

**LAW
ON AMENDMENTS AND SUPPLEMENTS TO THE
LAW ON FINANCIAL LEASING**

Article 1

In the Law on Financial Leasing (“RS Official Gazette” No.55/2003), subtitle “Commercial Nature of the Agreement” and Article 8 shall be amended to read:

“Leasing Agreement
Article 8

Leasing agreement shall be concluded in compliance with this Law and law on obligations.”

Article 2

Article 10, paragraph 2 shall be amended to read:

"Entity referred to in paragraph 1 hereof shall be a business company, founded in compliance with the law governing the legal position of business companies, whose pecuniary portion of Tier 1 capital cannot be less than Euro 100,000 in the dinar equivalent, according to the NBS middle exchange rate on the day of payment, and which received an operating license to engage in financial leasing from the National Bank of Serbia in accordance with this Law.”

After paragraph 2, paragraphs 3 and 4 shall be added to read:

"The Lessor shall perform financial leasing operations as its only activity.

In its operations, the Lessor shall ensure that the amount of its Tier 1 capital never falls below the level prescribed in paragraph 2 hereof.”

Article 3

After Chapter II, Chapter IIA shall be added, along with Articles 13a, through 13j:

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"Chapter IIA

**LICENSE TO ENGAGE IN FINANCIAL LEASING AND FINANCIAL LEASING
SUPERVISION**

Article 13a

Founders of the business company shall submit to the National Bank of Serbia an application for a license to engage in financial leasing.

In support of the application referred to in paragraph 1 hereof, the following shall be submitted:

- 1) founding act of the company;
- 2) proof that the pecuniary portion of Tier 1 capital referred to in Article 10, paragraph 2 hereof has been paid to the suspense account with a bank;

3) proof of having appropriate technical capacities and human resources for engaging in financial leasing;

4) the company's work program for a three-year period;

5) list of nominated members of management bodies, and/or nominated persons with special authority and responsibility, recommendations regarding their expert and professional knowledge, proof that they have not been convicted of any criminal offences, which would make them unfit for discharging management functions, and proof that none of them has been prohibited to engage in business activities by the court.

The National Bank of Serbia shall prescribe detailed conditions and manner of proving compliance with the requirements specified in paragraph 2 hereof.

Article 13b

When considering applications and documentation from Article 13a hereof, the National Bank of Serbia shall also assess the business reputation of the founders of business company, along with reputation of nominated members of management bodies, and/or persons with special authority and responsibility, and shall prescribe criteria for the business reputation assessment.

Article 13c

The National Bank of Serbia shall decide on the application referred to in Article 13a and issue appropriate resolution within 30 days from the submission of application.

Resolution referred to in paragraph 1 hereof shall be final in character.

In the event of rejection of application from Article 13a hereof, the National Bank of Serbia shall state the pertinent reasons in the resolution.

Not later than seven days after receiving the resolution, founders of business company shall be obliged to submit to the Registrar an application for entry into the register of business entity, along with the resolution on the issue of a license to engage in financial leasing.

Article 13d

The Lessor shall be obliged to:

1) submit to the National Bank of Serbia annual business report, along with financial statement and certified auditor's opinion;

2) notify the National Bank of Serbia of any status and other changes to be entered into register of business entities;

3) submit other data as requested by the National Bank of Serbia.

The National Bank of Serbia shall prescribe the manner and deadlines for submitting data from paragraph 1, item 3 hereof.

Article 13e

The Lessor shall submit the National Bank of Serbia an application for the issuing of consent regarding the appointment of the members of management bodies, and/or persons with special authority and responsibility.

The National Bank of Serbia shall prescribe the documentation that the Lessor is obliged to submit in support of the application referred to in paragraph 1 hereof.

The National Bank of Serbia shall decide on the application referred to in paragraph 1 hereof and issue a resolution thereon within 30 days from the submission of such application.

Resolution from paragraph 3 hereof shall be final in character.

Article 13f

The National Bank of Serbia may prescribe an obligation for the lessors to keep reserves on a special account opened with a bank.

If the National Bank of Serbia prescribes the obligation specified in paragraph 1 hereof, it shall also prescribe by the same regulation the amount of reserves, the ratio of allocation and terms and conditions of their use.

Reserves from paragraph 1 hereof may not be the subject of enforced collection.

Article 13g

The National Bank of Serbia shall prescribe minimum requirements to be met for entering into financial leasing agreements in accordance with this Law, as well as the manner of disclosing the leasing fee and other costs resulting from the agreement conclusion.

Article 13h

The National Bank of Serbia shall conduct the supervision of lessor operations based on the order issued by the Governor of the National Bank of Serbia, or person authorized by the Governor.

Supervision from paragraph 1 hereof shall include:

1) off-site supervision of reports and other documents, along with other data that lessors submit to the National Bank of Serbia, i.e. data available to the National Bank of Serbia;

2) on-site inspection of business books and other documentation of the Lessor;

A report shall be produced in the course of the supervision procedure referred to in paragraph 1 hereof.

