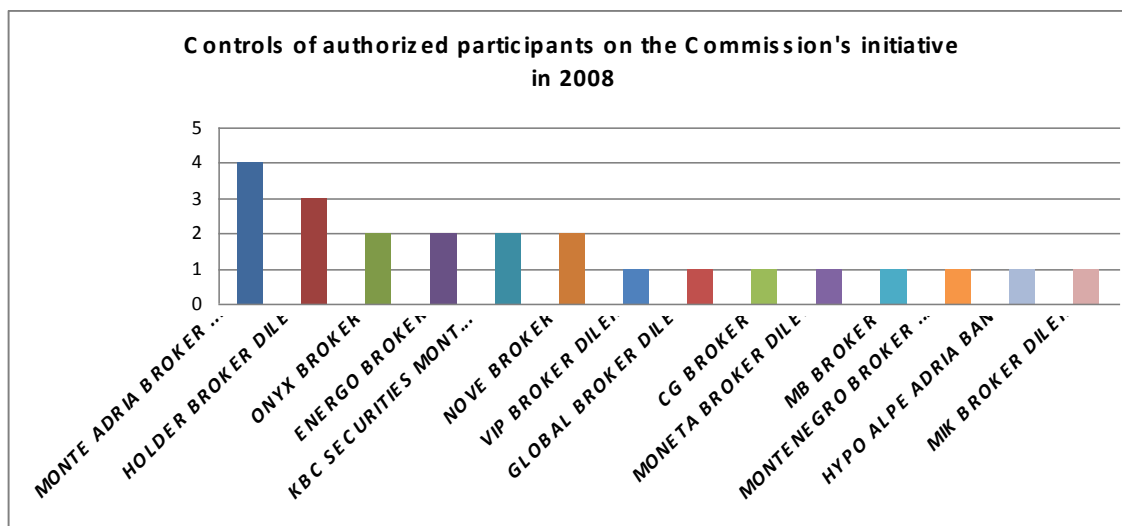
Anglo Broker Diler	3						0.37%	0.51%
Nobl Broker	3						0.02%	0.01%
Bull&Bear Broker Diler	2						3.72%	0.68%
Narodni Broker	3						0.03%	0.02%
Fidelity Broker	2						0.35%	1.91%
In Broker (quit operation)							0.03%	0.01%
TOTAL	217	146	46	25	27	13		

The most frequent reason for the controls performed at physical persons' requests is the sale of securities without their knowledge or orders. The largest number of requests (61%) relates to the sale of securities through EUROBROKER a.d. Budva, then MONTE ADRIA BROKER-DILER a.d. Podgorica and ONYX BROKER a.d. Budva, with 9% each. Apart from EUROBROKER a.d. Budva, on whose irregularities in work the Commission informed the Ministry of Interior Affairs on 19 January 2006, after seven performed controls (38%) the Commission delivered all acquired documentation to the Ministry of Interior Affairs, the Police Directorate, Department for combating commercial crime for further processing under its competence. In other cases the Commission made a conclusion that authorized participant in the securities market by realizing the sale order acted in accordance to the Regulation of the manner of managing operation of authorized participants in the securities market, and then if the applicant were of the opinion that he suffered damage in that operation through potential counterfeiting of the signature or in another way, he could attempt to obtain protection of his rights by filing a criminal charge to the competent state body.

