

# Law on Privatization

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## I. BASIC PROVISIONS

### 1. Subject of the Law and General Principles

Article 1.

This law governs the conditions and the procedures for changing the ownership of socially or state owned capital (hereinafter: privatization).

Article 2.

Privatization shall be based on the following general principles:

- 1) Creation of conditions for economic development and social stability;
- 2) Transparency;
- 3) Flexibility; and
- 4) Formation of sale price in accordance with market conditions.

### 2. Scope of privatization and entities to be privatized

Article 3.

The scope of privatization consists of socially owned and state owned capital (hereinafter: capital) of enterprises, institutions, and other legal entities (hereinafter: entities to be privatized), unless otherwise provided for in special regulations.

The privatization process may also involve the sale of property, in whole or in part, or sale of certain parts of the entities to be privatized.

Provisions of this law shall be applied to entities to be privatized, which have their registered office located on the territory of the Republic of Serbia.

Natural resources and goods in public use, as well as goods of general interest, shall not be included in the scope of privatization.

### 3. Entities responsible for privatization implementation

Article 4.

The entities responsible for implementing privatization shall be:

- 1) Agency for Privatization;
- 2) Share Fund; and
- 3) Central Registry for Securities.

During the privatization process, the Privatization Registry shall be maintained.

Article 5.

The Agency for Privatization (hereinafter: the Agency) is a legal entity that promotes, initiates, carries out and controls the implementation of privatization in accordance with the law.

A separate regulation shall specify the status, rights and duties of the Privatization Agency as well as other issues of importance for its work.

Article 6.

The Share Fund is the legal entity that shall receive shares that are transferred to it for sale, under the conditions and in the manner prescribed by this law and the Law on Share Fund.

Article 7.

The Central Registry for Securities (hereinafter: the Central Registry) maintains a comprehensive database of all issued shares, as well as any changes to this data in accordance with the law.

Article 8.

The Privatization Registry records the part of capital of the entities to be privatized, expressed in shares, which shall be transferred to citizens free of charge in accordance with this law (hereinafter: Privatization Registry).

The Privatization Registry shall be maintained within the ministry in charge of privatization affairs.

The Privatization Registry contains: name of the entity to be privatized whose portion of capital shall be recorded in Privatization Registry, data on the value of capital and number of shares which shall be recorded, and other data.

Minister in charge of privatization affairs shall specify the content and mode of management of the Privatization Registry.

### 4. Models of Privatization

Article 9.

The models of privatization are:

- 1) Sale of capital;
- 2) Transfer of capital free of charge.

Article 10.

The sale of capital and property of the entity to be privatized shall be undertaken by the following methods:

- 1) Public tender;
- 2) Public auction.

Article 11.

The transfer of capital free of charge shall be implemented upon completion of the sale of the capital through:

- 1) Transfer of shares to employees;
- 2) Transfer of shares to citizens.

## 5. Purchasers in privatization process

Article 12.

The purchasers of capital or property may be domestic or foreign legal entities or individuals, in accordance with the law.

A subsidiary of the entity to be privatized may not be a purchaser of either the capital or the property of the entity to be privatized.

A domestic legal entity or individual may be the purchaser of the capital or property, pursuant to this law, only upon submission of sufficient evidence indicating fulfillment of all the obligations determined by the Law on one-time taxation of extra income and extra property gained by taking advantage of special benefits, or submission of evidence of tax exemption pertaining to this law. Any Contract of sale pursuant to Article 41 of this law that is in conflict with paragraph 3 of this Article is invalid.

## 6. Payment instruments in Privatization

Article 13.

Payment in privatization may be effected by either domestic or foreign freely convertible currency.

Payment may also be effected by bonds issued on account of unpaid foreign currency citizens' savings to individuals who are citizens of the Republic of Serbia, and which mature on or before the date of the sale of capital or property.

Except as provided in paragraphs 1 and 2 of this article, payment may also be effected by bonds on account of unpaid foreign currency citizens' savings to individuals who are citizens of the Republic of Serbia, irrespective of their maturity date, in the case that, in the sale through public auction, the property or capital was not sold by means of payment referred to in paragraphs 1 and 2 of this article.

## 7. Privatization deadlines

Article 14.

The entities to be privatized with socially owned capital are obliged to carry out the privatization procedure within a maximum of four years from the effective date of this law.

