

LAW

ON FOREIGN EXCHANGE OPERATIONS

(Consolidated)¹

I. BASIC PROVISIONS

Article 1

This Law shall govern:

- 1) payments, collections and transfers between residents and non-residents in foreign means of payment and in dinars;
- 2) payments, collections and transfers between residents in foreign means of payment;
- 3) purchase and sale of means of payment between residents and non-residents, as well as the purchase and sale of foreign means of payment between residents;
- 4) unilateral transfers of means of payment from and into the Republic of Serbia (hereinafter: the Republic) which do not have the characteristics of transactions performed between residents and non-residents;
- 5) current and deposit accounts of residents abroad and of residents and of non-residents in the Republic;
- 6) credit operations in foreign exchange in the Republic and foreign credit operations.

II. DEFINITIONS

Article 2

Under the terms hereof:

(1) Resident means:

- 1) a legal entity registered and headquartered in the Republic;
- 2) an entrepreneur – natural person registered in the Republic and pursuing a legally permitted profit-oriented activity as a profession;
- 3) a branch of a foreign legal entity entered into the register with the competent authority in the Republic;
- 4) a natural person residing in the Republic, except for a natural person holding a temporary residence abroad for over a year;
- 5) a natural person – foreign citizen residing in the Republic based on a residence permit, and/or work visa for over a year, except for diplomatic-consular representatives of foreign countries and members of their families;

¹ The consolidated version of the Law is based on the Law on Foreign Exchange Operations (RS Official Gazette, No 62/2006) and amendments and supplements to that Law published in the RS Official Gazette, Nos 31/2011, 119/2012 and 139/2014.

6) beneficiaries of the budget funds of the Republic of Serbia, beneficiaries of funds of mandatory social insurance organisations, and beneficiaries of funds of local government budgets, as well as other public funds beneficiaries included in the consolidated treasury account system;

7) a diplomatic, consular or other representative office abroad financed from the budget of the Republic, domestic citizens employed in those offices, as well as their family members.

(2) **Non-residents** are all persons that are not listed in item 1 hereof.

(3) **Bank** is a resident joint-stock company with a head office in the Republic, which holds an operating license granted by the National Bank of Serbia and performs deposit and credit operations, payment operations and foreign credit operations, as well as other activities in compliance with law.

(3a) **Payment institution** is a resident legal entity with a head office in the Republic which is licensed by the National Bank of Serbia to provide payment services as a payment institution, in accordance with the law governing payment services.

(3b) **Electronic money issuer** is a person with a head office in the Republic which issues electronic money, in accordance with the law governing payment services, as well as a foreign electronic money institution, and/or a non-resident legal entity carrying out operations corresponding to the operations of an electronic money institution within the meaning of the law governing payment services.

(4) **Means of payment** are dinars and foreign means of payment.

(5) **Foreign means of payment** are:

- 1) foreign exchange – external claims denominated in foreign currency;
- 2) foreign cash – claims in cash, and/or banknotes and coins denominated in foreign currency.

(6) **Payment instruments** are: cheques, bills of exchange, letters of credit, remittances, payment cards and other payment instruments – claims on the non-resident issuer, denominated in foreign currency and cashable in foreign currency.

(7) **Securities** are securities as determined by the law governing the capital market.

(8) **Domestic securities** are securities issued by a resident in the domestic and foreign market, and may also be denominated in foreign currency if so prescribed by a separate law.

(9) **Foreign securities** are securities issued by a non-resident.

(10) **Long-term securities** are debt securities with the maturity over one year.

(11) **Short-term securities** are debt securities with the maturity up to one year.

(12) **Financial derivatives** are financial instruments as defined by the law governing the capital market.

(13) **Foreign exchange market** is the market where foreign exchange and foreign cash are purchased and sold.

(14) **Exchange operations** are the activities of purchase and sale of foreign cash and cheques denominated in foreign currency, from and to natural persons.

(15) **Current transactions** are transactions concluded between residents and non-residents for purposes other than the transfer of capital.

(16) Capital transactions are transactions between residents and non-residents for the purpose of transferring capital.

Capital transactions from paragraph 1 hereof include:

- direct investment,
- investment in real estate,
- securities transactions,
- financial derivative transactions,
- transactions with investment and voluntary pension funds,
- credit operations,
- guarantee operations,
- deposit operations,
- operations based on an insurance contract in line with the law governing insurance,
- unilateral transfers of means of payment (personal and physical).

(17) Direct investments are resident's investments into a legal entity abroad and non-resident's investments into a legal entity in the Republic for the purpose of becoming involved in the management of such legal entity's activities.

The investment referred to in paragraph 1 hereof shall include: incorporation of a legal entity, branch or representative office, purchase of stake or shares in the capital of a legal entity, recapitalisation of a legal entity, and any other form of investment whereby the investor acquires more than a 10% stake in share capital, and/or more than 10% of voting rights, in a period not longer than one year following the first investment into that legal entity in the event of successive investments (for the purpose of reaching the 10% threshold).

The investment referred to in paragraph 1 hereof shall also include credits and loans with a maturity of five years or longer provided they have the characteristics of subordinated claims (subordinated credits and loans).

(18) Securities transactions are transactions with long-term and short-term securities and equity securities.

(19) Credit operations are credit operations in the Republic and foreign credit operations.

(20) Credit operations in the Republic are credits granted by a bank to a resident in foreign exchange.

(21) Foreign credit operations are credits, granted by a bank or a foreign bank, and loans between residents and non-residents, on which residents report to the National Bank of Serbia.

Credit operations from paragraph 1 hereof are:

- commercial credits and loans in foreign exchange and dinars related to foreign trade in goods and services, which include deferred and advance payments of goods and services up to one year with contractual interest, and/or over one year. Commercial credits and loans are also understood to mean the financing of deferred and advance payments of goods and services granted by a creditor or lender to a borrower – buyer in foreign trade in goods and services by settling the liability directly to the seller at the order of the buyer,

- financial credits and loans in foreign exchange granted by a creditor and/or lender to a borrower by crediting the borrower's account. Financial credits and loans are also understood to mean all types of financing granted by banks, foreign banks and other financial institutions. Financial credit is also understood to mean the financing, granted by a bank, of trade in goods or the provision of services in which no resident is participating.

Commercial and financial credits and loans may be granted to a borrower by a single creditor and/or lender or by a group of creditors or lenders (syndicated credit or loan).

Foreign credit operations from paragraph 1 hereof also include:

- subordinated credits and loans in foreign exchange from item (17), paragraph 3 hereof,

- short-term time bank deposits in foreign exchange with the maturity of up to one year, contracted between a bank and a foreign bank, where the creditor bank credits the account of the debtor bank,

- short-term bank credit lines in foreign exchange with the term of repayment of up to one year, contracted between a bank and a foreign bank, where the creditor bank makes payments at the order of the debtor bank,

- other operations having the characteristics of foreign credit operations.

Foreign credit operations from paragraph 1 hereof also include:

- bank guarantees, sureties and other types of warranties issued by a bank in favour of a non-resident creditor against foreign credits taken by residents and foreign credit operations between two non-residents abroad,

- warranties and other means of collateral that a resident legal entity and entrepreneur issue in favour of a non-resident creditor against foreign credits taken by residents, as well as warranties and other means of collateral that a resident legal entity issues against foreign credit operations between two non-residents abroad.

Foreign credit operations shall also include dinar credits and loans granted to residents in accordance with the provisions of this Law by international financial organisations and development banks or financial institutions founded by foreign states, as well as credits in dinars that banks grant to non-residents.

(21a) Guarantee operations are the operations of issuing and obtaining guarantees, sureties, warranties and other means of collateral, performed by a bank in accordance with banking regulations, with the exception of guarantees from item (21), paragraph 5, indent 1 of this Article.

Guarantee operations also include:

– warranties that a resident legal entity issues to a non-resident under foreign trade in goods and services and performance of construction works in the Republic;

– guarantees and warranties that a resident legal entity obtains from a non-resident under foreign trade in goods and services and performance of construction works abroad, as well as under operations with another resident legal entity in the Republic,

- guarantee operations performed by a resident legal entity founded by the Republic pursuant to a separate law for the purposes of export financing.

(22) Deposit operations are operations based on the deposit contract concluded between a non-resident and a bank, as well as between a resident and a bank abroad.

(23) Operations based on insurance contract include payments of premiums and insured sums based on a contract concluded between a non-resident insurance company and a resident insured, as well as between a resident insurance company and non-resident insured, in accordance with the law governing insurance.

(24) Currency clause means contracting the value of a liability in foreign currency (currency of liability) in the Republic, with the payment and collection under such contracts executed in dinars (payment currency).

(25) Personal transfer of means of payment is the transfer of funds abroad from the Republic or from abroad to the Republic which is not based on the execution of a transaction – it is performed between a resident natural person and a non-resident, and includes gifts and aid, inheritance, annuities, settlement of immigrants' debt and transfer of emigrants' funds.