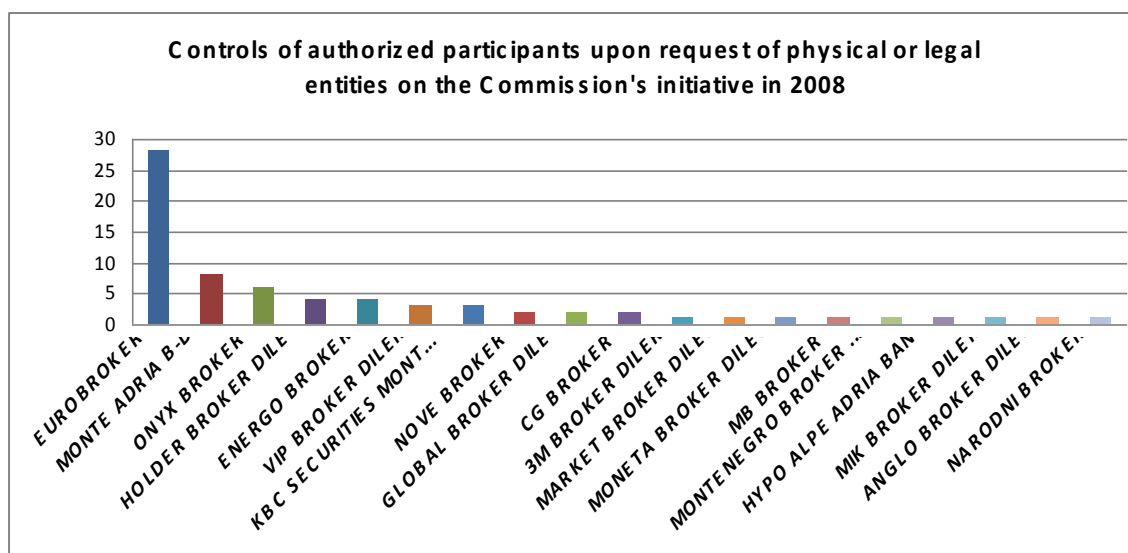


The

controls performed on the Commission's initiative were related to the control of trades in stock exchanges and actions of authorized participants in respect of clients' orders. The subjects of the controls were mostly MONTE ADRIA BROKER-DILER a.d. (16%), HOLDER BROKER-DILER a.d. (13%), ONYX BROKER a.d. (8%), ENERGO BROKER a.d. (8%), KBC SECURITIES MONTENEGRO a.d. (8%), NOVA BROKER a.d. (8%). After the control has been performed in six cases, the Commission made decisions on undertaking measures against authorized participant or a person employed with the authorized person.



The controls that were performed at the physical or legal person's request and the controls performed on the Commission's initiative during 2008 covered authorized participants whose total stake in the number of transactions and turnover value was around 80%.



4.3. Education

The Securities Commission considered a need for education about capital market and concluded that apart from regular education, which is already conducted through organization of the School for education of brokers, dealer, investment managers for investment funds and investment managers for pension funds, as well as through seminar and conferences on which the Commission participates on regular basis, the education should be broaden towards younger population and high school students as well.

Within this project, the Commission's representatives visited two high schools in Podgorica (JU Srednja ekonomska škola 'Mirko Vešović' and JU Gimnazija 'Slobodan Škerović'), and made presentations during which they introduced the students with the manner of operation of capital market in Montenegro.

Since these two series of presentations proved that the program is well designed and that education was properly done, activities aimed for implementation of education are broaden to northern region of Montenegro as well.

In that way, within this project, the Commission representatives gave the lectures in the high schools in Bijelo Polje, Berane, Andrijevica and Pljevlja. Based on the number of visitors at these presentations, it can be concluded that this form of education completely justified our expectations.

By promoting this form of education, the Commission decided to grant certain number of books from its library, covering topic of capital market, to primary schools and high schools in Montenegro.

Also, within the education project, the Commission commenced realization of several projects, among the others, the publishment of book „Corporate Management“ as well as Catalogue of the most perspective Montenegrin companies, which was primarily intended for information of future investors in Montenegro.