Privatization of the entities to be privatized with social capital, which have not been privatized in the period set by paragraph 1 of this article, shall be carried out by the Privatization Agency in accordance with the law.

## 8. Compensation for nationalized property

Article 15.

Where property expropriated from individuals or legal entities by the regulations governing the expropriation of property is included in the privatization, and which is determined by the separate regulation on restitution of the property (hereinafter: nationalized property), the former owners of such nationalized property shall be compensated solely from the funds to be allocated for such purposes by the Republic of Serbia.

[top](#)

# II. PREPARATION FOR PRIVATIZATION

## 1. Launching of Privatization Procedure

Article 16.

The privatization procedure shall commence by the initiative of the competent body of the entity to be privatized (hereinafter: the initiative) and the drafting of the prospectus for privatization (hereinafter: the prospectus).

Initiative, in accordance with this law, is an act of the entity to be privatized which expresses its intention to implement privatization and shall be submitted in a written form.

The initiative shall be submitted to the workers' union of the entity to be privatized, and the employees shall be informed in accordance with the general regulation of the entity to be privatized.

The initiative and the prospectus shall be submitted to the Privatization Agency within five days of the date of the initiative.

The privatization procedure may also be initiated by the ministry in charge of privatization affairs and interested purchasers.

In the case referred to in paragraph 5 of this article, the entity to be privatized is obliged to deliver to the Agency the prospectus within seven days from the date on which it receives the initiative.

Article 17.

Initiative for the privatization in entities with majority state owned capital shall be submitted by the Agency to the Government of the Republic of Serbia for the purpose of obtaining approval.

## 2. Prospectus

Article 18.

The prospectus, in accordance with this law, is a description of the main data on the entity to be privatized.

Prospectus form shall be signed by the Minister in charge of privatization affairs.

The Agency shall advertise the prospectus in the mass media (press, Internet or television) within 15 days from the date on which the prospectus was delivered.

The advertising referred to in paragraph 3 of this article shall be for the purpose of gathering data on the number of potential purchasers.

A potential purchaser shall express its interest in buying the capital and/or the property of the entity to be privatized in writing

and notify both the entity to be privatized and the Agency, within the period determined by the Agency in the public notice. The cost of advertising the prospectus shall be born by the entity undergoing privatization. The Agency shall, within 5 days after the expiration of the deadline for collecting data on the number of potential buyers, notify the entities to be privatized about the method of privatization or on need for restructuring, in accordance with this law.

### 3. Restructuring in privatization procedure

#### Article 19.

If the Agency evaluates that the capital and property of the entity to be privatized cannot, without prior restructuring, be privatized according to the methods of public tender or public auction, the entity to be privatized shall be obliged to undergo restructuring in privatization procedure in accordance with this law.

The restructuring in privatization procedure (hereinafter: restructuring) in accordance with this law shall mean statutory or organizational changes, settlement of debtor-creditor relationships and other changes regarding the entity to be privatized, and which enable sale of the capital or property of the entity.

The Agency may decide to undertake the restructuring procedure or to instruct the competent body of the entity to be privatized to submit the restructuring program within the period and in the manner defined by this law.

#### Article 20.

Within the framework of the restructuring program:

- 1) Creditors can, in whole or in part, write off debt's principal, corresponding interest or other demands;
  - 2) Creditors with a majority of state owned capital may convert their money claims into capital of the entity to be privatized.
- Legal operations referred to in paragraph 1 of this article shall be valid only in the case where restructuring is accomplished entirely in accordance with the restructuring program, which ends with the sale of capital or property of the entity to be privatized.

The entities to be privatized, in which restructuring has been performed, are obliged to sell capital or property, including the capital converted in accordance with the paragraph 1. point 2. of this article, through the methods of public tender or public auction.

During the implementation of restructuring the creditors cannot take actions of forced collection of their unpaid due debts. The Government of the Republic of Serbia shall prescribe in more detail the procedure and manner of restructuring.

### 4. Privatization documents

#### Article 21.

The entity to be privatized by public tender shall prepare the documentation in compliance with the regulation referred to in article 33 of this law.

The entity to be privatized by public auction shall prepare the privatization program in compliance with the regulation referred to in article 40 of this law.

The entity to be privatized that undergoes restructuring and interested creditors shall prepare the Restructuring program in compliance with the regulation referred to in article 20 paragraph 5 of this law.