(26) Physical transfer of means of payment is any transfer of cash in dinars, as well as transfer of foreign cash and securities from the Republic and into the Republic.

III. CURRENT TRANSACTIONS

Article 3

Payment, collection and transfer under current transactions between residents and non-residents shall be executed freely, in accordance with this Law.

Payments and transfers under current transactions shall include, without restrictions, the following:

- 1) payments under foreign trade transactions and other external current transactions within the meaning of the law governing foreign trade;
- 2) payments with regard to repayment of a part of principal and interest on credits;
- 3) return of investment funds, as well as transfer abroad and repatriation of profit from direct investments;
- 4) transfers in favour of natural persons with regard to: pensions, disability pensions and other social benefits, transfers with regard to taxes and fees, interstate cooperation, liquidated damages under insurance contracts, transfers with regard to valid and enforceable decisions, transfers with regard to gains from lotteries, concession compensations, subscriptions and penalties, and other transfers, as well as transfers with regard to costs of family sustenance.

Article 4

Exports and imports of goods or services contracted in foreign exchange or in dinars for which payment has not been collected and/or made for longer than one year from the day of execution of exports or imports, as well as goods or services that were not exported and/or imported for longer than one year from the day the advance payment in foreign exchange or in dinars was made and/or collected shall be deemed commercial credits and loans.

Article 5

(deleted)

Article 6

A resident legal entity, branch of a foreign legal entity and entrepreneur may offset their debts and claims under foreign trade in goods and services effected by residents, provided the foreign trade operation is not considered a commercial credit or loan.

The manner of performing the operations from paragraph 1 hereof shall be prescribed by the Government.

A bank, resident legal entity, entrepreneur and branch of a foreign legal entity may offset their debts or claims under foreign credit operations in foreign exchange with claims or debts under such operations, foreign trade in goods and services, and direct investment and investment in real estate referred to in Articles 11 and 12 of this Law, in the manner prescribed by the National Bank of Serbia.

Article 7

Banks, and/or residents, except for resident natural persons, and non-residents may transfer, and/or pay or collect claims and debts arising from residents' foreign trade in goods and services, provided the foreign trade operation is not considered a commercial credit or loan.

The operations from paragraph 1 hereof may be performed only based on a contract between the transferor and the transferee of claims and debts, where the transferor shall be obliged to notify the debtor, and/or creditor under the underlying operation of the transfer performed.

The contract from paragraph 2 hereof shall contain in particular identification details of the contracting parties, data on the grounds of claims and debts being transferred, including data on the borrower and/or creditor, as well as data on the currency and amount of claims and debts being transferred.

The claims and debts under foreign trade in goods and services of a resident public enterprise and a legal entity with state-owned capital or a legal entity in the process of restructuring or privatization may be transferred, and/or paid or collected only based on a contract, consent or statements signed by all parties to the transaction, subject to prior consent of the Government, except for claims and debts of a resident legal entity founded by the Republic by a separate law for export financing purposes.

Article 8

A resident may not effect collection, make payment or issue a payment order, and/or execute transfer to a non-resident on the basis of a contract where the actual price has not been stated or on the basis of a false document.

Article 8a

(deleted)

Article 9

(deleted)

IV. CAPITAL TRANSACTIONS

Article 10

Payment, collection and transfer under capital transactions between residents and non-residents shall be executed freely, unless stipulated otherwise by this Law.

1. Direct investment of residents and non-residents

Article 11

Payment and transfer of capital under outward direct investment by resident legal entities, entrepreneurs and natural persons shall be executed freely, in accordance with the law governing foreign trade.

Payment and transfer of capital under direct investments of non-residents in the Republic shall be executed freely, in accordance with the law governing foreign investment.

Article 11a

Resident legal entities, entrepreneurs and natural persons may make payment and collection for the purpose of buying and selling a stake in capital of a foreign legal entity abroad provided such purchase and sale do not constitute direct investment.

Non-residents may make payment and collection for the purpose of buying and selling a stake in the capital of a resident legal entity provided such purchase and sale do not constitute direct investment, in accordance with the law governing companies.

2. Investment in real estate

Article 12

Payments made for the purpose of acquiring ownership of real estate by residents abroad and non-residents in the Republic shall be made freely, in accordance with the law governing legal property relations.

3. Securities transactions

Article 13

Resident legal entities, entrepreneurs and natural persons may make payment and collection for the purpose of buying and selling equity securities abroad that do not constitute direct investment.

The residents referred to in paragraph 1 hereof may make payment and collection for the purpose of buying and selling long-term debt securities issued by EU countries, OECD member countries, international financial organisations and development banks or financial institutions founded by foreign states.

The residents referred to in paragraph 1 hereof may make payment and collection for the purpose of buying and selling other long-term debt securities abroad whose level of risk (rating) and issuer country are prescribed by the National Bank of Serbia.

Residents may make payment and collection for the purpose of buying domestic securities that are denominated in foreign currency and issued abroad.

The conditions, timeframe and manner of reporting on transactions referred to in this Article shall be prescribed by the National Bank of Serbia.

Article 14

Non-residents may make payment and collection for the purpose of buying and selling long-term debt and equity securities in the Republic in accordance with the law governing the capital market.

The timeframe and manner of reporting on transactions referred to in paragraph 1 hereof shall be prescribed by the National Bank of Serbia.

Article 15

Payment and collection for the purpose of buying and selling foreign short-term securities in the foreign and domestic market shall be made by the National Bank of Serbia, whereas banks shall make such payments and collections under the terms and conditions prescribed by the National Bank of Serbia.

Residents, other than those referred to in paragraph 1 hereof, may not make payment for the purpose of buying foreign short-term securities.

Non-residents may not make payment for the purpose of buying short-term securities in the Republic.

4. Financial derivative transactions

Article 16

Payment, collection, transfer, offsetting and reporting on financial derivative transactions shall be performed under the terms and conditions prescribed by the National Bank of Serbia.

5. Transactions with investment and voluntary pension funds

Article 17

Resident investment and voluntary pension fund management companies may make payment and collection under outward investments in accordance with the provisions of legislation governing the operation of investment and voluntary pension funds.

Resident legal entities, entrepreneurs and natural persons may make payment and collection under investment into foreign investment funds through intermediation of resident investment companies and investment fund management companies within the meaning of the law governing the capital market.

Non-residents may make payment and collection under investment into investment and voluntary pension funds in the Republic in accordance with the provisions of legislation governing the operation of investment and voluntary pension funds.

6. Foreign credit operations

Article 18

Credit operations referred to in Article 2, item (21), paragraphs 2 and 3, paragraph 4, indents 1 and 3 and paragraph 5 of this Law, shall be concluded in writing.

Only international financial organisations and development banks or financial institutions founded by foreign states may grant to banks, resident legal entities and resident entrepreneurs dinar credits and loans from Article 2, item (21), paragraph 6 of this Law, under the terms and conditions prescribed by the National Bank of Serbia. Only banks may grant credits in dinars to non-residents, under the terms and conditions prescribed by the National Bank of Serbia.

A bank may conclude foreign credit operations from Article 2, item (21) of this Law in its own name and for its own account, in its own name and for somebody else's account and in somebody else's name and for somebody else's account. A bank may, in accordance with banking regulations and this Law, issue bank guarantees, sureties and other types of warranties in favour of a non-resident creditor under foreign credits taken by residents, and may obtain guarantees, warranties and other types of collateral from non-residents under credits it grants to non-residents, while it may issue guarantees, sureties and other types of warranties under credit operations between two non-residents abroad provided it contracts and obtains collateral instruments from the non-resident.

A bank may participate in a syndicated financial credit or loan granted by a group of foreign creditors to a non-resident provided it contracts and obtains collateral instruments from the non-resident. A bank may participate in a syndicated financial credit or loan granted by a group of foreign creditors to a resident under the terms set out in Article 21 of this Law.

A bank may purchase claims from a non-resident participant in a syndicated financial credit or loan granted by a group of foreign creditors to the borrower, under the terms set out in paragraph 4 of this Article, as well as sell to a non-resident own claims in that regard.

A bank may participate in a syndicated commercial credit or loan granted to a resident or non-resident for the purpose of financing of deferred or advance payments under foreign trade in goods and services, purchase claims from a non-resident participant in such syndicated credit and sell to a non-resident own claims in that regard.

A resident legal entity may take foreign credits and loans and grant commercial loans to non-residents in its own name and for its own account and in its own name and for somebody else's account, while it may grant financial loans to non-residents in its own name and for its own account in accordance with Article 23 of this Law. A resident legal entity may issue warranties and other means of collateral in favour of a non-resident creditor under foreign credits taken by residents, and may obtain guarantees, warranties and other means of collateral from non-residents under credits it grants to non-residents, while it may issue warranties and other means of collateral under credit operations between two non-residents abroad in accordance with Article 23 of this Law.

A resident legal entity founded by the Republic by a separate law for export financing purposes may engage in foreign credit operations and transfer, and/or pay or collect claims and debts under those operations in accordance with such separate law.

