

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

**Article 1**

In the Law on Financial Leasing ("RS Official Gazette" No. 55/03 and 61/05), title above the Article and Article 1 shall be amended to read:

"Subject of the Law

Article 1

This Law shall govern financial leasing transactions, financial leasing agreements, the rights and obligations of the parties to a financial leasing transaction, the terms on which the financial leasing transactions can be performed, supervision of Lessor operations, and the Register of Financial Leases."

**Article 2**

Article 2 shall be amended to read:

"Article 2

Financial leasing transaction shall mean a financial intermediation transaction which is performed by the Lessor and which implies that the Lessor, retaining the title to the Leasing Object, transfers the right to possession and use of the Leasing Object to the Lessee, for a certain period of time, with all risks and benefits related to the title, while the Lessee pays the leasing rentals in return, if at least one of the following terms has been met:

- 1) the Leasing Object is chosen by the Lessee;
- 2) title to the Leasing Object shall be transferred from the Lessor to the Lessee after the expiry of time for which the agreement was concluded and after the total agreed amount of the leasing rentals has been paid;
- 3) the Lessee shall have the agreed option right to buy the Leasing Object after the total agreed amount of the leasing rentals has been paid;
- 4) the Lessee shall have the right to extend the term of the Leasing Agreement;
- 5) the time for which the Leasing Agreement is concluded shall be equal to the period of amortization of the whole or a substantial part of the Leasing Object."

**Article 3**

Title above the Article and Article 3 are deleted.

**Article 4**

In Article 4, after the words "movable, durable goods (equipment, machinery, vehicles and similar)" the following words shall be added: "and unmovable goods that can be object to the title under the law governing the proprietary relations."

**Article 5**

Title above the Article and Article 6 shall be amended to read:

"Leasing Agreement and Supply Agreement

Article 6

Leasing Agreement shall mean an agreement concluded between the Lessor and the Lessee by means of which the Lessor is obligated to transfer the right to

possession and use of the Leasing Object to the Lessee, for a certain period of time during which the Lessee enjoys all the benefits and bears all the risks related to the ownership, and the Lessee is obligated to pay the agreed rentals to the Lessor in return, at the agreed time.

The Leasing Agreement shall include the acquisition value of the Leasing Object, the total amount of rentals to be paid by the Lessee, the amount of individual rentals instalments and their structure, the number of rentals instalments and time of payment, the duration of the agreement, the place, time, and the manner of delivery of the Leasing Object, manner and terms for the transfer of the title to the Leasing Object, manner and terms for the extension of the agreement.

National Bank of Serbia may also prescribe other elements of the Leasing Agreement, as well as the manner of setting forth the elements of such agreement.

The Leasing Agreement shall be in writing.

The agreement which is not titled a Leasing Agreement but which has the features of a leasing agreement pertaining to the financial leasing transaction, for the purpose of this Law, or provides such rights and obligations for the parties to the agreement which are under this Law defined as the rights and obligations of the parties to the Leasing Agreement, shall be deemed invalid.

The Supply Agreement shall mean an agreement concluded between the Supplier of the Leasing Object and the Lessor, by means of which the Lessor acquires the title to the Leasing Object, chosen by the Lessee, for the purpose of leasing the Leasing Object to the Lessee.

The Supplier of the Leasing Object is chosen by the Lessee, and can also be chosen by the Lessor.

On the basis of the concluded Supply Agreement, and following the supply of the Leasing Object in compliance with the agreement, the Lessor acquires the title to the Leasing Object.

The Supply Agreement shall include the following: precise identification of the supply object, the price, place, manner and time of delivery, notice that the object is acquired for the purpose of performing the Leasing Agreement, as well as the information on the person having the status of the Lessee in the agreement.

The Lessee shall approve the Supply Agreement, the part referring to the identification of the Leasing Object, the price, place, time and manner of the object delivery, by signing the Supply Agreement.

The Supply Agreement shall be in writing."

#### **Article 6**

Article 7 shall be amended to read:

"Article 7

Leasing rentals shall mean the payments for the use of the Leasing Object due to the Lessor by the Lessee (hereinafter referred to as: the Leasing Rentals).

The Leasing Rentals shall be calculated on the basis of the amount paid by the Lessor to acquire the title to the Leasing Object increased by the interest and other costs which the Lessee pays to the Lessor, in compliance with the Leasing Agreement."

#### **Article 7**

Title above the Article and Article 8 shall be amended to read:

“Analogous Application

Article 8

Provisions of the law governing business company shall accordingly apply to the Lessors, unless otherwise prescribed by this Law.

Provisions of the law governing contracts and torts shall apply to the contractual relations of the entities participating in the financial leasing transactions, unless otherwise prescribed by this Law.