4.4. International and Interinstitutional Cooperation

During 2008, the Commission had very active international and interinstitutional cooperation. This cooperation has been realized through participation of the Commission members and employees on various seminars and conferences, as well as by visiting capital market institutions in neighbouring countries and in abroad. As the most important events of international and interinstitutional cooperation, we can specify:

1. A visit to relevant institutions dealing with custody operations, January 2008, Zagreb and Belgrade;
2. Participation at the meeting of the users of BTS trading system LJUBLJANSKA BORZA VREDNOSTNIH PAPIRJEV d.d, January 2008, Ljubljana;
3. IOSCO 2008, 33rd ANNUAL CONFERENCE, Paris, 26-29 May 2008;
4. National Conference on implementation of the Action plan for combating corruption and organized criminal, held on 20 February 2008 in Podgorica;
5. Study tour to institutions of Republic Slovenia dealing with pension reform, 19-23 March 2008, Ljubljana;
6. Regional conference “The role of regulatory institution in fully funded pension insurance in the course of compliance with EU Directives”, Skoplje, 30 January 2008;
7. EU Corporate Governance Seminar, Brussels, 20 February 2008;
8. "Dubrovnik lectures in banking & finance", Koločep, 11-13 April 2008;
9. "Toronto center: leadership in financial supervision", Toronto, Canada, 30 December 2008.;
10. Specialist seminar INVESTMENT AND VOLUNTARY PENSION FUNDS, 14-15 May 2008, TAZ Organization, Belgrade;
11. Participation of the Securities Commission representatives on the seminar "Implementation of the Law on prevention of money laundering and the financing of terrorism", held in Pržno, 20-22 February 2008;
12. Official trip for reason of making educational presentations on capital markets in high schools in Montenegro, from 4 April 2008 to 21 April 2008;
13. Official trip to USA for occasion of attending Atlas liberty forum, Heritage Annual Resource Meeting and visiting American universities George Mason and Cato Institute, from 22 April 2008 to 1 May 2008;
14. Official trip to Brussels on ICEG EC Conference and Economic Brussels Forum 2008, 15-16 May 2008;

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15. Participation at international seminar "Implementation of the system of security information management (ISO/IEC 27001) into business and IT systems" 13 June 2008, Hotel "Crna Gora", Podgorica;
16. Participation of the Securities Commission representatives at the workshop "Policy of coordination and financial stability" held in Ljubljana, 07-09 May 2008;
17. Participation of the Commission representatives at the seminar "Prevention of money laundering within the context of compliance";
18. Participation of the Securities Commission representatives at international seminar "Pension Reform – Building Sustainable Solutions", Stockholm (Sweden), between 29 September and 17 October 2008, in organization of Swedish International Development Cooperation Agency (SIDA).
19. Participation of the Securities Commission representatives at international seminar "Enlargement of European Union – New European Identity", Messina (Italy), 1-15 August 2008, in organization of Eurolab, Messina.
20. Study tour to institution of Estonia dealing pension reform, June 2008, Tallinn.

4.5. Future Activities

Realized turnover and drop of indices during 2008 indicates a pronounced crisis at capital market. Its dynamics is connected to dynamics and intensity of global financial crisis but also to behaviour of all participants at capital market, economic policy and actual decisions of Montenegrin government.

In 2008, the Securities Commission undertook activities for development of several projects, including a project Macroeconomic model of Montenegro, with purpose of establishing situation of Montenegrin economy through qualitative analysis, with particular attention to contribution of financial sector to its further development.

Based on the results of this research and overall experience obtained through monitoring development of capital market in Montenegro, the Commission will, among the rest, insist particularly on following measures:

- undertake all necessary measures in monitoring and control with purpose of improving overall discipline in operation of all participants on the capital market. For that purpose, activities will be performed on adaption of all bylaws from the Commission's competence to new conditions;
- in the area of legislation it will continuously, in accordance to economic policy of the Government and a need for harmonization of our legislation to international and EU standards, analyze requirements for changes and propose them to competent state bodies. This relates to all laws regulating the Commission activity. Obligations taken within a programme of harmonizing regulation with EU regulations will be priority;
- based on available information, certain changes are possible in EU regulation as well, which also implies our obligation of timely reaction in order to adapt our regulation and behaviour to new conditions;
- the Commission already adopted Rules on information, whose implementation will enhance knowledge of all participants at capital market and thus contribute to better protection of investors. New Law on Accounting and Audit will additionally strengthen obligation of enhanced discipline in this area.