A resident entrepreneur may take foreign credits and loans in its own name and for its own account, issue warranties and other means of collateral in favour of a non-resident creditor under foreign credits taken by residents, grant commercial loans to a non-resident and obtain guarantees, warranties and other means of collateral from non-residents under credits it grants to non-residents.

A bank, resident legal entity, entrepreneur and natural person may enter into other transactions having the characteristics of foreign credit operations from Article 2, item

(21), paragraph 4, indent 4 of this Law in accordance with the regulation of the National Bank of Serbia adopted based on Article 24 of this Law.

A resident natural person may take foreign credits and loans with a repayment term over one year, provided the funds are credited to the account of that resident with a bank, while a resident branch of a foreign legal entity may take such credits and loans from a non-resident founder.

Without any restrictions, a non-resident may issue guarantees, warranties and other types of collateral in favour of a non-resident creditor against foreign credits taken by a resident.

Article 19

A resident who concludes a foreign credit operation contract shall be responsible for the performance of obligations arising from such contract, as shall the resident under whose authorisation and for whose account such contract was concluded, and/or the bank and resident legal entity that purchases claims from such resident and/or assumes debt towards the non-resident in respect of such foreign credit operation.

The Republic and the National Bank of Serbia shall not guarantee the performance of obligations arising from foreign credit operations, except in cases envisaged by law.

A foreign credit operation contract shall be considered null and void if concluded in contravention of the provisions of paragraph 2 hereof.

Article 20

Banks, and/or residents, other than resident natural persons, and non-residents may transfer, and/or pay or collect claims and debts of residents arising from foreign credit operations.

The operations from paragraph 1 hereof may only be performed based on a contract between the transferor and the transferee of claims and debts, where the transferor is obliged to notify the debtor, and/or creditor under the underlying operation of the transfer performed.

The contract from paragraph 2 hereof shall contain in particular identification details of the contracting parties, data on the grounds of claims and debts being transferred, including data on the debtor and/or creditor, as well as data on the currency and amount of claims and debts being transferred.

The claims and debts arising from a foreign credit operation of a resident public enterprise and a legal entity with state-owned capital or a legal entity in the process of restructuring or privatization may be transferred, and/or paid or collected only based on a contract, consent or statements signed by all parties to the transaction, subject to prior consent of the Government, except for claims and debts of a resident legal entity founded by the Republic by a separate law for export financing purposes.

Article 21

Foreign financial credits may be used for the payment of imports of goods and services and for financing the performance of construction works abroad, concluded by residents within the scope of their activity, as well as for the repayment of previously disbursed foreign credits (refinancing).

Residents may take foreign financial credits for other purposes as well, in the manner and under the conditions prescribed by the National Bank of Serbia.

Article 22

The National Bank of Serbia may determine the volume and conditions under which banks may take short-term time bank deposits and short-term bank credit lines from foreign banks.

Article 23

Resident legal entities may grant financial loans to non-residents provided that the resident is the majority owner of the non-resident borrower under credit operation.

Under the condition referred to in paragraph 1 hereof, resident legal entities may also issue warranties and other means of collateral under credit operations between two non-residents abroad.

A resident public enterprise and a legal entity with state-owned capital or a legal entity in the process of restructuring or privatization may perform the operations from paragraphs 1 and 2 hereof only based on the Government's consent.

When performing foreign credit operations referred to in paragraphs 1 and 2 hereof, a resident legal entity shall contract and obtain collateral instruments from a non-resident.

The provision of paragraph 4 hereof shall also apply to a bank that grants a credit to a foreign person or issues a bank guarantee, sureties and other types of warranties under credit operations between two non-residents abroad.

The National Bank of Serbia may prescribe the conditions and manner of performing the operations referred to in this Article.

Article 24

The conditions, timeframe and forms for reporting on foreign credit operations shall be prescribed by the National Bank of Serbia.

Foreign exchange lending between residents in the Republic

Article 25

Banks may grant credits in foreign exchange to resident legal entities and entrepreneurs for the payment of imports of goods and services from abroad.

Banks may grant credits in foreign exchange to resident natural persons for the purchase of real estate in the country.

Guarantee operations

Article 26

Banks may issue and obtain guarantees, sureties, warranties and other means of collateral, in accordance with banking regulations.

Exceptionally, banks may not obtain guaranties and warranties from non-residents for claims in the Republic arising from foreign credits for which the state has assumed the foreign payment obligation.

A resident legal entity founded by the Republic by a separate law for export financing purposes may perform guarantee operations in accordance with that separate law.

A resident legal entity may issue a warranty to a non-resident against claims from another resident under imports of goods and services, as well as to a non-resident performing construction works in the Republic.

A resident public enterprise and legal entity with state-owned capital or legal entity in the process of restructuring or privatisation may issue a warranty to a non-resident under operations referred to in paragraph 4 hereof under the terms and conditions prescribed by the Government.

A resident legal entity may obtain guarantees and warranties from a non-resident against claims from another non-resident under exports of goods and services and performance of construction works abroad, as well as against claims arising from the operations between that resident and another resident legal entity in the Republic.

The provisions of this Article shall not apply to guarantees and warranties from Article 2, item (21), paragraph 5 of this Law, which are considered foreign credit operations and are performed in accordance with Article 18 of this Law.

7. Deposit operations

Residents' deposit operations abroad

Article 27

Banks shall, without any restrictions, keep foreign exchange in bank accounts abroad.

Residents may keep foreign exchange in accounts with banks abroad under the terms and conditions prescribed by the National Bank of Serbia.

Non-residents' deposit operations in the Republic

Article 28

Non-residents may hold foreign exchange and dinars in accounts with banks without any restrictions in accordance with this Law.

The conditions under which banks may open accounts for non-residents and the manner of their keeping shall be prescribed by the National Bank of Serbia.

Transfer of funds to accounts abroad

Article 29

A non-resident transacting business through a non-resident account and a resident branch of a foreign legal entity transacting business through a resident account shall make transfers from those accounts to accounts abroad only after all tax liabilities to the Republic arising from the relevant business operation have been settled, of which proof issued by the competent tax authorities shall be presented.

There shall be no restrictions on the transfer of funds abroad from the foreign currency and dinar savings accounts of non-residents.

Foreign banks that keep funds in accounts with banks in the Republic shall not be liable to the obligation referred to in paragraph 1 hereof.

Transfers of funds abroad from non-resident accounts opened for the purposes of securities trading shall not be liable to the obligation from paragraph 1 hereof, if so envisaged by the international agreement on avoidance of double taxation.

8. Payments under insurance contracts

Article 30

Resident insurance companies may make payment for the purpose of depositing and investing abroad, in accordance with the provisions of the law governing insurance.

Residents may pay insurance premiums based on the insurance contract concluded with a non-resident insurance company provided such contract is allowed by the law governing insurance.

9. Unilateral transfers of means of payment – personal and physical

Article 31

Detailed conditions for personal and physical transfers of means of payment to and from abroad shall be prescribed by the National Bank of Serbia.

Article 31a

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V. PAYMENT TRANSACTIONS

Article 32

International payment transactions shall be performed in foreign exchange and dinars through a bank.

Residents may perform international payment transactions also through an electronic money issuer – for the purpose of making payments and collections under electronic purchase/sale of goods and services. Resident natural persons may perform international payment transactions also through a payment institution and a public postal operator providing payment services, in accordance with the law governing payment services

Residents' funds, kept with foreign electronic money institutions for the purposes of making payment and collection under electronic purchase/sale of goods and services, shall not be considered a deposit within the meaning of Article 27, paragraph 2 of this Law.

Residents from Article 36 hereof shall perform international payment transactions through the National Bank of Serbia.

Payment transactions under financial and subordinated credits and loans in foreign exchange, credits and loans taken from non-residents by resident natural persons and branches of foreign legal entities, as well as under dinar credits and loans granted to residents pursuant to Article 18, paragraph 2 of this Law, may be performed only if the residents have previously reported to the National Bank of Serbia on those operations in accordance with this Law.

Subject to the condition from paragraph 5 hereof, payment transactions may be performed under commercial credits and loans in foreign exchange and dinars granted by a creditor or lender to a borrower – buyer in foreign trade in goods and services for the

purposes of financing of deferred and advance payment of goods and services by settling the liability directly to the seller at the order of the buyer.

Payment transactions under other foreign credit operations may be performed without prior reporting to the National Bank of Serbia on those operations.

Detailed terms and conditions for performing international payment transactions under current and capital transactions shall be prescribed by the National Bank of Serbia.

Article 33

A resident may make collection from and/or payment to a non-resident other than the one with regard to whom the resident has any debts and/or claims under a current or capital transaction, provided that such transaction is permitted by this Law.

A resident borrower under a dinar credit granted by an international financial organisation and development bank or financial institution founded by foreign states may make payments to an international financial organisation and development bank or financial institution founded by foreign states other than the one to which it has a liability under the relevant operation.

The operations referred to in paragraphs 1 and 2 hereof may be performed only on the basis of a contract concluded by all parties to the transaction or a resident's statement confirming notification of the transfer.