Should any irregularities or illegalities be detected in the course of supervision procedure, the following measures shall be implemented against the Lessor:

1) sending a written letter of warning;

2) sending an ordering letter, and possibly pronouncing a fine;

3) issuing orders for eliminating detected irregularities, with the possibility of pronouncing a fine to the Lessor, as well as to the members of its management bodies, and/or persons with special authorities and responsibilities;

4) revoking the license to engage in financial leasing.

The National Bank of Serbia shall prescribe in detail the terms and conditions of conducting supervision of lessor operations.

Article 13i

The National Bank of Serbia shall issue a decision on the revocation of license to engage in financial leasing if:

- 1) the license was issued based on false and inaccurate data provided by the founder of the business company;
- 2) the Lessor ceases to comply with the requirements necessary for acquiring the license;
- 3) the Lessor fails to submit the prescribed reports, documentation and other data on its operations in the manner and within deadlines prescribed;
- 4) the Lessor fails to provide conditions for the conduct of supervision of its operations;
- 5) it has been found that the pecuniary portion of the Lessor's Tier 1 capital is less than the level prescribed hereunder;
- 6) the Lessor failed to implement measures ordered by the National Bank of Serbia within the given deadline, and/or failed to eliminate the reasons for the introduction of such measures.

Resolution from paragraph 1 hereof shall be final in character and the National Bank of Serbia shall submit it to the lessor and the register of business entities.

As of the date of entering the resolution from paragraph 1 hereof into the register of business entities, the business company whose license to engage in financial leasing has been revoked shall not conclude any new leasing agreements, while the rights and liabilities under agreements concluded prior to that date shall remain unchanged.

Provisions of the law on the legal position of business companies relating to the liquidation proceedings shall apply to lessors whose operating licenses have been revoked.

Article 13j

In the event of instituting bankruptcy proceedings over the Lessor whose operating license has been revoked, provisions of the law on bankruptcy proceedings shall apply.”

Article 4

Article 44 shall be amended to read:

“The register shall be kept by the Business Registers' Agency (hereinafter: the Agency), through the Registrar.

The Registrar shall be appointed and relieved of duty by the Management Board of the Agency, subject to a prior consent of the Government of the Republic of Serbia.

The Registrar shall be appointed for the period of four years, with the right to re-appointment.

The Registrar may be relieved of duty before expiry of his/her term in office:

- 1) at the Registrar's request,
- 2) if the Registrar is not carrying his/her duties in accordance with the law,
- 3) for other reasons envisaged by the law.”

Article 5

After Article 44, Article 44a shall be added to read:

“The Registrar has the authority and obligation to:

- 1) ensure that register is updated and kept systematically and in compliance with the law;
- 2) determine the manner of keeping the register in detail;
- 3) render decisions on applications for entry into the register;
- 4) prescribe the form and contents of the registration form;
- 5) undertake other activities necessary for unimpeded and normal functioning of the register in compliance with the law.

The Registrar shall be independent in his/her work on individual cases, within authorities specified by this Law, and/or other legal regulations.”

Article 6

Subtitle of Article 47 and Article 47 itself shall be amended to read:

”Fee
Article 47

Agency from Article 44 hereof shall receive fee for entering and deleting data from the register, as well as other services provided in accordance with the law.

Amount of fee from paragraph 1 hereof shall be specified by the Management Board of the Agency, subject to prior consent of the Government of the Republic of Serbia.”

Article 7

Article 49 shall be amended to read:

“The Lessor shall submit an application for entering financial leasing agreement in the register within seven days from the day of delivery of the leasing object, and an application for entering amendments and supplements to the data on financial leasing agreement, as well application for deleting data from the register, within seven days from the moment that the facts, which call for amendments and supplements, and/or deleting of data, came into being.

Should that be specified by the financial leasing agreement, the application from paragraph 1 hereof may also be submitted by the Lessee.

The Lessor shall be held liable for any damage caused to a third party acting in good faith due to non-compliance with the obligation of entering the agreement into the register from paragraph 1 hereof, as well as the Lessee, if the financial leasing agreement specifies that the Lessee may also submit an application for entering the agreement into the register.

An application for posting notes of dispute, in order to protect the rights and interests regarding the leasing object or financial leasing agreement, may be submitted by any interested person.”

Article 8

Subtitle of Article 50 and Article 50 itself shall be amended to read:

“Data Contained in the Register

Article 50

The register shall contain:

- 1) data on the Lessor and the Lessee, and data on the Supplier, but only if requested by the applicant;
- 2) data defining the leasing object in detail;
- 3) data on the financial leasing agreement (reference number assigned by the lessor, date of conclusion and duration);
- 4) data on any disputes regarding the leasing object and financial leasing agreement;
- 5) data on the termination of financial leasing agreement;
- 6) other data in compliance with the law.