For permanent stabilization of Montenegrin capital market, further steps of economic policy that will be applied by the Government of Montenegro are essential. Creation of conditions for a quicker inflow of foreign capital represents a basis that can be permanently influence on termination of a fall and the start of new cycle of capital market growth in Montenegro. In that direction, different measures should be undertaken in order to stimulate increased inflow of foreign capital through

modifications of regulation, provision of incentives and removal of all obstacles for unobstructed movement of capital, goods and services.

There is a need for taking measures on adoption of special incentives or introduction of simulative measures for improvement and strengthening of voluntary pension funds.

In our opinion, promotion of corporative management represents one of the tasks that should be treated with particular attention by all state bodies engaged in functioning of economic system.

For that purpose, the Commission is developing a Guide of corporative management with the support of IFC. A goal of this project is to inform shareholders on this issue and thus contribute to more efficient management in the companies. The other goal is to draw attention to the problems in practical application of the Company Law and possible directions of the law development and court practice in this area. Liberalization of legal framework and provision of conditions for more efficient management in the companies represent preconditions for better operation of the companies, and all this have its own significance in attraction of foreign capital.

Upcoming activities are directed to:

1. improvement of regulatory framework,
2. market broadening and market infrastructure strenghtening,
3. monitoring and control of authorized participants and the issuers,
4. social responsibility of the Commission with regard to formation and education of the investors, representatives of institutions and general public,
5. continuation of cooperation with local and foreign institutions and participation in development projects (IOSCO - MMOU, Toronto Center, IPA, EAR, IMF, World Bank, Mont Pelerin Society, NPI, MFP, ...),
6. internal organization, publicity of work and development of the Commission's information system.

4.5.1. Improvement of Regulatory Framework

Basic impulses for market development comes from the market itself, i.e. from inside, while function of a regulator is to standardize these impulses and shape them into regulatory framework attractive for market development.

Current practice of operation on our capital market has shown that regulatory framework needs to be improved for operation of investment fund, as well as procedure for takeover of the companies.

The Commission will analyze observed trends and events.

A) Law on Investment Funds

Purpose:	More efficient management with companies in which the funds have ownership, enhancement of competition among companies for managing
Content:	If needed, engage experts that can assist in analysis and design of introduction and development of open funds industry.

B) Law on Takeover of Joint Stock Companies

Purpose:	Enhanced efficiency of corporate control market
Content:	Analyze suggestions and examples from the practice of the law implementation in light of removing barriers for efficient change of control over companies (corporate control market functions with different motivation than the stock market). Stimulate and not restrain corporate control market.

C) EU Directives

Purpose:	Improvement of market efficiency
Content:	Perceive relevant directives of financial market, translation of directives, analyse their influence on our capital market, proposal for implementation of certain solutions from directives for purpose of increasing efficiency and market development.

4.5.2. Market Infrastructure Strengthening and Market Broadening

One of the key factors of existing development of capital market in our country was market infrastructure, which was favourable to investors and was attracted large amount of capital as well as large number of foreign investors to do business on our market.

A) Reporting Function of the Companies

Purpose:	Systematize information on companies and shorten terms for publishing certain reports
Content:	Publish quarterly reports – possibility of prescribing obligation, establish content of quarterly reports taking accounts on the scope and expenses Establish public information library on the companies and the funds issuing securities, that will be publicly available at the Commission website

B) Reporting Function of Investment Funds and Pension Funds

Purpose:	Analyze scope of the report
Content:	Analyze scope of the report from the aspect of usefulness and applicability of information and their adaptation to the needs of investment public.

C) Establishment of Public Information Library

Purpose:	Systemize information on companies and funds, shorten terms for publishing certain reports
Content:	Establishment of public information library on the companies and the funds issuing securities, which will be publicly available at the Commission website.

D) CDA

Further market development requires analyse of CDA operation procedure and review a need for their modification and adaptation to investors needs.