The contract, and/or statement of the resident shall contain in particular identification details of all parties to the transaction, data on the grounds of the claim and debt under the underlying operation and data on the currency and amount of claims and debts being the subject of operations from paragraphs 1 and 2 hereof.

A resident public enterprise and legal entity with state-owned capital or legal entity in the process of restructuring or privatization, other than a resident legal entity founded by the Republic by a separate law for export financing purposes, may make collection from and/or payment to a non-resident other than the one with regard to whom the resident has any debts and/or claims under operations from paragraphs 1 and 2 hereof, subject to prior consent of the Government, only on the basis of a contract, consents or statements signed by all parties to the transaction.

Residents shall report any changes relating to foreign credit operations from paragraphs 1 and 2 hereof to the National Bank of Serbia in accordance with the regulation adopted pursuant to Article 24 of this Law.

Article 34

Payments, collections and transfers between residents and between residents and non-residents in the Republic shall be made in dinars.

By way of exception to the provisions of paragraph 1 hereof, payments, collections and transfers in the Republic may also be made in foreign exchange if they relate to:

1) foreign exchange lending in the country for the purposes laid down in Article 25 of this Law;

- 2) purchase of claims and assumption of debts from Articles 7 and 20 of this Law – based on a contract;
- 3) payment of deposit as collateral;
- 4) insurance premiums and transfers in respect of life insurance;
- 5) sale or lease of real estate;
- 6) donations for humanitarian, scientific and cultural purposes, in accordance with regulations on donations;
- 7) guarantee operations from Article 26 of this Law, under the underlying operation executed in foreign exchange;
- 8) remuneration for business travel abroad, which may also be effected in foreign cash;
- 9) payment of salaries to resident natural persons working temporarily abroad based on a contract on the performance of construction works abroad, as well as to the staff of diplomatic-consular representative offices, organisations within the United Nations and international financial organisations in the Republic.

Payment, collection and transfers may be effected in foreign exchange if they relate to programmes and projects financed from EU development assistance funds in which the Republic is involved, while the funds may be forwarded to the contracting authority and/or beneficiary and project partners in accordance with the relevant agreement on the implementation of activities based on EU development assistance.

At the order of a non-resident buyer of goods or services to whom it has granted a commercial credit for financing of deferred and advance payment of goods and services, a bank may effect payment in foreign exchange in the Republic to a resident seller of those goods or provider of services in foreign trade.

Payment, collection and transfers in the Republic may be effected in foreign exchange under transactions regulated by legislation governing the capital market and deposit insurance.

Payment, collection and transfers in the Republic may be effected in foreign exchange also in other cases stipulated by law.

At a resident's request, a bank may make transfers from the resident's foreign exchange account with that bank to the resident's foreign exchange account with another bank or to a foreign exchange account of a family member with that or another bank, against evidence that the family member is a relative up to the third degree of kinship.

Contracting in foreign exchange in the Republic is permitted, but any payments and collections made in relation to such contracts must be made in dinars.

The cases and conditions under which payments, collections, pay-ins and pay-outs may also be made in foreign cash shall be determined by the National Bank of Serbia.

Article 35

Banks shall keep foreign exchange also with other banks, and/or with the National Bank of Serbia.

A resident legal entity, branch of a foreign legal entity and entrepreneur shall keep foreign exchange in foreign exchange accounts with banks or shall sell foreign exchange to banks.

The National Bank of Serbia shall prescribe to banks the conditions for opening and the manner of maintaining foreign exchange accounts and residents' foreign exchange savings deposits.

The level, manner of calculation and payment of interest, and the currency in which interest and the principal are paid shall be determined by the contract between the bank and the resident.

Article 36

Resident beneficiaries of budget funds of the Republic of Serbia, beneficiaries of funds of mandatory social insurance organisations, and beneficiaries of funds of local government budgets, as well as other public funds beneficiaries included in the consolidated treasury account system shall hold their foreign exchange accounts with the Treasury Administration within the consolidated treasury account system maintained by the National Bank of Serbia, unless stipulated otherwise by a separate law or an international agreement, and they may sell to the National Bank of Serbia foreign exchange and foreign cash generated by their operations.

By way of exception to the provision of paragraph 1 hereof, the minister in charge of finance may approve to the beneficiary referred to in paragraph 1 thereof the opening of a foreign exchange account with an authorised bank for payments that cannot be effected through the National Bank of Serbia, provided this is required by the specific characteristics of the beneficiary's activities.

The manner of performing transactions between the National Bank of Serbia and the Treasury Administration through the consolidated treasury account system from paragraph 1 hereof shall be prescribed by the National Bank of Serbia.

Reporting on payment transactions

Article 37

The National Bank of Serbia shall prescribe to residents the obligation to report on the payment, collection and transfer with regard to payment transactions from Articles 32 and 34 of this Law.

Using data from the reports referred to in paragraph 1 hereof, the National Bank of Serbia shall make a projection of the Republic's balance of payments as an analytical basis for determining monetary policy objectives and tasks, and shall monitor the achievement of the projection made.

VI. FOREIGN EXCHANGE MARKET AND EXCHANGE RATE OF THE DINAR

Foreign exchange market

Article 38

Foreign exchange and foreign cash may be purchased and sold only in the foreign exchange market and for the purposes permitted by this Law.

The purchase and sale of foreign exchange and foreign cash in the foreign exchange market in the Republic shall be performed:

- 1) directly:
 - between banks and residents, as well as between banks and non-residents;
 - between banks;
 - between banks and the National Bank of Serbia;
 - between residents authorised to perform exchange operations and the National Bank of Serbia;
 - between banks and residents authorised to perform exchange operations;
 - between residents referred to in Article 2, item (1), indent 6) and the National Bank of Serbia.
- 2) at the session of the interbank foreign exchange market:
 - between banks;
 - between banks and the National Bank of Serbia.

The purchase and sale of foreign cash in the foreign exchange market shall be performed by banks, the National Bank of Serbia, as well as by other residents who perform exchange operations in accordance with this Law.

The terms and operating procedures in the foreign exchange market shall be prescribed by the National Bank of Serbia.

Article 39

Exchange operations may be performed by:

- 1) banks and resident business entity performing exchange operations based on a separate law governing its activity;
- 2) resident legal entities and entrepreneurs authorised by the Tax Administration to perform exchange operations.

The Tax Administration shall issue a decision on the issue of authorisation to perform exchange operations (hereinafter: authorisation) based on a submitted application once it establishes that the applicant has met the following conditions:

- 1) that it is registered as a business entity with the relevant authority;
- 2) that it has concluded a contract with a bank on the performance of exchange operations which has no legal effect unless the business entity is authorised to perform exchange operations;
- 3) that the owner, and/or founder of the business entity, and/or director of the business entity, and/or director of the founder of the business entity and the employee to be directly engaged in the performance of exchange operations have never been found guilty of a criminal offence against economy, property, life and bodily security, public order and peace, and legal transactions;
- 4) that it has appropriate organisational, human resources and technical capacity for the performance of exchange operations.

Human resources capacity for the performance of exchange operations means that employees engaged directly in the performance of exchange operations with the business entity have completed at least secondary education and are certified to engage in

exchange operations, except in cases where a business entity performs exchange operations based on a separate law governing its activity.

Organisational capacity means that the business entity has adequate business space.

Technical capacity means that the business entity has adequate equipment and information system enabling the performance of exchange operations in the prescribed way.

Detailed terms and conditions of performing exchange operations shall be prescribed by the National Bank of Serbia.

If conditions for the issuing of the authorisation set out in paragraph 2 hereof are not met, the Tax Administration shall issue a decision rejecting the application for such authorisation.

The Tax Administration shall decide on the application within 30 days from the date of receiving such application together with complete documentation.

The minister in charge of finance and economy shall prescribe in detail the procedure and conditions for obtaining a certificate for the performance of exchange operations, and shall determine a single training programme for the performance of exchange operations and eligibility requirements for trainers.

The certificate for the performance of exchange operations shall be issued by the Tax Administration, of which it shall maintain an appropriate register.

The decision of the Tax Administration from paragraphs 2 and 7 hereof shall be final and an administrative dispute may be initiated against it.

Article 39a

The Tax Administration shall issue a decision on the revocation of an authorisation to perform exchange operations if it establishes:

- 1) that the authorised exchange dealer no longer meets the conditions for the performance of exchange operations envisaged by this Law and regulations of the National Bank of Serbia;
- 2) that the authorised exchange dealer has not started operating within 30 days from the day of receiving the authorisation to perform exchange operations;
- 3) that the authorisation has been issued based on false and inaccurate data;
- 4) that the authorised exchange dealer has failed to act on the order to remove irregularities and/or illegalities specified in the decision issued by the Tax Administration;
- 5) that the authorised exchange dealer has filed a written application with the Tax Administration for discontinuation of the performance of exchange operations;
- 6) that the authorised exchange dealer did not perform exchange operations for more than five days without a valid reason.