The Agency may prepare the documentation referred to in paragraph 1 of this article or the programs referred to in paragraphs 2 and 3 of this article, which shall be obligatory for the entity to be privatized.

#### Article 22.

The privatization program shall specifically contain: data on business operations, the value of capital or property, and organizational structure of the entity to be privatized.

The privatization program shall be incepted by the competent body of the entity to be privatized.

The privatization program shall be submitted to the Agency no later than 90 days from the date on which the initiative was launched.

Within 30 days from the date on which the privatization program is submitted, the Agency must decide to accept the program, return the program for corrections and/or amendments in accordance with regulations on the content and manner of preparation of privatization program.

The entity to be privatized must effect any change or amendment to the privatization program within the period indicated by the Agency, and which cannot be longer than 60 days from the date when the decision referred to in paragraph 4 of this article was made.

If the Agency does not make the decision referred to in paragraph 4 of this article, the privatization program is deemed accepted.

The entity to be privatized must comply with the decision of the Agency.

If the entity to be privatized does not comply with the decision of the Agency, the Agency shall carry out further procedure of privatization in accordance with the law.

#### Article 23.

The restructuring program shall contain, in particular, information about the business operations, the value of capital and property, the amount of debts, the methodology for paying the debts, the entity's chances of achieving a successful restructuring, and the welfare program.

The restructuring program shall be incepted by the competent bodies of the entity to be privatized and shall be approved by creditors holding a majority of the debt against the entity to be privatized.

The majority creditor, referred to in paragraph 2 of this article, is one or more creditors claiming more than 50% of the total debt of the entity to be privatized.

Within 90 days from the date of the decision on privatization initiative, the entity to be privatized is obliged to deliver the restructuring program to the Agency.

Within 30 days from the date on which the restructuring program is submitted, the Agency must decide to accept or reject the restructuring program, or on returning the restructuring program for corrections and/or changes.

The entity to be privatized must effect any change or amendment to the restructuring program within the period determined by the Privatization Agency and which cannot be longer than 60 days from the date when the decision referred to in paragraph 5 of this article was made.

The Agency may extend the deadline referred to in paragraph 4 of this article to a maximum of 90 days, at the request of the entity to be privatized or of the creditors holding a majority of the debt against the entity to be privatized if there are valid reasons for such extension.

If the entity to be privatized does not comply with the decision of the Agency, the Agency shall carry out further procedure of privatization in accordance with the law.

## 5. Capital and property valuation

Article 24.

The entity to be privatized shall provide, based on evaluation, a range for the value of its capital or its property.

The Agency shall control the evaluation referred to in paragraph 1.

The entity to be privatized is obliged to express in terms of shares the value of capital referred to in paragraph 1. of this article.

The price at which the capital or property will be sold is formed on the basis of market conditions.

The Government of the Republic of Serbia shall set forth the methodology for valuing capital and property of the entity to be privatized.

[top](#)

## III. CAPITAL PRIVATIZATION

### 1. Sale of capital

Article 25.

The entity to be privatized shall sell 70% of the capital to be privatized.

The entity to be privatized shall sell less than 70% of the capital to be privatized, if the purchaser shall not accept the offer of 70%.

In the entity to be privatized, which is in restructuring procedure in accordance to the provisions of this law, all of the capital or property shall be offered for sale.

The stakes of a parent company or of a holding with majority state/or socially owned capital in subsidiary companies can be sold exclusively in privatization procedure for parent company or holding.

#### 1.1. Public Tender

Article 26.

The sale of capital and property by public tender is the method of privatization whereby offers of potential purchasers are publicly gathered in compliance with determined conditions of sale.

Tender sale shall be organized and conducted by the Agency.

Article 27.

The tender sale procedure encompasses: preparation of tender sale, public invitation for offer submission, submission and acceptance of offers, opening and evaluation of offers, contract signing, and other operations of importance for tender procedure.

Article 28.

The Agency shall announce public invitation for participation in tender.

Public invitation referred to in paragraph 1 of this article shall contain: name and other information regarding the entity to be privatized, ownership structure of capital, percentage of capital offered for sale, and other data of importance for informing of participants.

Article 29.

Ministry in charge of privatization affairs shall form a Commission, which is supervising the implementation of tender sale (hereinafter: the Tender Commission).

Tender Commission shall have president and four members.

The Tender Commission, upon the Agency's proposal, shall approve results of the tender sale.