If persons involved in financial leasing are domestic natural persons, data from paragraph 1, item 1 hereof shall refer to the name, surname, personal ID number and place of residence, and if they are foreign natural persons, data specified therein shall refer to the name, surname, passport number and name of the country that issued it.

If persons involved in financial leasing are domestic legal entities, data from paragraph 1, item 1 hereof shall refer to the business name and personal ID number, and if they foreign legal entities, data specified therein shall refer to the business name, reference number under which they are filed in the foreign register of economic entities, name of the register and name of the domicile country.

All changes in data from paragraph 1 hereof shall be entered into the register.

Record shall be kept of data from paragraph 1 hereof which have been deleted from the register.”

Article 9

Subtitle of Article 51 is deleted.

Article 51 shall be amended to read:

“The documentation based on of which entering into the register was performed shall represent an integral part of the register until the transfer of such documentation into electronic form.

After transfer of the documents specified in paragraph 1 hereof into electronic form and entry into the register, such documentation shall be kept in compliance with regulations on archive files.”

Article 10

After Article 51, the subtitle and Articles 51a, 51b, 51c, 51d, 51e and 51f shall be added to read:

“Procedure of Entering into the Register

Article 51a

Procedure of entering into the register shall be initiated by submitting an application for registration (hereinafter: application).

The application shall be submitted on the prescribed form which includes data specified in Article 50 of the Law.

The following documents shall be submitted together with the application:

- 1) Documentation based on which entering into the register is applied for (agreement, annex to the agreement, court decision, etc.);
- 2) Proof of the payment of fee for entering into the register.

The application shall be submitted in the official language and alphabet of the Republic of Serbia.

Should any documents in support of the application be submitted in a foreign language, the applicant shall submit certified translation of such documents.

Article 51b

The Registrar shall verify:

- 1) whether the signatory of the application is authorized for its submission;
- 2) whether the application contains all the necessary data;
- 3) whether all the necessary documents are submitted together with the request, in compliance with the law;
- 4) whether data specified in the application are identical to those in the documentation submitted therewith;
- 5) whether proof of the payment of fee for entering into the register has been submitted.

The Registrar shall not verify the accuracy of data and the authenticity of documents submitted in support of the application.

Article 51c

The Registrar shall decide on the application by issuing a resolution or conclusion.

Resolution shall be issued for the purpose of approving the entering into the register or deleting data from the register if such a thing applied for.

Conclusion shall be issued for the purpose of rejecting the application if it has not been submitted in compliance with this Law.

On the issue of conclusion on application rejection, the Registrar shall return the original documentation submitted in writing to the applicant.

Article 51d

A complaint against resolution and conclusion referred to in Article 51c hereof, may be lodged within 15 days after receiving the resolution, unless specified otherwise by the law.

The complaint shall be lodged through the Agency to the minister in charge of economic activities.

Article 51e

Issues related to the process of entering into the register which are not regulated by this Law shall be governed by the provisions of the law on general administrative procedure.

Article 51f

Data entered into the register shall be simultaneously posted on the Agency's website."

Article 11

After Chapter VII, Chapter VIIA and Articles 51g and 51h shall be added to read:

"Chapter VIIA**PENALTIES**

Article 51g

A 300,000 to 3,000,000 dinar fine shall be charged to a business company for the business offence of engaging in financial leasing activities without complying with the requirements specified in Article 10, paragraph 2 hereof.

In the event specified in paragraph 1 hereof, a 20,000 to 200,000 dinar fine shall be charged to the responsible person in such business company.

Article 51h

A 100,000 to 1,000,000 dinar fine shall be charged to the Lessor:

- 1) if it concludes a leasing contract for a period shorter than two years (Article 3);
- 2) if it fails to submit data in the manner and within the time prescribed by the National Bank of Serbia (Article 13d, paragraph 2);
- 3) if it fails to keep reserve balances on a special account opened with a bank when prescribed by the National Bank of Serbia (Article 13e, paragraph 1);
- 4) in the event of non-compliance with Article 49, paragraph 1 hereof.

A 10,000 to 50,000 dinar fine shall also be charged to the responsible person in the lessor company for the offence specified in paragraph 1 hereof."

Article 12

Lessor companies founded prior to the entry into force hereof shall bring their business activities in compliance with the provisions thereof within six months following the date of entry into force of this Law.

Should the lessor companies founded prior to the entry into force hereof fail to harmonize their business activities with the provisions thereof within the time specified in paragraph 1 of this Article, they shall cease to operate after completion of liquidation process charged to the subject of liquidation, initiated *ex officio* by the Business Registers' Agency, and shall be deleted from the register of business entities.

Article 13

Leasing agreements concluded prior to the entry into force hereof shall remain in force for the duration of obligations under such agreements.

Article 14

This Law shall enter into force on the eighth day from its publication in the “RS Official Gazette”.