National Bank of Serbia, on the basis of the competencies provided in this Law, shall adopt final decisions regarding the rights, obligations and legal interests of legal and natural persons specified in this Law.

Provisions of the law governing the general administrative proceeding shall apply to decision-making procedure referred to in paragraph 3 of this Article, unless otherwise prescribed by this Law.

In the administrative proceedings against the final decision referred to in paragraph 3 of this Article, the court shall not resolve the administrative issue.”

**Article 8**

Title above the Article and Article 10 shall be amended to read:

"Term and Business Activities of the Lessor

Article 10

The Lessor shall mean a limited liability company or a joint stock company headquartered in the Republic of Serbia which is licensed by the National Bank of Serbia to perform the financial leasing transactions in compliance with this Law.

The Lessor shall perform financial leasing activities as its predominant business operations, within the meaning of the regulations governing the classification of business activities.

In addition to the business activities indicated under paragraph 2 hereof, the Lessor may perform the leasing of the returned Leasing Objects, as well as the activities usually performed together with the financial leasing activities (services of training the Lesees to use the Leasing Object, services of installation, disassembly, maintenance of the Leasing Object, delivery of spare parts, etc.).

The Lessor may, for a charge, dispose of the Leasing Objects returned to its possession, following the expiry of the Leasing Agreement or the agreement on the lease.

The Lessor shall not grant loans.

The Lessor operations shall only be performed by a business company that meets the requirements referred to in paragraph 1 of this Article.”

**Article 9**

After Article 10, titles above the articles and Articles 10a through 10i shall be added to read:

“Initial and Tier 1 Capital

Article 10a

The initial capital of the Lessor shall be provided by the founders from their own funds, which may be in pecuniary and non-pecuniary form.

Non-pecuniary assets indicated in paragraph 1 of this Article may be assets and rights which are used for the operations of the Lessor;

For the performance of financial leasing transactions the object of which is a movable goods, the pecuniary portion of the initial capital of the Lessor shall not be lower than the dinar equivalent of EUR 500,000 at the official middle exchange rate as at the payment date.

For the performance of financial leasing transactions the object of which is immovable goods, the pecuniary portion of the initial capital of the Lessor shall not be lower than the dinar equivalent of EUR 5,000,000 at the official middle exchange rate as at the payment date.

The founders' own funds referred to in the paragraph 1 hereof shall mean the funds that do not originate from loans or credits.

In its business operations, the Lessor is obliged to ensure that the pecuniary portion of the Tier 1 capital is always in an amount that is not lower than the amount specified in paragraphs 3 and 4 hereof, according to the official middle exchange rate as at the calculation day.

National Bank of Serbia may prescribe criteria for determining the elements and amount of the capital referred to in the paragraph 6 hereof.

#### Bodies

##### Article 10b

Bodies of the Lessor are the following:

- 1) assembly;
- 2) board of directors;
- 3) executive board;

Lessor may have other bodies as well.

#### Assembly

##### Article 10c

Lessor's assembly shall:

- 1) adopt the business policy of the Lessor;
- 2) approve the Articles of Association, pass the Rules of Procedure and amendments and supplements to the Founding Act and Articles of Association;
- 3) adopt the annual statement of the Lessor and decide on the purpose and distribution of the realized profit, i.e. coverage of losses;
- 4) decide on the increase and decrease of capital;
- 5) decide on the amount of investment in fixed assets and disposal of fixed assets;
- 6) appoint and release the president and the members of the Board of Directors;
- 7) determine the remuneration amount for the members of the Board of Directors;
- 8) decide on status-related changes and on the winding-up of the Lessor;
- 9) decide on the acquisition of bankruptcy or liquidation estate of the Lessor undergoing bankruptcy and/or liquidation proceedings;

10) appoint and release the external auditor.

The Lessor's Articles of Association may also establish other rights and obligations of the Lessor's assembly.

The assembly may not delegate the decision-making referred to in the paragraph 1 hereof to any other Lessor's body.

The assembly shall be convened at least once per year.

Provisions of the law governing business company which refer to the convening and holding assembly meetings of a limited liability company or joint stock company shall accordingly apply to the Lessor, unless this Law provides otherwise.

#### Management Bodies

##### Article 10d

The management bodies of the Lessor are the board of directors and executive board.

Management bodies of the Lessor are held responsible for the legal compliance of the Lessor's activities.

#### Composition of the Board of Directors

##### Article 10e

The board of directors of the Lessor shall be composed of at least 3 members, including the president.

At least one-third of members of the board of directors shall be persons independent of the Lessor.

A person not holding direct or indirect ownership in the Lessor and in a member of the Lessor's group shall be considered as a person independent of the Lessor.