Tender Commission produces and submits a report of its activity to the Agency, within 15 days from the date of tender sale completion.

The report, referred to in paragraph 4 of this article, shall be submitted to the ministry in charge of privatization affairs, which, in turn, is required, upon its receipt, to inform the Government of the Republic of Serbia.

Article 30.

The bidder pays a deposit for participation in tender.

Ministry in charge of privatization determines the value of deposit and the method of payment of deposit from paragraph 1 of this article.

Article 31.

The entity to be privatized, during the tender procedure, cannot make a decision about decreasing or increasing the capital, reorganization and restructuring, investments, sale of part of property, or sign a long-term business arrangement, without prior approval of ministry in charge of privatization affairs.

Article 32.

After the tender sale procedure has been conducted, the Agency shall inform all participants of the tender of the results of the procedure and/or about the determination of purchaser.

The participant has the right to object to the legality of conducted procedure.

The objection shall be submitted to the ministry in charge of privatization affairs, within 8 days from the date when the participant received notification of the results of the public tender.

Decision will be made, within 8 days after the submission of the objection.  
Decision reached on the objection is final.

#### Article 33.

The Government of the Republic of Serbia shall prescribe in more details the procedure and manner for the sale of capital and property through the method of public tender.

### 1.2. Public Auction

#### Article 34.

The sale of capital and/or property by public auction is the method of privatization through public contest of potential purchasers in compliance with the determined conditions of sale.

Auction sale shall be organized by the Agency.

#### Article 35.

The procedure of sale of capital and property by public auction contains: preparation of auction, submission and registration of participants, conducting the auction, contract conclusion and other operations of importance for auction.

#### Article 36.

Sale by means of public auction shall be conducted by the Auction Commission, which shall be formed by the Agency. Auction Commission shall have a president and four members.

#### Article 37.

Auction Commission shall conduct an auction, register all entities that are entitled to participate at the auction, declare the buyer, declare the auction unsuccessful, sign the record of auction and perform other operations of importance for auction. Auction Commission shall compose a record about its work, as well as the report about the results of public auction and shall deliver this report to the Agency, the ministry in charge of privatization affairs, and the government of the Republic of Serbia, within 15 days from the date of completion of sale by public auction.

#### Article 38.

Agency shall announce public invitation for participation in auction.

Public invitation shall be announced at least 15 days prior to the date of the auction.

Public invitation referred to in paragraph 1 of this article shall contain: name of the entity to be privatized, location, address, date and time of the auction, amount and manner of paying a deposit for participation in auction, and other data of importance for conducting the auction.

Public invitation referred to in paragraph 1 of this article may contain the obligation of buyer regarding investment in privatization subject, resolution of employees' issues, securing continuity of business operations, and environmental protection.

Public invitation is published via Internet on a special web site of the Government of the Republic of Serbia, in domestic and foreign mass media, which will be determined by the Minister in charge of privatization affairs.

#### Article 39.

Auction participants are obliged to pay the deposit.

Ministry in charge of privatization affairs determines the value and mode of payment of deposit from paragraph 1 of this article.

#### Article 40.

The Government of the Republic of Serbia shall prescribe in more details the procedure and manner for the sale of capital and property through the method of public auction.

### 1.3. Contract of Sale

#### Article 41.

Contract of sale of capital and/or property shall specifically contain the following provisions: contracting parties, subject of sale, agreed price, payment period, the usage of the land and other provisions subject to agreement of the contracting parties.

When the purchaser, the entity to be privatized, and the Agency sign the agreement on selling the capital or property of the entity to be privatized, the contract of sale shall be deemed concluded.

Funds received from the sale during the privatization procedure shall be paid into the account of the Budget of Republic of Serbia.

Contract referred to in paragraph 1 of this article, shall be ratified in court only after the evidence from article 12 paragraph 3 of this law is submitted, along with the agreement from the ministry in charge of privatization affairs.

## 2. Free of charge transfer of capital

### 2.1. Transfer of shares to employees

#### Article 42.

Part of the capital of the entity to be privatized shall be transferred to employees, free of charge in the form of shares.

The employees, referred to in paragraph 1 of this article, shall mean citizens of the Republic of Serbia who are:

- 1) Current employees, or those who had previously been employed in the entity to be privatized;
- 2) Employees of a parent enterprise or subsidiary if the entity to be privatized is a subsidiary or parent enterprise.