Purpose:	Improvement of security and efficiency of CDA system operation
Content:	Monitor activities of CDA and authorized participants on introduction of "guarantee fund", testing efficiency and security of PIN code usage, having in mind suggestions of the owners' representative, Mr Purko Jelcic, adapt CDA rules to new system, adapt pricelist to new system

E) Custody Function

It is necessary to analyze and develop more favourable regulation for performing custody function.

Purpose:	Increase knowledge from this area for the reason of more efficient operation of the Commission
Content:	Services that custody can provide (not only those mentioned in the rules but also additional ones aimed to market development), way of treating clients, resolution of controversial situations, what of these is important from the Commission point of view, ...

4.5.3. Monitoring and Control Operations

In 2009, the Commission will continue with monitoring and control of operation of all legal entities dealing with securities: issuers, buyers, stock exchanges, authorized participants and the Central Depository Agency, as follows:

- 1) preventive control when deciding upon requests for issuance of securities and requests for issuance of licences for operation in the securities market, and
- 2) direct control of securities dealing, which will be performed:
 - a) indirectly, by reviewing reports on operation and other documentation of entities whose operation is monitored and controlled by the Commission, and
 - b) through direct control at site, which will be performed intensively during 2009, as the most plausible form of operation control.

After passing basic regulatory framework, activities of the Commission will be focused towards efficient implementation of regulation and monitoring over implementation of regulation. Particularly, the Commission shall:

- monitor application of the Law and other regulations on issuance and securities dealing;
- steer and coordinate functioning of all subjects in the securities market;
- suspend issuances, trade and other activities with certain securities in case of manipulations and speculations, or where it estimates that these activities endanger interest of investors and the public;
- suspend trade of all or certain securities in the securities market in cases defined by the Law and the Commission's rules;
- monitor business books, financial statements and communications of the issuers and authorized participants in the securities market;
- consider way for implementation of regulation and submit requests to bodies competent for the offences.

Project status:	Continuation of already commenced process of continuous monitoring and control of securities dealing. The procedure is legally defined.
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4.5.4. Social Responsibility of the Commission in Formation and Education of Investors, Representatives of the Institutions and the General Public

The Commission will be particularly engaged on the issues of formation and education of investors, representatives of the institutions and the public in domain of financial market development, promotion of capital market in Montenegro and advantages it provides for allocation of capital and formation of new capital. The Commission will organize education of the Commission members and employees through professional advancement in abroad, attendance of seminars and purchase of technical literature.

Also, the Commission will be engaged in purchase of literature from the field of economics, law, sociology and politics, translation of that literature to our language and its publishing, with particular emphasis on capital works from these fields that are related to capital market, economic and personal freedoms, contractual freedom, free disposal with the assets, sociological dimension of transition and changes of economic system.

For purpose of educating the public, the Commission will organize visits of the experts from the field of capital market, sociology and other areas, lectures, round tables, consultations and other forms of education. In addition, the Commission will translate and publish Macromodel 2008, research Development of corporative management in Montenegro, as well as Guide for corporative management, which is in process of development together with IFC.

For purpose of providing better information basis for making investment decisions, the Commission shall actuate development of Macroeconomic model of Montenegro.

4.5.5. Cooperation with International Institutions

The Securities Commission of Republic of Montenegro became a regular member of International Organization of the Securities Commissions – IOSCO in April 2004.

The Commission signed bilateral Memorandums on cooperation with regulators of capital market from the Federation Bosnia and Herzegovina, Croatia, Serbia, Turkey, Albania and Romania.

As it already became a member of IOSCO, in 2009 the Commission shall give priority to procedure of signing multilateral Memorandum¹⁰ on cooperation before International Securities Commission. For that purpose the Commission shall, by doing activities related to the development of legal framework for securities dealing, endeavour to entirely implement goals and principles of securities regulation adopted by IOSCE and thereby remove all obstacles for signing this multilateral declaration on cooperation.