Indirect ownership means the possibility of effective exercise of the ownership rights in the Lessor by the person who has no direct ownership in the Lessor, but who uses the property that another person directly owns in the Lessor.

A member of the board of directors may be employed by the Lessor and only in the capacity of the board member.

A member of the board of directors must have the good business reputation and appropriate qualifications, which are prescribed by this Law and the enactment of the National Bank of Serbia.

#### Competence of the Board of Directors

##### Article 10f

The Lessor's board of directors shall be responsible for the risk management in the Lessor.

Lessor's board of directors shall:

- 1) convene meetings of the assembly;
- 2) prepare draft decisions for the Lessor's assembly and be responsible for implementing those decisions;
- 3) propose to the assembly the adoption and implementation of the business policy;

- 4) appoint and release the president and the members of the executive board;
- 5) supervise the activities of the executive board;
- 6) adopt quarterly and annual reports of the executive board on business activities and submit the adopted annual report to the assembly for the final adoption;
- 7) inform the National Bank of Serbia and other competent bodies on the detected irregularities;
- 8) adopt the organisational structure;
- 9) determine amounts up to which the executive board may decide on placements and indebtedness and decide on placements and indebtedness exceeding those amounts;
- 10) adopt the program and plan of the internal audit;
- 11) implement the system of internal controls;
- 12) determine the risk management system;
- 13) render decision on assignment of tasks referred to in Article 13j, paragraph 6 and Article 13k, paragraph 5 hereof;
- 14) propose to the assembly an external auditor and review reports of external and internal audit;
- 15) perform other activities in compliance with the Articles of Association.

#### Meetings of the Board of Directors

##### Article 10g

The Lessor's board of directors shall meet at least quarterly.

Provisions of the law governing business companies which refer to the convening and holding meetings of the board of directors shall accordingly apply to the Lessor's board of directors, unless this Law provides otherwise.

#### Composition of the Board of Directors

##### Article 10h

The Lessor's executive board shall consist of not less than two members, including the president.

The president of the Lessor's executive board shall represent and act on behalf of the Lessor.

When reaching legal actions and undertaking legal transactions in the name and for the Lessor, the president of the executive board shall provide the signature of one member of the executive board

Members of the executive board are full time permanent employees of the Lessor.

Members of the Lessor's executive board must have appropriate qualifications, which are prescribed by the National Bank of Serbia, within the meaning of the Article 13c, paragraph 3 hereof.

A member of the Lessor's board of directors cannot be a member of the Lessor's executive board.

## Competence of the Executive Board

### Article 10i

Lessor's executive board shall:

- 1) carry out the decisions reached by the assembly and board of directors;
- 2) ensure legal compliance of the Lessor's activities;
- 3) make decisions regarding placements and indebtedness of the Lessor up to the amount determined by the board of directors;
- 4) propose to the board of directors general operating terms and conditions of the Lessor, as well as their amendments and supplements;
- 5) identify and measure risks the Lessor is exposed to in its business activities, and implement principles and procedures of risk management approved by the board of directors;
- 6) implement procedures of supervision of the activities, regularly evaluate and improve them, if necessary, in accordance with the business policy of the Lessor;
- 7) inform the board of directors on all activities which are not in compliance with regulations and other enactments of the Lessor;
- 8) submit to the board of directors quarterly and annual reports on the Lessor's business activities, balance sheet and income statement;
- 9) make decisions regarding any issues that are not in competence of the assembly and board of directors;
- 10) perform other activities in compliance with the Articles of Association.

The Lessor may outsource the activities referred to in paragraph 1, item 5 hereof to another financial sector person headquartered in the territory of the Republic of Serbia.

By outsourcing the activities indicated in paragraph 2 hereof, the executive board of the Lessor shall not be relieved of responsibility for the legality of such activities in compliance with this Law.

### **Article 10**

Title above the Article and Article 13 are deleted.

### **Article 11**

Title above Article 13a shall be added to read:

"License to Engage in Financial Leasing."

Article 13a shall be amended to read:

"Article 13a

The National bank of Serbia, upon the application of the Lessor's founder, shall issue the 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 Lessor;
- 2) data on the Lessor's founders and amount of their stakes/shares, as well as data on group of companies the founders belong to;

3) the verified statement issued by the Lessor in writing proving that it disposes of its own pecuniary portion in the amount referred to in Article 10a, paragraphs 3 and 4 hereof and that it will transfer it to the suspense account opened with a bank, supported by the proof on the origin of the funds;

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

5) the Lessor's work program for a three-year period;

6) list of nominated members of the board of directors/ executive board, as well as documentation proving the business reputation and professional qualifications of the concerned persons.