Previously employed persons referred to in paragraph 2. line 1. of this article shall include pensioners.

#### Article 43.

The employees shall be entitled to acquire shares free of charge based upon each full year of employment in such entity.

The right to acquire shares free of charge may be exercised up to a maximum of 35 years of employment.

The right to acquire shares free of charge cannot be exercised for those entities to be privatized if less than 50% of the socially owned capital has been sold, as well as for those entities to be privatized which are undergoing the restructuring procedure.

#### Article 44.

The entity to be privatized shall reach the decision on issuing the shares free of charge and shall inform the employees through a public invitation.

The public invitation referred to in paragraph 1 of this article shall contain information on the date, time and location of registering of shares, the number of shares, the nominal value of the shares as well as other information in accordance with the decision on free of charge issuance of shares.

The public invitation referred to in paragraph 1 of this article shall be announced on the notice board of the entity to be privatized, in the Official Gazette of the Republic of Serbia, and in one daily newspaper.

#### *2.1.1. Transfer of shares to the employees in the procedure of public auction*

#### Article 45.

The capital allocated for acquiring shares free of charge in the procedure of public auction sale can amount to:

- 1) 30 per cent of the value of the capital to be privatized, if the sale by public auction is completed within 18 months from the effective date of this law;
- 2) 20 per cent of the value of the capital to be privatized, if the sale by public auction is completed in the period of 19 to 30 months from the effective date of this law;
- 3) 10 per cent of the value of the capital to be privatized, if the sale by public auction is completed after 30 months from the effective date of this law.

#### Article 46.

The employees shall be entitled to acquire shares free of charge, in the procedure of sale through a public auction, in accordance with article 43 of this law, where the total nominal value equals:

- 1) The Dinar equivalent of 400 DEM using the official exchange rate on the date of the publication of the public invitation referred to in Article 44, paragraph 1 of this law for each full year of employment, if the sale by public auction is completed within 18 months;
- 2) The Dinar equivalent of 300 DEM using the official exchange rate on the date of the publication of the public invitation referred to in Article 44, paragraph 1 of this law for each full year of employment, if the sale by public auction is completed in the period of 19 to 30 months;
- 3) The Dinar equivalent of 150 DEM using the official exchange rate on the date of the publication of the public invitation referred to in Article 44, paragraph 1 of this law for each full year of employment, if the sale by public auction is completed after 30 months.

#### Article 47.

The period for exercising the right to shares free of charge referred to in Article 45 and 46 of this law shall commence on the date of effectiveness of this law.

#### Article 48.

The shares that remain after the sale through the method of public auction, as well as after the transfer of free shares under the conditions and in the manner prescribed in Article 44 and Article 45 of this law, shall be transferred to the Share Fund for sale.

#### *2.1.2. Transfer of shares to employees in the procedure of sale by public tender*

#### Article 49.

The capital subject to being acquired free of charge by the employees of the entity to be privatized by means of public tender shall amount to a maximum of 15% of the capital being privatized.

In case referred to in paragraph 1 of this article, the employees shall be entitled to free of charge acquisition of shares in the total nominal value of the Dinar equivalent of 400 DEM for each full year of employment using the official exchange rate at the date of announcing the public invitation referred to in article 44. paragraph 1 of this law, but for no more than 35 years of employment, regardless of the period in which the entity is privatized.

The shares that shall remain after the completion of the sale by public tender, as well as after the transfer of free shares, shall be recorded in the Privatization Registry.

#### *2.1.3. Proportional reduction of entitlement to acquisition of shares free of charge*

#### Article 50.

If the value of capital allocated for acquisition of shares free of charge is less than the total nominal value of shares to be acquired by employees free of charge, the employees are entitled to a lesser number of shares, in proportion to the ratio of those values.

#### *2.1.4. Rights arising from shares transferred free of charge to employees*

#### Article 51.

The shares transferred to employees free of charge are ordinary shares and shall be registered in the name of acquirer.

The shares shall bear the rights to:

- 1) Management;
- 2) Dividends;
- 3) Participation in the division of the bankruptcy estate of the entity after payments to creditors.

#### *2.2. Transfer of shares to citizens*

#### *2.2.1. Recording of shares in the Privatization Registry*

#### Article 52.

The shares of the entity to be privatized through public tender shall be recorded in the Privatization Registry in an amount of at

least 15% of the capital to be privatized.