The decision of the Tax Administration from paragraph 1 hereof shall be final and an administrative dispute may be initiated against it.

The Tax Administration shall issue a decision on suspension of exchange operations at a supervised exchange office in the period of up to 30 business days if the authorised exchange dealer does not allow the tax inspector to access its business books and other documentation or to inspect its objects, premises or other facilities, and/or does not allow the inspector to temporarily seize cheques, foreign and dinar cash.

An appeal may be filed against the decision of the Tax Administration referred to in paragraph 3 hereof within 15 days following the day of receiving that decision.

The appeal referred to in paragraph 4 hereof shall not delay the execution of the decision from paragraph 3 of this Article.

Exchange rate of the dinar

Article 40

The exchange rate of the dinar against foreign currencies shall be established freely in the foreign exchange market, in line with foreign exchange demand and supply.

Article 41

The official middle exchange rate of the dinar shall be set in the manner determined by the regulation of the National Bank of Serbia.

The official middle exchange rate of the dinar shall be applied for accounting and statistical purposes.

The official middle exchange rate of the dinar, determined on the last business day of the week preceding the week in which the amount of customs and other import duties is determined, shall be applied for the calculation of customs and other import duties, in accordance with the law governing customs.

VII. SAFEGUARD MEASURES

Article 42

In the event of major disruptions in the balance of payments, when capital movements, resulting from excessive inflow or outflow of capital to or from the Republic, cause or threaten to cause serious difficulties in the implementation of monetary policy and foreign exchange rate policy, the Government may, at the proposal of the National Bank of Serbia, adopt the necessary safeguard measures in respect of operations regulated by this Law.

Safeguard measures referred to in paragraph 1 hereof may be applied for the duration of disruptions on account of which they were adopted, but not longer than six months following their adoption.

Article 43

If necessary, the National Bank of Serbia or the Government may introduce additional safeguard measures with a view to implementing sanctions against other countries imposed by the United Nations or other international organisations of which the Republic of Serbia is a member.

VIII. SUPERVISION OF FOREIGN EXCHANGE OPERATIONS

Article 44

Operations regulated by this Law shall be subject to supervision.

The supervision of foreign exchange operations shall be exercised by supervisory bodies – the National Bank of Serbia, the Tax Administration, customs authorities, and/or other competent authorities that have the right to demand, for the purposes of verification, all documentation on foreign exchange operations, as well as other documentation needed for foreign exchange supervision.

Article 45

The National Bank of Serbia shall supervise foreign exchange operations of banks, electronic money institutions with their head office in the Republic and payment institutions – by following a procedure laid down in the law governing their operations.

The National Bank of Serbia shall supervise international payment transactions carried out by the public postal operator – by following a procedure laid down in the law governing payment services.

Article 46

The Tax Administration shall supervise foreign exchange operations of residents and non-residents, as well as exchange operations.

The Tax Administration shall supervise foreign exchange operations of persons referred to in Article 45 of this Law if those persons are connected to persons referred to in paragraph 1 of this Article by property, management and business.

In the course of inspection procedure, the tax inspector may temporarily seize, against a receipt, foreign exchange, foreign cash, cheques, securities, dinars, objects, official documents and papers and documentation if there is reasonable doubt that they were used in or were intended for or were generated through perpetration of a criminal or other offence.

Article 47

The customs authority shall exercise supervision of the taking in and out from the Republic of foreign cash, dinars, cheques and securities in passenger, goods and postal traffic.

Article 48

The customs authority at the customs border shall temporarily seize from residents and non-residents, against a receipt, any amount of dinars, foreign cash, cheques and securities denominated in foreign currency exceeding the amount prescribed by the National Bank of Serbia.

Article 49

In exercising supervision of foreign exchange operations, the supervisory bodies shall cooperate, exchange relevant data, findings and information, and, if needed, engage other competent bodies.

Article 49a

The National Bank of Serbia shall determine the authenticity of foreign cash (foreign banknotes and coins) if there are doubts as to its authenticity.

The National Bank of Serbia shall prescribe the manner of handling foreign cash suspected of being counterfeit.

The production, sale, import and distribution for the purposes of sale or for commercial purposes, of medals and tokens similar to foreign coins – the euro, shall be forbidden.

The National Bank of Serbia shall prescribe the features based on which it determines the similarity of medals and tokens to foreign coins – the euro.

IX. FOREIGN EXCHANGE INSPECTORATE

(title deleted)

Scope of competence and organisation

(title deleted)

Article 50

(deleted)

Article 51

(deleted)

Article 52

(deleted)

Article 52a

(deleted)

Article 53

(deleted)

Article 54

(deleted)

Article 55

Supervisory bodies shall deposit foreign exchange, foreign cash, cheques and securities, temporarily seized under well-founded suspicion that a criminal or another offence has been committed, on the special-purpose account of the Tax Administration held with the National Bank of Serbia or in the depository of the National Bank of Serbia, whereas dinars shall be deposited on a special-purpose account of the Tax Administration held with the ministry in charge of finance, no later than two business days following the day of seizure.

Article 56

Revenue from the issuing of licenses to provide money transfer services in international payment transactions, issuing of certificates for the performance of exchange operations, collected fees for training in the performance of exchange operations and other fees collected under administrative procedures shall be the revenue of the budget of the Republic.

X. PENAL PROVISIONS

1. Criminal offence

Article 57

Any person buying from or selling to natural persons foreign cash and cheques denominated in foreign currency without the authorisation of the Tax Administration shall be punished for criminal offence by a prison sentence lasting from six months to five years.

Any attempt of committing the offence referred to in paragraph 1 hereof shall be punished.

Article 58

Any person who makes collection, payment or issues a payment order, and/or executes a transfer to a non-resident of the amount exceeding EUR 100,000 on the basis of a contract where no actual price is stated or on the basis of a false document, shall be punished for criminal offence by a prison sentence of one to ten years.

Any attempt to commit the offence referred to in paragraph 1 hereof shall be punished.

2. Offence

Article 59

A resident legal entity, branch of a foreign legal entity, bank and non-resident legal entity shall be fined from 100,000 to 2,000,000 dinars:

- 1) if it fails to offset claims and debts under foreign trade in goods and services in the manner prescribed by the Government (Article 6, paragraphs 1 and 2);
- 2) if it fails to offset claims and debts under foreign credit operations in the manner prescribed by the National Bank of Serbia (Article 6, paragraph 3);
- 3) if it transfers and/or pays or collects claims and debts other than those arising from residents' foreign trade in goods and services (Article 7, paragraph 1);
- 4) if it fails to perform the transactions from Article 7, paragraph 1 of this Law based on a contract and/or fails to submit the notification on the transfer performed (Article 7, paragraph 2);
- 5) if the contract does not contain the data from Article 7, paragraph 3 of this Law;
- 6) if it transfers and/or pays or collects claims or debts arising from foreign trade in goods and services of a resident – public enterprise and legal entity with state capital or a legal entity undergoing restructuring or privatisation in contravention of Article 7, paragraph 4 of this Law;

7) if it effects collection, payment or issues an order for payment and/or makes a transfer to a non-resident, based on a contract which does not specify the real price or based on a false document (Article 8);

8) if it makes payment and transfer of capital under direct investment in contravention of Article 11 of this Law;

9) if it makes payment for the purpose of acquiring ownership of real estate abroad, and/or in the Republic in contravention of the law governing legal property relations (Article 12, paragraph 1);

10) if it makes payment for the purpose of buying or collection for the purpose of selling foreign long-term debt securities in contravention of Article 13, paragraphs 2 and 3 of this Law;

11) if it makes payment for the purpose of buying or collection for the purpose of selling long-term debt and equity securities in the Republic in contravention of the law governing the capital market (Article 14, paragraph 1);

12) if it makes payment for the purpose of buying or collection for the purpose of selling foreign short-term securities in foreign and domestic markets, in contravention of the regulation of the National Bank of Serbia (Article 15, paragraph 1);

13) if it makes payment for the purpose of buying foreign short-term securities (Article 15, paragraph 2);

14) if it makes payment for the purpose of buying short-term securities in the Republic (Article 15, paragraph 3);

15) if it effects payment, collection, transfer, offsetting and reporting on financial derivative transactions in contravention of the terms and conditions prescribed by the National Bank of Serbia (Article 16);

16) if it makes payment or collection in respect of investment abroad in contravention of the law governing transactions with investment and voluntary pension funds (Article 17, paragraph 1);

17) if it makes payment or collection in respect of investment in foreign investment funds in contravention of Article 17, paragraph 2 of this Law;

18) if it makes payment or collection in respect of investment in investment funds and voluntary pension funds in the Republic in contravention of the law governing transactions with investment and voluntary pension funds (Article 17, paragraph 3);

19) if it enters into a foreign credit transaction in contravention of Article 18, paragraph 1 of this Law;

20) if it grants a dinar credit or loan referred to in Article 18, paragraph 2 of this Law in contravention of the terms and conditions prescribed by the National Bank of Serbia (Article 18, paragraph 2);