Notwithstanding paragraph 2 hereof, when the founder of the Lessor is a bank that is licensed by the National Bank of Serbia, the documentation stipulated in paragraph 2, items 2) and 3) hereof shall not be submitted along with the application for the license to engage in financial leasing.

In addition to the documentation referred to in paragraph 2 hereof, the National Bank of Serbia may require from the founders of the Lessor to submit additional documentation.

When considering the application and documentation referred to in paragraph 1 and 2 hereof, the National Bank of Serbia shall also assess the fulfillment of conditions for issuing license to engage in financial leasing, business reputation of the founders of the Lessor (except in case when the founder is a bank that is licensed by the National Bank of Serbia), qualification and business reputation of nominated members of the board of directors/ executive board of the Lessor.

The National Bank of Serbia shall reject the application referred to in paragraph 1 hereof, if:

1) founding act of the Lessor has not been compiled in line with regulations;

2) the pecuniary portion of the initial capital is lower than the required or pecuniary portion of that capital does not originate from the own funds the founders or founders have not provided adequate evidence on the origin of funds;

3) the financial standing of the founders is assessed as unsatisfactory in terms of providing adequate support to the business operations of the Lessor;

4) based on the submitted information, the structure of the group the founders belong to cannot be deemed transparent;

5) the proposed work program is not assessed as adequate;

6) the business reputation of the founders is not positively evaluated;

7) the person proposed as a member of the board of directors or executive board has no appropriate professional qualifications or professional quality, and/or adequate business reputation;

The National Bank of Serbia shall prescribe in more detail the requirements for obtaining the license to engage in financial leasing, the criteria for assessing the business reputation and financial standing of the founder, the criteria for assessing the qualifications and business reputation of the person proposed as a member of the board of directors or executive board of the Lessor.

The decision making procedure of the National Bank of Serbia regarding the request referred to in paragraph 1 hereof shall not exceed 60 days from the receipt of the request, and shall be concluded by the rendering of the decision.

The founders of the Lessor shall submit to the Business Registers Agency the application for the entry into the Register of business entities, along with the decision granting the license to engage in financial leasing, within seven days following the receipt of that decision.

If the National Bank of Serbia rejects the application referred to in paragraph 1 hereof, the person who filed the application cannot submit a new application for the license to engage in financial leasing within a year from the date of the application rejection.

The National Bank of Serbia may revoke the decision issuing the licence to engage in financial leasing, if it determines that the requirements according to which the aforementioned decisions has been reached are no longer complied with.“

## **Article 12**

Title above Article 13b shall be added to read:

“Consent Regarding Acquisition of Ownership over the Stakes/Shares of Lessors”

Article 13b shall be amended to read:

"Article 13b

No legal or natural person may acquire direct or indirect ownership over the stakes/shares of the Lessor that provide the owner of such stakes/shares 10% or more of voting rights without the consent granted by the National Bank of Serbia.

The National Bank of Serbia shall make a decision on the request regarding the acquiring of direct or indirect ownership over the stakes/shares of the Lessor that provide the owner of such stakes/shares 10% or more of voting rights in the Lessor.

The National Bank of Serbia shall reject the request referred to in paragraph 1 hereof, if:

- 1) the financial standing of the applicant is not satisfactory in terms of providing adequate support to the business operations of the Lessor;
- 2) the applicant, and/or the person providing the funds for the acquisition of the stakes/shares does not have a good business reputation;
- 3) based on the submitted information, the structure of the group the applicant belongs to cannot be deemed transparent;
- 4) it is not possible to identify the source of funds with which the applicant intends to acquire stakes/shares in the Lessor;

The National Bank of Serbia shall prescribe in more details the requirements for granting the consent to the acquiring of direct or indirect ownership over the stakes/shares of the Lessor that provide 10% or more of voting rights.

The decision making procedure of the National Bank of Serbia regarding the request referred to in paragraph 2 hereof shall not exceed 60 days from the receipt of the request, and shall be concluded by the rendering of the decision.

The person that acquired direct or indirect ownership over the stakes/shares of the Lessor that provide 10% or more of voting rights in the Lessor without the consent of the National Bank of Serbia, the National Bank of Serbia shall render a decision ordering the person to dispose of such property within the timeline specified in the decision and shall prohibit such person to realize voting rights in the Lessor and to exert influence over the management and business policy of the Lessor.

If the National Bank of Serbia rejects the application referred to in paragraph 2 hereof, the person who filed the application cannot submit a new application for the

consent to the acquisition of ownership rights over the stakes/shares in the Lessor within a year from the date of the application rejection.

The Lessor shall submit to the Business Registers Agency the application for the entry of the owner of the stakes/shares into the Register of business entities, along with the decision granting the consent to the acquisition of the stakes/shares in the Lessor, within seven days following the receipt of that decision.