The entity to be privatized is obliged to, within 15 days from the date of fulfilling the conditions for registering of the shares, inform the ministry in charge of privatization affairs for the purpose of registering the shares in the Privatization Registry. Shares recorded in the Privatization Registry shall be distributed to citizens within two years after the expiration of the period set for privatization process.

Article 53.

The dividend on account of shares recorded in the Privatization Registry, pending the transfer to citizens, shall be transferred to the Republic Fund in charge of Pension and Disability Insurance.

The shares recorded in the Privatization Registry shall have no management rights until their transfer to citizens.

#### *2.2.2. Transfer of the capital recorded in the Privatization Registry to citizens*

Article 54.

Citizens of the Republic of Serbia who are over 18 years of age on the effective date of the decision to transfer the capital to citizens reached by the Government of the Republic of Serbia are entitled to acquisition of shares free of charge, which are recorded in the Privatization Registry.

The citizens referred to in paragraph 1 of this article shall acquire the right to an equal part of capital expressed in shares free of charge.

The entitlement to acquiring shares free of charge shall not be accorded to citizens who have already exercised the right to free transfer of shares, fully or partially, pursuant to this law.

The Government of the Republic of Serbia shall set forth the method of acquisition, distribution and other issues pertaining to the shares recorded in the Privatization Registry.

### **3. Contract on the change of form of organization of entities being privatized**

Article 55.

After the sale of capital, free of charge transfer of shares to the employees, and recording the shares in Privatization Register, shareholders shall enter into a contract, which regulates transformation of privatization entity into a corporation.

The contract referred to in paragraph 1 of this article, apart from the articles of association, which are contained in the founding document, in accordance with the law, which regulates legal status of companies, shall also contain provisions on other issues, which are of importance for organizing the entity to be privatized into a corporation.

The contract referred to in paragraph 1 of this article shall be deemed concluded when signed by shareholders or their representatives who hold majority of all shares of the entity being privatized.

### **4. Costs of the privatization procedure**

Article 56.

The costs of the Privatization Agency in the privatization procedure shall be borne by the entity to be privatized.

Minister in charge of privatization affairs shall determine the level of the costs referred to in paragraph 1. of this article.

### **5. Corresponding application**

Article 57.

The provisions of this law relating to shares are equally applicable to stakes.

### **6. Central registry**

Article 58.

The Central Registry shall issue certificates to the entities that have been privatized, based on which the Book of Shareholders shall be kept.

The entity referred to in paragraph 1. of this article, on the basis of certificate issued by the Central Registry, is required to make an entry of the new shareholder into the Book of Shareholders.

Rights from shares shall be proven by the certificate issued by the Central Register.

### **7. Trading of shares**

Article 59.

Shares issued in the privatization process shall be freely tradable on the secondary market.

Trading of shares shall proceed via the stock exchange.

[top](#)

## **IV. ALLOCATION OF PROCEEDS FROM PRIVATIZATION**

Article 60.

The proceeds from the privatization process shall be used to finance:

- 1) Republic's Fund in charge of Pension and Disability Insurance;
- 2) Stimulation of development;
- 3) Paying out of compensation to persons whose property was nationalized;
- 4) Repayment of debts incurred or guaranteed by the Republic of Serbia;
- 5) Costs of sales in privatization procedures;
- 6) Special development program for economy and environmental protection, which is established by the administrative body of territorial autonomy and local authority.
- 7) Other purposes.

Article 61.

10 per cent of the cash proceeds of each sale of capital shall be paid on account of the Republic Fund in charge of Pension and Disability Insurance.

5 per cent of the cash proceeds of each sale shall be allocated for the purpose of compensating persons whose property was nationalized.

5 per cent of the cash proceeds of each sale shall be allocated for financing the development of the infrastructure of the territorial autonomy where the headquarters of the entity to be privatized are located.

5 per cent of the cash proceeds of each sale shall be allocated for financing the development of the infrastructure of local authority where the headquarters of the entity to be privatized are located.

The costs of tender sale shall be covered from the proceeds in the amount of their actual value.

The Government of the Republic of Serbia shall determine the amount of proceeds to be allocated to financing the development and settling of debt incurred or guaranteed by the Republic of Serbia, and determines other allocations from article 60. line 7. of this law, as well as the amount of proceeds assigned to these allocations.