21) if it issues bank guarantees, sureties and other types of warranties in favour of a non-resident creditor under foreign credits taken by residents, obtains guarantees, warranties and other types of collateral from non-residents under credits granted to non-residents, and issues guarantees, sureties and other types of warranties under credit transactions between two non-residents abroad in contravention of Article 18, paragraph 3 of this Law;

22) if it participates in a syndicated financial credit or loan in contravention of Article 18, paragraph 4 of this Law;

23) if it purchases a claim from a non-resident – participant in a syndicated financial credit or loan granted by a group of foreign creditors to the borrower, in contravention of the conditions set out in Article 18, paragraph 4 of this Law (Article 18, paragraph 5);

- 24) if it acts in contravention of Article 18, paragraph 6 of this Law;
- 25) if it acts in contravention of Article 18, paragraph 7 of this Law;
- 26) if it performs foreign credit operations or transfers and/or pays or collects a claim or debt in respect of these operations in contravention of provisions of a separate law (Article 18, paragraph 8);
- 27) if it acts in contravention of Article 18, paragraph 10 of this Law;
- 28) if it acts in contravention of Article 18, paragraph 11 of this Law;
- 29) if it concludes a foreign credit operation contract in contravention of Article 19 of this Law;
- 30) if it fails to perform the operations from Article 20, paragraph 1 of this Law based on a contract and/or if it fails to submit the notification on the transfer performed (Article 20, paragraph 2);
- 31) if the contract does not contain data from Article 20, paragraph 3 of this Law;
- 32) if it transfers and/or pays or collects claims or debts arising from a foreign credit operation of a resident public enterprise and legal entity with state-owned capital or a legal entity in the process of restructuring or privatisation in contravention of Article 20, paragraph 4 of this Law;
- 33) if it uses a foreign financial credit in contravention of Article 21, paragraph 1 of this Law;
- 34) if it uses a foreign financial credit in contravention of the National Bank of Serbia's regulation on the purposes, terms and conditions of disbursing such credits (Article 21, paragraph 2);
- 35) if it takes a short-term time bank deposit and a short-term bank credit line from a foreign bank in contravention of Article 22 of this Law;
- 36) if it grants a financial loan to a non-resident in contravention of Article 23, paragraph 1 of this Law;
- 37) if it issues a warranty and other means of collateral under a credit operation between two non-residents abroad in contravention of Article 23, paragraph 1 of this Law (Article 23, paragraph 2);
- 38) if it performs the operations from Article 23, paragraphs 1 and 2 of this Law without the Government's consent (Article 23, paragraph 3);
- 39) if in the performance of credit operations from Article 23, paragraphs 1 and 2 of this Law it fails to contract and obtain collateral instruments from a non-resident (Article 23, paragraph 4);
- 40) if it fails to comply with Article 23, paragraph 5 of this Law;
- 41) if it acts in contravention of Article 23, paragraph 6 of this Law;
- 42) if it fails to report a foreign credit operation to the National Bank of Serbia in the manner and within the timeframe prescribed by the National Bank of Serbia (Article 24);
- 43) if it grants a credit in foreign currency in contravention of Article 25 of this Law;
- 44) if it performs guarantee operations from Article 26, paragraph 1 hereof in contravention of banking regulations;
- 45) if it obtains guarantees and warranties from non-residents under claims in the Republic arising from foreign credits for which the state has undertaken the foreign payment obligation (Article 26, paragraph 2);

46) if it performs guarantee operations contrary to provisions of a separate law (Article 26, paragraph 3);

47) if it issues warranty to a non-resident in contravention of Article 26, paragraph 4 of this Law;

48) if it issues warranty to a non-resident in contravention of the Government's regulation (Article 26, paragraph 5);

49) if it obtains a guarantee or warranty of a non-resident in contravention of Article 26, paragraph 6 of this Law;

50) if it holds foreign exchange in accounts with foreign banks in contravention of the National Bank of Serbia's regulation (Article 27, paragraph 2);

51) if it holds foreign exchange and dinars in a bank account in contravention of this Law (Article 28, paragraph 1);

52) if it fails to comply with the National Bank of Serbia's regulation (Article 28, paragraph 2);

53) if the person from Article 29, paragraph 1 of this Law transfers funds from a non-resident and/or resident account to accounts abroad in contravention of Article 29, paragraph 1 of this Law;

54) if it makes payment for the purpose of depositing and investing abroad in contravention of the law governing insurance (Article 30, paragraph 1);

55) if it makes payment of insurance premium based on an insurance contract concluded with a non-resident insurance company, which is not permitted by the law governing insurance (Article 30, paragraph 2);

56) if it fails to comply with the National Bank of Serbia's regulation on detailed terms of making personal and physical transfers of means of payment to and from abroad (Article 31);

57) if it performs international payment transactions in contravention of Article 32, paragraphs 1 and 2 of this Law;

58) if it fails to perform international payment transactions through the National Bank of Serbia (Article 32, paragraph 4);

59) if it performs payment transactions under foreign credit operations in contravention of Article 32, paragraphs 5 and 6 of this Law;

60) if it performs international payment transactions under current and capital transactions in contravention of the National Bank of Serbia's regulation (Article 32, paragraph 8);

61) if it makes collection from and/or payment to a non-resident other than the one with regard to whom the resident has any debts and/or claims under current or capital transactions that are not permitted by this Law (Article 33, paragraph 1);

62) if it acts in contravention of Article 33, paragraph 2 of this Law;

63) if it fails to perform the transactions from Article 33, paragraphs 1 and 2 of this Law based on a contract or a statement (Article 33, paragraph 3);

64) if the contract and/or statement do not contain the data from Article 33, paragraph 4 of this Law;

65) if it makes collection from and/or payment to a non-resident other than the one with regard to whom the resident has any debts and/or claims, in contravention of Article 33, paragraph 5 of this Law;

66) if it fails to report to the National Bank of Serbia any changes under foreign credit operations from Article 33, paragraphs 1 and 2 of this Law, in accordance with the regulation adopted based on Article 24 of this Law (Article 33, paragraph 6);

67) if it makes payment, collection and transfer in the Republic in contravention of Article 34 of this Law;

68) if it makes payment, collection, pay-ins and pay-outs in foreign cash in contravention of the National Bank of Serbia's regulation (Article 34, paragraph 9);

69) if it fails to hold foreign exchange with a bank and/or the National Bank of Serbia (Article 35, paragraph 1);

70) if it fails to hold foreign exchange in a foreign exchange account with a bank or fails to sell foreign exchange to the bank (Article 35, paragraph 2);

71) if it fails to comply with the National Bank of Serbia's regulation (Article 35, paragraph 3);

72) (deleted);

73) if it fails to hold foreign exchange accounts with the Treasury Administration within the system of the consolidated treasury account held with the National Bank of Serbia (Article 36, paragraph 1);

74) if it acts in contravention of Article 36, paragraph 2 of this Law;

75) if it fails to act in accordance with the prescribed reporting obligation (Article 37, paragraph 1);

76) if it buys and sells foreign exchange and foreign cash outside the foreign exchange market (Article 38, paragraph 1);

77) if it fails to comply with the National Bank of Serbia's regulation (Article 38, paragraph 4);

78) if it fails to comply with the National Bank of Serbia's regulation (Article 39, paragraph 6);

79) if it fails to apply the official middle exchange rate of the dinar for accounting and statistical purposes (Article 41, paragraph 2);

80) if it fails to apply the official middle exchange rate of the dinar, determined on the last business day of the week preceding the week in which the amount of customs and other import duties is determined in accordance with the law governing customs (Article 41, paragraph 3);

81) if it acts in contravention of the measures from Article 42 of this Law;

82) if it acts in contravention of the measures from Article 43 of this Law;

83) if it fails to issue at the border crossing a receipt for temporarily seized dinars and foreign cash, cheques and securities denominated in foreign currency, which exceed the amount prescribed by the National Bank of Serbia (Article 48);

84) if it acts in contravention of Article 49a, paragraph 3 of this Law;

85) if it fails to deposit the temporarily seized foreign exchange, foreign cash, dinars, cheques and securities to the special-purpose account of the Tax Administration with the National Bank of Serbia or fails to place them in the depository of the National Bank of Serbia within two business days from the date of seizure (Article 55).

The responsible person in a resident legal entity or a non-resident, and a responsible person in a bank shall also be fined from 5,000 to 150,000 dinars for actions referred to in paragraph 1 hereof.

A responsible person in the resident from Article 36, paragraph 1 of this Law shall also be fined from 5,000 to 150,000 dinars for actions referred to in paragraph 1 hereof.

A responsible person in a resident branch of a foreign legal entity shall also be fined from 5,000 to 150,000 dinars for actions referred to in paragraph 1 hereof.