### **Article 13**

Title above Article 13c shall be added to read:

“Consent to the Appointment of the Members of the Board of Directors  
and/or Executive Board”

Article 13c shall be amended to read:

"Article 13c

The Lessor shall submit to the National Bank of Serbia a request for granting the consent to the appointment of the members of the board of directors and/or executive board of the Lessor.

Together with the request referred to in paragraph 1 hereof, the Lessor shall submit the documentation proving that the person indicated in the request:

- 1) has the necessary professional qualifications;
- 2) has at least two years of work experience holding a managerial position in the financial sector or three years of work experience holding a managerial position in a business company, or four years of work experience in the field of finance;
- 3) has not been convicted of a criminal offence which makes him unworthy of the function of a member of the board of directors and/or executive board and that he was not pronounced a protective measure and/or security measure prohibiting the performance of the function, business activity, profession or duty.

The National Bank of Serbia shall prescribe in detail the requirements referred to in paragraph 2 of this Article, the manner of proving their fulfilment, and the manner of granting the consent indicated in paragraph 1 of this Article.

The National Bank of Serbia shall reject the request referred to in paragraph 1 hereof in the following cases:

- 1) if the proposed person does not meet the requirements regarding the professional qualifications and the prescribed experience in the managerial position referred to in paragraph 2 hereof;
- 2) if on the day of instigation of the bankruptcy proceedings and/or revocation of the operating license or six months prior to that day the proposed person was authorized to represent the business company, or that person was a member of a management and/or supervisory body of the business company whose predominant operation is financial intermediation, within the meaning of the law governing the classification of business operations, and against whom a bankruptcy proceeding was instigated or whose operating license was revoked – if the time period from the revocation of the operating license to the submission of the request is not longer than three years;
- 3) the proposed person has been convicted of a criminal offence and pronounced unconditional prison sentence or has been convicted of a criminal offence against the law on the basis of labour, property, economy, constitution and security of the Republic of Serbia, state bodies, judiciary, legal operations and

professional duty, or other punitive act which makes him unworthy of the conduct of such function

The decision making procedure of the National Bank of Serbia regarding the request referred to in paragraph 1 hereof shall not last more than 30 days from the receipt of the request, and shall be concluded by the rendering of the decision.

The Lessor's decision regarding the appointment of the members of the board of directors and/or executive board to which the National Bank of Serbia did not grant its consent shall be null and void.

The Lessor shall submit to the National Bank of Serbia the decision regarding the appointment of the members of the board of directors and/or executive board within seven days from the day when the decision was adopted.

The Lessor shall inform the National Bank of Serbia regarding the removal or resignation of a member of the board of directors and/or executive board within seven days from the day of the removal or resignation, stating the reasons thereof.

Notwithstanding paragraph 1 of this Article, the National Bank of Serbia shall, by the decision accepting the request for issuing the license to engage in the financial leasing transactions referred to in Article 13a of this Law, shall grant the consent to the appointment of the first members of the Lessor's board of directors.

#### **Article 14**

Title above Article 13d shall be added to read:

“Obligation to Inform the National Bank of Serbia“

Article 13d shall be amended to read:

"Article 13d

The Lessor shall submit to the National Bank of Serbia:

- 1) annual financial statements, together with the certified external auditor report - within 120 days from the end of the calendar year for which the report is submitted;
- 2) information regarding status and other changes which are registered with the Register of Business Entities - within ten days from the occurrence of the change;
- 3) other information prescribed in this Law and the pertaining by-laws – within the prescribed timelines;
- 4) other information at the request of the National Bank of Serbia – within the timeline set in the request of the National Bank of Serbia.

The National Bank of Serbia shall prescribe the content and form of the reports, the manner of their submission, and the timelines referred to in paragraph 1, points 3) and 4) of this Article.”

#### **Article 15**

Title above Article 13d shall be added to read:

“External Auditor”

Article 13d shall be amended to read:

"Article 13d

For the purpose of performing the audit of annual financial statements, the Lessor shall hire an external auditor.

The external auditor referred to in paragraph 1 of this Article shall mean an auditor that in compliance with the law governing accounting and audit meets the requirements for the performance of audit of large entities.

The external auditor may perform maximum five subsequent audits of annual financial statements at the Lessor.

The external auditor shall not perform the audit of the Lessor's financial statements and provide the Lessor with consultancy services in the same year, nor shall it perform the audit for the business year during which it provided the said services.

If the audit is performed by an external auditor that does not meet the requirements referred to in paragraph 2 of this Article, i.e. if the audit is performed contrary to the provisions of this Law and other regulations, the National Bank of Serbia shall not accept the audit report."