[top](#)

## V. SUPERVISION OVER IMPLEMENTATION OF THE LAW

Article 62.

The supervision over implementation of the law and regulations based on this law shall be carried out by the ministry in charge of privatization affairs.

Supervision over the functioning of the Government of Republic of Serbia and the ministry in charge of privatization affairs during the privatization implementation shall be administered by the appropriate committee of the National Assembly of the Republic of Serbia. Ministry in charge of privatization affairs is required to submit to the appropriate committee of the National Assembly of the Republic of Serbia, regular monthly reports on: progress of the privatization process, signed contracts on capital and property sale with submitted contracts, initiated privatization procedures, work of institutions in charge of privatization implementation as in article 4 of this law, as well as provide all necessary data and information upon request by the appropriate committee.

Article 63.

The supervision referred to in article 62 of this law includes the control over operations related to sale of shares from privatization process over stock exchange, until the shares are not listed on the stock exchange.

[top](#)

## VI. PENALTY CLAUSES

### 1. Commercial offence

Article 64.

The entity to be privatized shall be fined for a commercial offence with a fine from 10,000 to 450,000 Dinars if it:

- 1) Acts contrary to the provision of article 12, paragraph 2 of this law;
- 2) Launches the privatization procedure without the initiative for privatization from the competent body (article 16. paragraph 1);
- 3) Fails to submit to the Agency the privatization initiative and prospectus in prescribed and timely manner (article 16 paragraph 4);
- 4) Fails to submit the prospectus to the Agency within prescribed deadline (article 16. paragraph 6);
- 5) Fails to submit privatization program or restructuring program to the Agency within the prescribed deadline (article 22, paragraph 3 and article 23 paragraph 4);
- 6) Fails to incorporate the correction or, respectively, the change into the privatization program within the deadline set by the Agency (article 22. paragraph 5);
- 7) Fails to incorporate the correction or, respectively, the change into the restructuring program within the deadline set by the Agency (article 23. paragraph 6);
- 8) Fails to conduct the sale of the stake of parent company, and / or of the holding company with majority state owned or socially owned capital in the subsidiary company exclusively within privatization procedure for the parent company and/or the holding company (article 25. paragraph 4);
- 9) Transfers the shares free of charge to employees in violation of stipulations given in articles 42 and 43 of this law;
- 10) Violates the provisions of article 44 of this law;
- 11) Violates the provisions of articles 45 and 46 of this law;
- 12) Violates the provisions on free of charge share transfer to the employees (article 49);
- 13) Fails to record the shares in the Privatization Registry in the prescribed amount and deadline (article 52, paragraphs 1 and 2.).

The responsible person in the privatization entity shall also be fined from between 10,000 to 30,000 Dinars for the commercial offences referred to in paragraph 1 of this article.

### 2. Violations

Article 65.

Individuals that acquire shares free of charge based on false data, contrary to the provisions of this law (article 42 and article 54), shall be fined from 1,000 to 10,000 Dinars.

In addition to fines under paragraph 1 of this article, property acquired through violations. shall be confiscated.

[top](#)



## **VII. TRANSITIONAL AND FINAL PROVISIONS**

### **1. Rights of the enterprises for which privatization has been carried out pursuant to previous regulations**

Article 66.

In enterprise for which privatization of a part of the socially-owned and state-owned capital has been performed in conformity with the provisions of the Law on Socially-owned Capital ("The Official Gazette of the SFRY" No. 84/89 and 46/90), the Law on the Conditions and Procedure of Socially-owned Property Transformation Into Other Forms of Property ("The Official Gazette of the RS" No. 48/91, 75/911, 48/94 and 51/94), the non-privatized part of socially-owned or state-owned capital shall be privatized in accordance with this law.

### **2. Transfer of shares to the Shares Fund and trading of shares**

Article 67.

The shares for which no public invitation has been made for their registration and sale prior to the effectiveness date of this law in companies which have carried out the privatization of a part of socially and/or state owned capital in accordance with the Law on Ownership Transformation ("The Official Gazette of the RS" No. 32/97 and 10/2001) shall be transferred to the Share Fund.

Article 68.