Article 60

(deleted)

Article 61

A resident entrepreneur shall be fined from 10,000 to 500,000 dinars:

1) if it fails to offset debts and claims under foreign trade in goods and services under the terms prescribed by the Government (Article 6, paragraphs 1 and 2);

2) if it fails to offset debts and claims under foreign credit operations under the terms prescribed by the Government (Article 6, paragraph 3);

3) if it transfers, buys or sells, and/or pays or collects claims and debts other than those arising from residents' foreign trade in goods and services (Article 7, paragraph 1);

4) if it fails to perform the operations from Article 7, paragraph 1 of this Law based on a contract and/or fails to submit the notification of the transfer performed (Article 7, paragraph 2);

5) if the contract does not contain data from Article 7, paragraph 3 of this Law;

6) if it executes collection, makes payment or issues a payment order, and/or effects transfer to a non-resident, based on a contract that does not stipulate the actual price or based on a false document (Article 8);

7) if it makes payment and transfer of capital under direct outward investment in contravention of the law governing foreign trade (Article 11, paragraph 1);

8) if it makes payment for the purpose of acquiring ownership of real estate abroad in contravention of the law governing legal property relations (Article 12, paragraph 1);

9) if it makes payment for the purpose of buying or collection for the purpose of selling foreign long-term debt securities in contravention of Article 13, paragraphs 2 and 3 of this Law;

10) if it makes payment for the purpose of buying foreign short-term securities (Article 15, paragraph 2);

11) if it makes payment, collection, transfer, offsetting and reporting on financial derivative transactions in contravention of the terms and conditions prescribed by the National Bank of Serbia (Article 16);

12) if it makes payment or collection under investment in foreign investment funds in contravention of Article 17, paragraph 2 of this Law;

13) if it enters into a foreign credit operation in contravention of Article 18, paragraph 1 of this Law;

14) if it acts contrary to Article 18, paragraph 9 of this Law;

15) if it acts contrary to Article 18, paragraph 10 of this Law;

16) if it concludes a foreign credit contract in contravention of Article 19 of this Law;

- 17) if it fails to perform the operation from Article 20, paragraph 1 of this Law based on a contract and/or if it fails to submit a notification on the transfer performed (Article 20, paragraph 2);
- 18) if the contract does not contain data from Article 20, paragraph 3 of this Law;
- 19) if it uses foreign financial credits in contravention of Article 21, paragraph 1 of this Law (Article 21, paragraph 1);
- 20) if it uses foreign financial credits in contravention of the National Bank of Serbia's regulation on the purposes, terms and conditions of disbursing such credits (Article 21, paragraph 2);
- 21) if it fails to report a foreign credit operation to the National Bank of Serbia in the manner and within the timeframe prescribed by the National Bank of Serbia (Article 24);
- 22) if it holds foreign exchange in accounts with foreign banks in contravention of the National Bank of Serbia's regulation (Article 27, paragraph 2);
- 23) if it makes payment of insurance premium based on an insurance contract concluded with a non-resident insurance company, which is not permitted by the law governing insurance (Article 30, paragraph 2);
- 24) if it performs international payment transactions contrary to Article 32, paragraphs 1, 2, 5 and 6 of this Law;
- 25) if it performs international payment transactions under current and capital transactions in contravention of the National Bank of Serbia's regulation (Article 32, paragraph 8);
- 26) if it makes collection from and/or payment to a non-resident other than the one with regard to whom the resident has any debts and/or claims under current or capital transactions that are not permitted by this Law (Article 33, paragraph 1);
- 27) if it acts in contravention of Article 33, paragraph 2 of this Law;
- 28) if it fails to perform the transactions from Article 33, paragraphs 1 and 2 hereof based on a contract or statement (Article 33, paragraph 3);
- 29) if the contract and/or statement do not contain data from Article 33, paragraph 4 of this Law;
- 30) if it fails to report to the National Bank of Serbia on any changes under foreign credit operations from Article 33, paragraphs 1 and 2 of this Law, in accordance with a regulation adopted based on Article 24 of this Law (Article 33, paragraph 6);
- 31) if it makes payment, collection and transfer in the Republic in contravention of Article 34 of this Law;
- 32) if it makes payment, collection, pay-ins and pay-outs in foreign cash in contravention of the National Bank of Serbia's regulation (Article 34, paragraph 9);
- 33) if it fails to hold foreign exchange in a foreign exchange account with a bank or fails to sell foreign exchange to the bank (Article 35, paragraph 2);
- 34) if it fails to comply with the prescribed reporting obligation (Article 37, paragraph 1);
- 35) if it buys and sells foreign exchange and foreign cash outside the foreign exchange market (Article 38, paragraph 1);
- 36) if it fails to comply with the National Bank of Serbia's regulation (Article 39, paragraph 6);

- 37) if it fails to apply the official middle exchange rate of the dinar for accounting and statistical purposes (Article 41, paragraph 2);
- 38) if it acts in contravention of the measures from Article 42 of this Law;
- 39) if it acts in contravention of the measures from Article 43 of this Law;
- 40) if it acts in contravention of Article 49a, paragraph 3 of this Law.

Article 62

A resident natural person shall be fined from 5,000 to 150,000 dinars:

- 1) if it offsets debts and claims under foreign trade in goods and services (Article 6, paragraph 1);
- 2) if it offsets debts and claims under foreign credit operations (Article 6, paragraph 3);
- 3) if it acts in contravention of Article 7, paragraph 1 of this Law;
- 4) if it executes collection, makes payment or issues a payment order, and/or effects a transfer, based on a contract that does not stipulate the actual price or based on a false document (Article 8);
- 5) if it makes payment and transfer of capital under direct outward investment in contravention of the law governing foreign trade (Article 11, paragraph 1);
- 6) if it makes payment for the purpose of acquiring ownership of real estate abroad in contravention of the law governing legal property relations (Article 12, paragraph 1);
- 7) if it makes payment for the purpose of buying or collection for the purpose of selling foreign long-term debt securities in contravention of Article 13, paragraphs 2 and 3 of this Law;
- 8) if it makes payment for the purpose of buying foreign short-term securities (Article 15, paragraph 2);
- 9) if it effects payment, collection, transfer, offsetting and reporting on financial derivative transactions in contravention of the terms and conditions prescribed by the National Bank of Serbia (Article 16);
- 10) if it makes payment or collection under investment in foreign investment funds in contravention of Article 17, paragraph 2 of this Law;
- 11) if it concludes a foreign credit operation in contravention of Article 18, paragraph 1 of this Law;
- 12) if it acts in contravention of Article 18, paragraph 10 of this Law;
- 13) if it acts in contravention of Article 18, paragraph 11 of this Law;
- 14) if it acts in contravention of Article 20, paragraph 1 of this Law;
- 15) if it fails to report a foreign credit operation to the National Bank of Serbia in accordance with the regulation adopted based on Article 24 of this Law (Article 24);
- 16) if it holds foreign exchange in accounts with a foreign bank in contravention of the National Bank of Serbia's regulation (Article 27, paragraph 2);
- 17) if it makes payment of insurance premium under an insurance contract concluded with a non-resident insurance company, which is not permitted by the law governing insurance (Article 30, paragraph 2);

18) if it fails to comply with the National Bank of Serbia's regulation on detailed terms of effecting personal and physical transfers of means of payment to and from abroad (Article 31);

19) if it performs international payment transactions in contravention of Article 32, paragraphs 1, 2 and 5 of this Law;

20) if it performs international payment transactions under current and capital transactions in contravention of the National Bank of Serbia's regulation (Article 32, paragraph 8);

21) if it makes collection from and/or payment to a non-resident other than the one with regard to whom the resident has any debts and/or claims under current or capital transactions that are not permitted by this Law (Article 33, paragraph 1);

22) if it fails to perform the transactions from Article 33, paragraph 1 of this Law based on a contract or statement (Article 33, paragraph 3);

23) if the contract and/or statement do not contain data from Article 33, paragraph 4 of this Law;

24) if it fails to report to the National Bank of Serbia any changes under foreign credit operations from Article 33, paragraph 1 of this Law, in accordance with a regulation adopted based on Article 24 of this Law (Article 33, paragraph 6);

25) if it makes payment, collection and transfer in the Republic in contravention of Article 34 of this Law;

26) if it makes payment, collection, pay-ins and pay-outs in foreign cash in contravention of the National Bank of Serbia's regulation (Article 34, paragraph 9);

27) if it fails to act in accordance with the prescribed reporting obligation (Article 37, paragraph 1);

28) if it buys and sells foreign exchange and foreign cash outside of the foreign exchange market (Article 38, paragraph 1);

29) if it acts in contravention of the measures from Article 42 of this Law;

30) if it acts in contravention of Article 49a, paragraph 3 of this Law.

Article 62a

An electronic money issuer with a head office in the Republic of Serbia, and/or a payment institution and a public postal operator shall be fined from 100,000 to 2,000,000 dinars for the misdemeanor of performing international payment transactions in contravention of Article 32 of this Law.

For the action under paragraph 1 hereof, the responsible person in the legal entity referred to in that paragraph shall also be fined from 5,000 to 150,000 dinars.