#### **Article 16**

Title above Article 13f shall be added to read:

"Reserves"

Article 13f shall be amended to read:

"Article 13f

The National Bank of Serbia may prescribe the grounds on which the Lessor shall be obligated to keep reserves on a special account opened with a bank.

By the regulation referred to in paragraph 1 of this Article, the National Bank of Serbia shall also prescribe the manner of determining the baseline for the calculation of the reserves, the reserves calculation ratio, time of calculation and allocation of the reserves, as well as the manner and the time for submitting the report on the calculated and allocated amount of reserves to the National Bank of Serbia.

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

#### **Article 17**

Title above Article 13g shall be added to read:

"Minimum Requirements for Entering into Leasing Agreement"

New paragraphs 1 and 2 shall be added in Article 13g to read:

"If the object of the Leasing Agreement is immovable goods, the Lessor shall not require the Lessee – a natural person, to pay participation.

In the case referred to in paragraph 1 hereof, the Leasing Agreement must contain a clause stating that the title to the Leasing Object is transferred from the Lessor to the Lessee after the expiry of time for which the agreement was concluded and after the total agreed amount of the leasing rentals has been paid."

Current paragraph 1 shall become paragraph 3.

#### **Article 18**

Title above Article 13h shall be added to read:

"Supervision of Lessor Operations"

Article 13h shall be amended to read:

"Article 13h

Supervision of Lessor operations shall be conducted by the National Bank of Serbia.

The supervision referred to in paragraph 1 hereof shall be conducted in the following manner:

- 1) off-site supervision of: reports, other documents and data that the Lessor submits to the National Bank of Serbia in compliance with the regulations or at the request of the National Bank of Serbia, as well as the data available to the National Bank of Serbia;
- 2) on-site supervision, inspection of business books and documentation of the Lessor, as well as other documentation.

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

- 1) sending a written letter of warning;
- 2) sending an ordering letter;
- 3) issuing orders for eliminating detected irregularities;
- 4) revoking the license to engage in financial leasing.

The National Bank of Serbia shall pronounce the measures referred to in paragraph 3 of this Article in the form of a decision.

By the decision referred to in paragraph 4 of this Article, the National Bank of Serbia may also pronounce a fine to the Lessor and to the responsible person thereof.

The fine referred to in paragraph 5 hereof pronounced to the Lessor shall not be lower than 3% nor higher than 20% of the minimum amount of the pecuniary portion of the initial capital referred to in Article 10a, paragraphs 3 and 4 of this Law.

The fine indicated in paragraph 5 of this Law pronounced to the person that performs the function of a member of the board of directors or executive board of the Lessor shall not be lower than the wage that was paid to that person in the previous months nor higher than the sum of the wages paid to the person in the previous six months.

The National Bank of Serbia shall prescribe in detail the terms and conditions of conducting the supervision of Lessor operations and pronouncing the measures laid down in this Article."

**Article 19**

Title above Article 13i shall be added to read:

"Revocation of the License to Engage in Financial Leasing"

Article 13i shall be amended to read:

"Article 13i

The National Bank of Serbia shall revoke the license to engage in financial leasing if:

- 1) the license was issued based on false and inaccurate data provided by the founder of the Lessor;

2) the Lessor ceases to comply with the requirements necessary for acquiring the license;

3) the Lessor fails to provide conditions for the conduct of supervision of its operations;

4) it has been found that the pecuniary portion of the Lessor's capital is less than the level prescribed hereunder.

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

1) the Lessor fails to submit the prescribed reports, documentation and other data on its operations in the manner and within deadlines prescribed;

2) the Lessor failed to implement measures ordered by the National Bank of Serbia which were specified in the relevant decision, within the given deadline.

The National Bank of Serbia shall submit the decision referred to in paragraph 1 of this Article to the Lessor and to the register of business entities.

When the National Bank of Serbia revokes the Lessor's license to engage in the financial leasing transactions, it shall immediately issue a decision on meeting the requirements for instigating the bankruptcy proceedings or the decision on the liquidation, in compliance with the law, which shall be submitted to the competent court and to the Deposit Insurance Agency established pursuant to a separate law (hereinafter referred to as: Deposit Insurance Agency).

The decision on meeting the requirements for instigating the bankruptcy proceedings against the Lessor shall be issued only when the liabilities of the Lessor in question exceed its property.

On the day of rendering the decision on revocation of the license to engage in financial leasing, the National Bank of Serbia shall simultaneously pronounce the measure of prohibition of disposal of the property until the initiation of the bankruptcy proceedings and/or liquidation.

As of the date of entering the decision from paragraph 1 and 2 hereof into the register of business entities, the Lessor whose license to engage in financial leasing has been revoked shall not conclude any new leasing agreements, while the rights and liabilities under the leasing agreements concluded prior to that date shall remain unchanged.