Cooperation with international institutions will be also achieved through participation at appropriate international seminars and conferences.

For purpose of gaining comparative experiences on development of capital market, as well as knowledge from the areas regulated and monitored by the Commission, it will organize study tours and visits to relevant institutions in countries whose experience can be useful for this purpose.

Cooperation with relevant international institutions will be established and maintained, in particular with USAID, European Agency for Reconstruction, OECD, IFC and World Bank on projects from the Commission competence.

Project status:	Continuation of already established cooperation with certain institution, as well as commencement of cooperation with new institutions.
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¹⁰ On February 27th 2009. Securities Commission became full signer of memorandum at A list

	<p>Implementation of procedure for signing multilateral Declaration on cooperation before International Organization of Securities Commissions and IOSCO bodies competent for realization of cooperation and processing of application for signing MMoU.</p> <p>After fulfilling conditions for signing MMoU, the Commission will implement necessary activities for complete and efficient implementation of obligations from concluded MMoU and provision of efficient legal assistance to foreign regulators of securities market.</p> <p>In 2009, the Commission will continue cooperation with OECD, primarily for purpose of complete satisfaction of all criterion and requests of the Committee of Experts for evaluation of measures for prevention of money laundering and financing of terrorism (Moneyval), in accordance to Evaluation report of this body.</p> <p>The Commission shall, during 2009, continue cooperation with Delegation of European Commission in Montenegro in order to achieve implementation of IPA programme and conclude Twinning arrangement with relevant partners, as well as to contribute to realization of the Commission needs for consultants that will prescribe IPA Project with Fitch. Cooperation with Delegation of European Commission in Montenegro will be focused with primary goal of more profound fulfilment of the Commission obligations as defined by the National programme for integration of Montenegro into European Union.</p> <p>Cooperation with the European Agency for Reconstruction for purpose of further stimulation of short-term visits of the experts from foreign regulator bodies to the Commission, in order to achieve as better as possible operational results from implementation of modern standards and experiences in this area.</p> <p>Continuation of already established cooperation with IFC in order to implement best practices of corporative management in legal system of Montenegro and achieve better transparency of financial reporting in accordance to these practices, as well as implementation of best practices of corporate management by participants at capital market and realize further education with regard to corporate management.</p>
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Cooperation with other institutions of the system

The Commission shall, for reason of its more quality and efficient operation, realize cooperation with the Government of Republic Montenegro, Council of Statistical System of Montenegro, Ministry of Finance, Ministry of Care and Social Welfare, Ministry of Justice, Directorate for Prevention of Money Laundering, Association of Brokers, Dealers and Investment Managers, Privatization Council, Montenegrin Agency for Restructuring of Industry and Foreign Investments, Central Bank of Montenegro, auditors, institutions and university institutions.

<p>Project status:</p>	<p>Continuation of already established cooperation with certain institutions, as well as commencement of cooperation with new institutions.</p> <p>Cooperation with the Council of Statistical System will be continued for purpose of more complete implementation of the Commission obligations as provided by the Law on Statistics and Statistical System of Montenegro and further development of statistic indicators that the Commission, as one of the statistics producers, delivers to the Council.</p> <p>Cooperation with the Government of Montenegro and the Ministry of Finance will be realized primarily for purpose of fulfilling the Commission obligations as defined by the National Plan of Integration in predefined terms, and creation of conditions for efficient and timely implementation of the law by all competent bodies.</p> <p>Cooperation with the Ministry of Work and Social Welfare will be continued for purpose of creating conditions for better information of the citizens on possibilities of investing into private, voluntary pension funds and development of this segment of capital market.</p> <p>Continuation of cooperation with the Directorate for Prevention of Money Laundering will be realized with primary focus on fulfilment of the Commission obligations as one of controlling bodies for prevention of money laundering, completion of indicators for prevention of suspicious transactions and its better implementation by participants at the market, as well as taking measures for achieving unique implementation of this law articles by participants at capital market.</p> <p>Cooperation with the Privatization Council and the Montenegrin Agency for Restructuring of Industry and Foreign Investments will be conducted for purpose of unobstructed run of privatization process in accordance to current regulation in Montenegro.</p> <p>For purpose of better introspection of market movements and possible further implications at market development, cooperation with the institutes and university institutions will be continued for purpose of creating theoretical and empiric frame necessary for making strategic decision with regard to further development of capital market in Montenegro.</p> <p>Continuation of cooperation with the Association of Brokers, Dealers and Investment Managers and other associations of authorized participants at the market and their obligations in accordance to current regulation, as well as realization of equal interpretation of legal obligations by all participants in order to</p>
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	achieve more complete and efficient implementation.
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4.5.6. Organization of the Commission