The shares of the shareholders who stopped payments of the subscribed shares, issued pursuant to the Law on Socially-owned Capital ("The Official Gazette of the SFRY" No. 84/89 and 46/90), the Law on the Conditions and Procedure of the Socially-owned Property Transformation Into Other Forms of Property ("The Official Gazette of the RS" No. 48/91, 75/911, 48/94 and 51/94), and the Law on Ownership Transformation ("The Official Gazette of the RS" No. 32/97 and 10/2001), shall be transferred to the Share Fund.

Article 69.

The Share Fund shall sell the transferred shares, except for the shares that the ministry in charge of privatization affairs decides to record in the Privatization registry.

Shares from paragraph 1. of this article shall be sold through the public auction or through brokers at the stock exchange. In exception to paragraph 2 of this article, shares may be sold through public offer or public tender in accordance with law.

Article 70.

The Share Fund conducts the sale of shares, which have been transferred to the Republic's Fund for Pensions and Disability payments up to the date of effectiveness of this law.

The proceeds from the sale of the shares of the Republic's fund in charge of Pensions and Disability Insurance shall be transferred in their full amount to that Fund.

Article 71.

The Share Fund shall be obliged to sell the shares specified under Article 67. through to Article 70. of this law no later than six years from the effective date of this law.

Article 72.

The Share Fund may simultaneously sell all the shares in a single company, which it holds, as well as sell the shares on behalf of other shareholders.

If the Share Fund simultaneously sells all shares in a single company transferred to it, than it may send an invitation to the other shareholders, in case they are interested in selling their shares in a joint offer.

Article 73.

Trading of shares acquired pursuant to the Law on Socially-owned Capital ("The Official Gazette of the SFRY" No. 84/89 and 46/90), the Law on the Conditions and Procedure of the Socially-owned Property Transformation Into Other Forms of Property ("The Official Gazette of the RS" No. 48/91, 75/911, 48/94 and 51/94) and the Law on Ownership Transformation ("Official Gazette of the RS" No. 32/97 and 10/2001) is free and shall be conducted through the stock exchange.

The shares referred to in paragraph 1 of this article cannot be traded as of the effective date of this law, if the data about state of shares in the enterprise are not harmonized with the data in Central Registry, or Temporary Registry.

Enterprises are obliged to harmonize data referred to in paragraph 2 of this article within four months from the effective date of this law.

If the enterprises do not harmonize the data within the deadline stipulated in paragraph 3 of this article the Privatization Agency shall implement the harmonization of data at the expense of the enterprise.

The shareholders who had acquired shares based upon stipulations in paragraph 1 of this article shall not have the right of preferred purchase.

### **3. Rights to shares free of charge**

Article 74.

The persons who exercised their right to acquiring shares free of charge in accordance with the Law on Ownership Transformation ("Official Gazette of the RS" No. 32/97 and 10/2001) do not have the same right under this law.

### **4. Use of capital evaluation**

Article 75.

The entity to be privatized, which received the decision on capital evaluation pursuant to the Law on Ownership Transformation ("Official Gazette of RS" No. 32/97 and 10/2001), shall not be obliged to conduct capital valuation.

The provision of paragraph 1 of this article applies also to capital valuations, which prior to the date of entry into force of this law were submitted to the Directorate for Capital Valuation for the purpose of control and verification, and were found by the ministry

in charge of privatization affairs to have been done in accordance with the law from paragraph 1 of this article.

## **5. Temporary Registry of Shares**

Article 76.

Until the formation of the Central Registry, the Temporary Registry will be formed as a part of the Agency.

The Temporary Registry shall record data on shareholders, type of shares, number of shares, as well as change of this data.

The Temporary Registry shall issue certificates for recording the data referred to in paragraph 2 of this article into the Book of Shareholders of the entities privatized.

The Minister in charge of privatization affairs shall set forth in a detailed manner the content and manner of the Temporary Registry's administration.

## **6. Abolishment of the Directorate for Evaluation of Capital**

Article 77.

The Directorate for evaluation of capital shall cease to work at the date of effectiveness of this law.

The ministry in charge of privatization affairs will continue to control and to verify the process of ownership transformation and the process of capital valuation that have been started but not completed, as well as to control the capital valuation of entities subjected to status change.

## **7. Revocation of regulations**

Article 78.

On the effective date of this law, the Law on Ownership Transformation ("Official Gazette of RS" No. 32/97 and 10 /2001) and the ensuing regulations shall be revoked.

## **8. Entry into force**

Article 79.

This law shall enter into force on the eighth day following the date of its publication in the "Official Gazette of Republic of Serbia".