Legal transactions in the name and for the Lessor whose license to engage in financial leasing has been revoked, concluded in the period from rendering the decision on revocation of the license to the initiation of bankruptcy proceedings and/or liquidation shall be null and void."

#### **Article 20**

Title above Article 13j shall be added to read:

"Risk Monitoring and Measurement, Risk Management, Internal Control System and Activities"

Article 13j shall be amended to read:

"Article 13j

The Lessor shall organize and implement the internal control system so as to enable a continuous identification, measurement and assessment of risks that may adversely affect its operations.

The risks referred to in paragraph 1 hereof are particularly:

1) credit risk - the possibility of arising of negative effects on financial result and capital of the Lessor, caused by the Lessees' failure to fulfil their obligations to the Lessor;

2) operational risk - the possibility of arising of negative effects on financial result and capital of the Lessor caused by intentional or unintentional omissions in the employees' work, inadequate internal procedures and processes, inadequate management of information and other systems at the Lessor, as well as by unforeseeable external events;

3) liquidity risk – the possibility of arising of negative effects on financial result and capital of the Lessor caused by its incapability to fulfil its due obligations;

4) operations compliance risk - risk that arises as a consequence of non-compliance of the Lessor's operations with the law, by-laws, internal acts, procedures for prevention of money laundering and financing of terrorism, as well as the rules of occupation, good business practices and business ethics of the Lessor;

5) market risk - the possibility of arising of negative effects on financial result and capital of the Lessor, caused by the changes in the interest rates, exchange rate and other market risks;

6) market risk - the possibility of arising of negative effects on financial result and capital of the Lessor, caused by the changes in the interest rates, exchange rates and other market risks;

The Lessor shall in its enactments prescribe procedures for identification, measurement, and assessment of risks as well as management of risks in compliance with regulations, standards and rules of occupation.

The enactments referred to in paragraph 3 hereof shall contain:

- 1) procedures for identification, measurement, and assessment of risks;
- 2) Procedures for risk management;
- 3) Procedures enabling supervision and consistent implementation of all internal procedures of the Lessor related to risk management;
- 4) procedures for regular reporting to the competent bodies and the National Bank of Serbia on risk management.

The National Bank of Serbia may prescribe detailed criteria for identification, measurement, and assessment of risks the Lessor is exposed to in its operations, including the manner of calculating individual indicators of the Lessor's performance regarding the risk management, as well as the limitations pertaining to such risks.

The Lessor may outsource the activities of the risk identification, measurement, assessment and management to another financial sector person headquartered in the territory of the Republic of Serbia.

Financial sector person, within the meaning of paragraph 6 hereof has the meaning laid down in the law governing the operations of banks.

By outsourcing the activities indicated in paragraph 6 hereof, the board of directors of the Lessor shall not be relieved of responsibility for the legality of such activities in compliance with this Law.

## **Article 21**

After Article 13j, titles above the articles and Articles 13k and 13l shall be added to read:

"Internal Audit

"Article 13k

Internal audit activities shall be performed at the Lessor.

Internal audit activities shall particularly include:

- 1) assessment of the adequacy and reliability of the Lessor's system of internal control;
- 2) proposing of conditions under which the risks are adequately identified and supervised;
- 3) determining the deficiencies in the activities of the Lessor and its employees;
- 4) control of accuracy of the overviews of the risk management policies and internal control systems that are submitted to the National Bank of Serbia.

The Lessor shall ensure the internal audit whose task is to examine, evaluate and monitor the adequacy and efficiency of the internal controls system, in compliance with this Law.

The National Bank of Serbia may prescribe detailed terms and manner of performing internal audit.

The Lessor may outsource the activities of the internal audit to another financial sector person headquartered in the territory of the Republic of Serbia.

Financial sector person, within the meaning of paragraph 5 hereof has the meaning laid down in the law governing the operations of banks.

By outsourcing the activities indicated in paragraph 5 hereof, the board of directors of the Lessor shall not be released from responsibility for the legality of such activities in compliance with this Law.

**Bankruptcy and Liquidation of Lessors**

**Article 13l**

Deposit Insurance Agency shall perform the function of the bankruptcy and/or liquidation administrator of the Lessor, in conformity with the law.

In the bankruptcy and/or liquidation proceedings of the Lessor, the bankruptcy and/or liquidation proceeds shall not include the immovable goods being the object of the Leasing Agreement.

Provisions of the law governing bankruptcy and liquidation proceedings of insurance companies shall accordingly apply to the bankruptcy and/or liquidation proceedings of lessors, unless otherwise prescribed by this Law.