The Commission shall bring Ethical Code, Annual Report on Operation in 2008 with closing balance, which will deliver to the Assembly of Republic Montenegro, as well as Financial Plan for 2010.

A) Publicity of the Commission Operation

Publicity of the Commission operation is realized through several aspects, including:

- by publishing the Commission's acts and decisions in "Official Gazette of RM";
- through public communications and interviews on capital market and by achieving cooperation with media – press, radio and TV stations;
- by taking participation at seminars and round tables linked to the Commission's competence.

For reason of more quality realization of publicity of its operation, the Commission shall publish on its website all acts and regulation that prepares at least 15 days prior to their definite adoption. In addition, the Commission shall publish in its bulletin and the website all important information on its operation, information on situation at the market and those related to the issuers and the participants.

B) Information System of the Commission

For purpose of more quality and rational operation, as well as higher possibility of achieving regulatory and monitoring function, the Commission will realize activity on imperfection of its communication links with information systems of the Central Depository Agency, stock exchanges and authorized participants in the securities market.

For purpose of more efficient work of the Commission's employees, monitoring of investment and pension funds' operation, as well as of custody banks, it is needed to perform implementation of software solution for calculation of the funds' net values.

Constant access to the Internet provides active assess of the Commission to information from the world's capital market.

4.6. European Integrations

Report on Advancement with Regard to National Programme for Integration of Montenegro into European Union

The Securities Commission participated in development of chapter 3.9.3. Capital Market and chapter 3.4. Free Movement of Capital of the National Programme for Integration of Montenegro into European Union 2008-2012.

In addition, the Securities Commission participated in activities of the Subcommittee of the European Union for internal market and competition, held on 10 March 2008 in Brussels and the Subcommittee for economic and financial issues and statistics, held on 26 October 2008.

In accordance to short-term priorities established in chapter 3.9.3.2 of the National Programme for Integration of Montenegro into European Union, the Securities Commission of Montenegro adopted Regulation on content, terms and the manner of publishing financial reports of the securities issuers („Official Gazette of RM, no. 39/08), that are harmonized with Directive 2004/109/EC of European Parliament and the Council from 15 December 2004 on harmonization of transparency requirements with relation to information on issuers whose securities are included in trading on regulated market.

In addition, within activities on harmonization of regulation on securities with regulation of European Union, the Securities Commission adopted new Regulation on managing operations of authorized participants with purpose of harmonization with Directive 2004/39/EC of European Parliament and the Council from 21 April 2004 on financial instruments markets.

International Cooperation

I Procedure upon application for signing Multilateral Memorandum on Cooperation with International Organization of Securities Commission (IOSCO)

The Securities Commission received an communication from Verification Team of IOSCO (consisting of Brazil, Hong Kong and Germany) on Application of the Securities Commission of Montenegro to sign IOSCO MMoU, in which the Verification Team gave following recommendation:

"After reviewing response of the Commission, based on its relevant supporting legal documents, VT3 is of opinion that the Commission is in compliance with all IOSCO MMoU articles indicated in this Inquiry. As a result, VT3 recommends that the Commission become a signer of IOSCO MmoU."¹¹

Positive review of the Securities Commission's application confirms that the Securities Commission is in possibility of achieving complete cooperation with foreign regulators of securities market and providing thorough implementation of the laws and the bylaws related to securities.