Article 63

A non-resident natural person shall be fined from 5,000 to 150,000 dinars:

1) if it fails to perform the transactions from Article 7, paragraph 1 of this Law based on a contract and/or fails to submit the notification on the transfer performed (Article 7, paragraph 2);

2) if the contract does not contain the data from Article 7, paragraph 3 of this Law;

3) if it makes payment and transfer of capital under direct investment in the Republic in contravention of the law governing foreign investment (Article 11, paragraph 2);

- 4) if it makes payment for the purposes of buying a stake in the capital of a resident legal entity which is not considered direct investment in contravention of the law governing companies (Article 11a, paragraph 2);
- 5) if it makes payment for the purpose of acquiring ownership of real estate in the Republic in contravention of the law governing legal property relations (Article 12, paragraph 1);
- 6) if it makes payment for the purpose of buying long-term and equity securities in the Republic in contravention of the law governing the capital market (Article 14, paragraph 1);
- 7) if it makes payment for the purpose of buying domestic short-term securities (Article 15, paragraph 3);
- 8) if it makes payment for the purpose of investing in investment and voluntary pension funds in the Republic in contravention of the law governing transactions with investment and voluntary pension funds (Article 17, paragraph 3);
- 9) if it concludes a foreign credit operation in foreign currency in contravention of Article 18, paragraph 1 of this Law;
- 10) if it fails to perform the transaction from Article 20, paragraph 1 of this Law based on a contract and/or fails to submit the notification on the transfer performed (Article 20, paragraph 2);
- 11) if the contract does not contain data from Article 20, paragraph 3 of this Law;
- 12) if it holds foreign exchange and dinars in account with a bank in contravention of this Law (Article 28, paragraph 1);
- 13) if persons from Article 29, paragraph 1 of this Law transfer funds from a non-resident and/or resident account to accounts abroad in contravention of Article 29, paragraph 1 of this Law;
- 14) if it fails to comply with the National Bank of Serbia's regulation on detailed terms of effecting personal and physical transfers of means of payment to and from abroad (Article 31);
- 15) if it makes payment, collection and transfer in the Republic in contravention of Article 34 of this Law;
- 16) if it effects payment, collection, pay-ins and pay-outs in foreign cash in contravention of the National Bank of Serbia's regulation (Article 34, paragraph 9);
- 17) if it buys and sells foreign exchange and foreign cash outside of the foreign exchange market (Article 38, paragraph 1);
- 18) if it acts in contravention of the measures from Article 42 of this Law;
- 19) if it acts in contravention of Article 49a, paragraph 3 of this Law.

Article 64

With respect to offences referred to in Articles 59–63 hereof, in addition to a fine, a safeguard measure of seizing the items used in, intended for or resulting from the perpetration of an offence, shall be pronounced.

By way of exception to paragraph 1 hereof, partial seizure of items used in, intended for or resulting from the perpetration of an offence, may be executed, when the

motives or other circumstances under which the offence was committed indicate that the seizure of items in their entirety is not justified.

The safeguard measure from paragraph 1 hereof may be pronounced even if the punishment for the offence has not been pronounced, if the offence procedure cannot be conducted due to the perpetrator being out of reach or unknown to the body in charge of conducting the procedure, or if the perpetrator was under age at the time of perpetrating the offence, or due to some other legal impediments.

Article 65

The statute of limitations for offences referred to herein shall be five years.

Article 66

Fines, benefits in terms of ownership, means of payment, and the dinar equivalent generated through the sale of items used in, intended for or resulting from the perpetration of a criminal or other offence shall be paid to the budget of the Republic.

Foreign cash seized as the item of perpetration of criminal or other offence may be sold to the National Bank of Serbia, which shall pay the dinar equivalent of such cash to the budget of the Republic.

XI. TRANSITIONAL AND FINAL PROVISIONS

Article 67

Offence procedures initiated before the effectiveness hereof shall be completed in accordance with the provisions thereof, should that be more favourable for the perpetrator.

Article 68

Regulations for the implementation of this Law shall be issued no later than six months following its entry into force.

Regulations issued based on the Foreign Exchange Law (FRY Official Gazette, Nos 23/02 and 34/02), Law on International Credit Operations (FRY Official Gazette, Nos 42/92, 24/94, 28/96 and 21/99), as well as Decision on Keeping Records of Concluded Foreign Trade Transactions (FRY Official Gazette, Nos 74/00), shall apply until the enactment of regulations referred to in paragraph 1 hereof.

Article 69

As of the effectiveness hereof, the Foreign Exchange Law (FRY Official Gazette, Nos 23/02 and 34/02) and the Law on International Credit Operations (FRY Official Gazette, Nos 42/92, 24/94, 28/96 and 21/99) shall cease to be valid.

Article 70

This Law shall enter into force on 27 July 2006.

Separate articles of the Law on Amendments and Supplements to the Law on Foreign Exchange Operations (RS Official Gazette, No 31/11)

Article 35

As of 1 January 2012, the Foreign Exchange Inspectorate shall take over the issue and revocation of authorisations to perform exchange operations and the supervision of exchange operations, employees of the National Bank of Serbia who worked on the issuing and revocation of authorisations to perform exchange operations and supervision of exchange operations as at 31 December 2011, as well as operational documents, equipment and means of labour used in the performance of those activities.

The minister in charge of finance and the governor of the National Bank of Serbia shall regulate the takeover referred to in paragraph 1 hereof by agreement, as well as any issues regarding the business space where the activities set out in that paragraph shall be carried out.

Any procedures of issuing or revoking authorisations to perform exchange operations, as well as procedures of supervision of exchange operations, initiated by the National Bank of Serbia and not completed by 31 December 2011 shall be completed by the Foreign Exchange Inspectorate in accordance with this Law.

Resident legal entities and entrepreneurs who had the decision granting authorisation to perform exchange operations issued by 31 December 2011 shall continue to operate based on that decision in accordance with the provisions of this Law.

Regulations for the implementation of this Law referred to in Articles 2, 4, 5, 6, 7, 9, 10, 11, 13, 15, 16 and 17 hereof shall be adopted within six months from the effectiveness hereof, except for regulations referred to in Articles 18 and 19, which shall be adopted by 31 December 2011.

Until the start of application of regulations from paragraph 5 of this Article, the regulations adopted based on the Law on Foreign Exchange Operations (RS Official Gazette, No 62/06) shall apply, unless in contravention of the provisions of this Law.

The provisions of regulations from Article 2, paragraph 2 of this Law shall apply to foreign credit operations from Articles 4 and 5 of the Law on Foreign Exchange Operations (RS Official Gazette, No 62/06), recorded in accordance with regulations from Article 4, paragraph 4 and Article 5, paragraph 4 of the Law on Foreign Exchange Operations (RS Official Gazette, No 62/06) that have not been completed until the entry into force of the regulations from Article 2, paragraph 2 of this Law.

Offence procedures initiated before the effectiveness hereof shall be completed in accordance with the provisions thereof, should that be more favourable for the perpetrator.

The rights from individual acts acquired on the basis of the Law on Foreign Exchange Operations (RS Official Gazette, No 62/06) shall be exercised within the time limits set by those individual acts.

Article 36

This Law shall enter into force on 17 May 2011, while the provisions of Articles 18, 19, 21, 22, 23, 26 and 27 in the part relating to exchange operations, Article 28 in the part relating to the newly proposed Article 59, paragraph 1, indents 81) and 82) and Article 30 in the part relating to the newly proposed Article 61, indents 37) and 38) shall apply as of 1

January 2012. The provisions of Article 59, paragraph 1, indent 70) and Article 61, indent 36) of the Law on Foreign Exchange Operations (RS Official Gazette, No 62/06) shall apply until 31 December 2011.

Separate articles of the Law on Amendments and Supplements to the Law on Foreign Exchange Operations (RS Official Gazette, No 119/12)

Article 37

Regulations from Articles 4, 17, 18, 24 and 29 of this Law shall be adopted within six months from the day of effectiveness of this Law.

Regulations adopted based on the Law on Foreign Exchange Operations (RS Official Gazette, Nos 62/06 and 31/11), unless in contravention of the provisions of this Law, shall apply until the start of application of regulations from paragraph 1 of this Article.

Article 38

On the day of effectiveness of this Law, the Decree on More Detailed Conditions and Manner of Transferring Claims and Debts Arising from Foreign Trade Operations of Residents (RS Official Gazette, No 112/06), Decree on More Detailed Conditions and Manner of Collection and/or Payment to Other Non-Resident Under Current or Capital Transaction (RS Official Gazette, No 112/06) and Decision on the Manner and Deadlines for Bank Reporting to the National Bank of Serbia on Purchase or Sale and/or Payment or Collection of Claims and Debts under Resident Foreign Trade Operations (RS Official Gazette, No 16/07) shall cease to be valid.

Article 39

This Law shall enter into force on 25 December 2012.

Separate article of the Law on Amendments and Supplements to the Law on Foreign Exchange Operations (RS Official Gazette, No 139/2014)

Article 7

This Law shall be published in the RS Official Gazette and shall enter into force on 1 October 2015.