In the bankruptcy proceedings of lessors the provisions of the law governing the bankruptcy proceedings of business entities shall apply to the sequence of the settlement of creditors.

Voluntary liquidation proceedings shall be conducted, with approval of the National Bank of Serbia, over a Lessor whose assembly has rendered a decision on dissolution of such entity. Provisions of the law governing voluntary liquidation proceedings of insurance companies shall accordingly apply to the voluntary liquidation proceedings of lessors.

**Article 22**

New paragraph 2 shall be added in Article 14 to read:

“The Lessor may not place a mortgage on immovable goods that are the object of financial leasing.

**Article 23**

In Article 22, paragraph 1, after the wording: “third party” a hyphen shall be added followed by the words: “the Lessor within the meaning of this Law.”

**Article 24**

After Article 42, Chapter VIA and Article 42a shall be added to read:

“Chapter VIA

APPLICATION OF THE LAW GOVERNING THE PREVENTION OF THE MONEY  
LAUNDERING AND TERRORISM FINANCING

Article 42a

When signing a Leasing Agreement and Supply Agreement, as well as during the effectiveness of the rights and obligations arising thereof, the Lessor shall implement the measures for the prevention and detection of money laundering and terrorism financing, laid down in the provisions of the law governing the prevention of money laundering and terrorism financing.

National Bank of Serbia may prescribe detailed terms and conditions and the manner how the Lessor determines the identity of the

**Article 25**

Title above Article 51g shall be added to read:

“Commercial Offence“

Article 51g shall be amended to read:

Article 51g

A fine from 300,000 to 3,000,000 dinars shall be pronounced for a criminal offence to:

- 1) a legal person, if it engages in financial leasing and does not meet the requirements indicated in Article 10 of this Law (Article 10);
- 2) legal or natural person that acquired direct or indirect ownership over the stakes/shares of the Lessor that provide 10% or more of voting rights without the consent of the National Bank of Serbia (Article 13b, paragraph 1).

The responsible person in the legal entity shall also be fined from 20,000 to 200,000 dinars for the commercial offence referred to in paragraph 1 hereof.

For the commercial offence referred to in paragraph 1 hereof, the court may, in addition to the fine, also deliver a security measure of prohibiting the legal entity to perform business operations for the period from six months to ten years.

**Article 26**

Title above Article 51h shall be added to read:

“Offences“

Article 13h shall be amended to read:

"Article 51h

The Lessor shall be fined from 100,000 to 1,000,000 dinars if:

1) it does not submit to the National Bank of Serbia the documentation referred to in Article 13d and Article 13f, paragraph 2 of this Law in the manner and within the timelines specified (Article 13d and Article 13f, paragraph 2);

2) it does not allocate reserves in compliance with the enactment of the National Bank of Serbia referred to in Article 13f, paragraph 1 of this Law (Article 13f, paragraph 1);

3) it does not submit to the Agency the documentation referred to in Article 13a, paragraph 9, Article 13b, paragraph 8 and Article 49, paragraph 1 of this Law within the timelines specified (Article 13a, paragraph 9, Article 13b, paragraph 8 and Article 49, paragraph 1);

For the activities referred to in paragraph 1 hereof, the responsible person in the Lessor shall also be fined for offence from 10,000 to 50,000 dinars.

#### **Article 27**

The National Bank of Serbia shall pass the regulations referred to in Articles 11, 12, 13, 14 and 18 of this Law within six months from the effective date of this Law.

#### **Article 28**

Lessors that are licensed by the National Bank of Serbia to engage in financial leasing, in compliance with the Law on Financial Leasing ("RS Official Gazette" No. 55/2003 and 61/05) shall bring their business activities in compliance with the provisions thereof within one year following the date of entry into force this Law.

The adjustment of business activities referred to in paragraph 1 hereof shall include the Lessor's obligation to:

1) pay the lacking amount of the initial capital specified in Article 9 hereof (the newly proposed Article 10a);

2) align the Articles of Association with the provisions of Article 9 hereof (the newly proposed Article 10b) and set up the bodies referred to in the said Article;

3) obtain the consents of the National Bank of Serbia referred to in Article 13 of this Law (newly proposed Article 13c).

If the Lessor indicated in paragraph 1 of this Article does not bring its business activities in compliance with the provisions of this Law within the timeline specified in paragraph 1 of this Article, the National Bank of Serbia shall render a decision revoking the Lessor's license to engage in financial leasing .

#### **Article 29**

Regulations adopted on the basis of the Law on Financial Leasing ("RS Official Gazette" No. 55/03 and 61/05) shall be applicable until the regulations passed on the basis of this Law begin to apply, if they are not in conflict with this Law.

#### **Article 30**

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