II Report on Montenegro on Prevention of Money Laundering and Financing of Terrorism (III evaluation)

The Securities Commission participated at 29th Plenary Session of the Committee of Experts for evaluation of measures for prevention of money laundering and financing of terrorism (MONEYVAL), adopted by the MONEYVAL Committee in Strasbourg, over the period 16-20 March 2009.

The Committee of Experts for evaluation of measures for prevention of money laundering and financing of terrorism (Moneyval) composed the III detailed evaluation of the Report on Montenegro on Prevention of Money Laundering and Financing of Terrorism, in which it positively appraised Guide on analysis of money laundering risks and "meet your client" procedures and other procedures for recognition of suspicious transactions adopted by the Commission on its session form 28 November 2008.

5. Financial Operation of the Securities Commission

A level of revenues was determined by Financial Plan for 2008, based on:

- prescribed fees from which the Commission realizes its revenues, and
- planned operations and their volume that serve as the basis for calculation of compensations.

Operational expenses are planned based on determined plan tasks of the Commission, which implies costs of salaries, contributions of salaries and other personal allowances, costs of material and nonmaterial services, costs of equipment and materials and other expenses.

¹¹ On 17 February 2009, IOSCO Decision Making Group accepted the Commission's application in which way Securities Commission became 50th co-signer of Multilateral memorandum on cooperation with International Organization of Securities Commissions (IOSCO)

36. ANNUAL REPORT ON THE SITUATION AT CAPITAL MARKET AND OPERATION OF THE SECURITIES COMMISSION OF MONTENEGRO FOR 2008

Financial Plan predicted total revenue in amount of EUR 1,267,250 and operational expenses in amount of EUR 1,237,100.

Total amount of the Commission's revenues in 2008 amounted to EUR 1,533,945, while total amount of the Commission's expenses in 2008 amounted to EUR 1,312,187.

Comparing to plan, realized revenue is higher for 21%, while total expenses are higher for 6%.

Surplus of revenues over expenses amounting to EUR 221,758 in this year will be, according to the Law on Securities, used for accomplishment of obligations linked to execution of regulatory and monitoring function in the field of capital market.

4.6. Decision on the Adoption of Financial Statements of the Securities Commission

MONTENEGRO

SECURITIES COMMISSION

Number: 01/6-408/2-09

In Podgorica, 2 April 2009

Pursuant to Article 20, paragraph 2, of the Law on Securities ("Official Gazette of the Republic of Montenegro", no. 59/00, 10/01, 43/05 and 28/06), the Securities Commission, on its 109th session from 2 April 2009, passed the:

DECISION

on adoption of Financial Statements
of the Securities Commission for 2008

Article 1.

Financial statements of the Securities Commission of the Republic Montenegro (hereinafter referred to as: the Commission) for 2008 are adopted, including: Balance sheet, Income statement, Report on cash flow and Report on changes in capital, which make constituent part of this decision.

Article 2.

Total volume of revenues of the Commission in 2008 amounted to EUR 1,533,945.00, and the total volume of expenses of the Commission in 2008 amounted to EUR 1,312,187.00.

Article 3.

The Commission shall use the surplus of revenues over expenses in the amount of EUR 221,758.00, solely for fulfilment of legal obligations connected to the execution of regulatory and monitoring function in the field of securities.

Total surplus of revenues from previous business years, including the year 2007, in amount of EUR 1,830,690.00 is allocated in following manner:

- EUR 400,000.00 is allocated to reserves,
- EUR 1,430,690.00 is allocated to state capital.

Article 4.

The structure of revenues and expenses is presented in the Income statement for 2008.

Article 5.

Audit of Annual account for 2008 shall be performed by the auditor selected on the basis of the conducted public procurement procedure for auditing service of financial statements of the Commission for 2008.

Article 6

This decision shall enter into force upon its adoption.

President of the Commission,

Zoran Djikanovic PhD