

LAW ON THE NATIONAL BANK OF SERBIA
(consolidated)¹

I. BASIC PROVISIONS

Article 1

This Law shall govern the status, organisation, powers and tasks of the National Bank of Serbia, as well as the relations between the National Bank of Serbia and the bodies of the Republic of Serbia, international organisations and institutions.

The liabilities of the National Bank of Serbia shall be guaranteed by the Republic of Serbia.

Article 2

The National Bank of Serbia shall be the central bank of the Republic of Serbia, performing the tasks set forth by this and other law.

The National Bank of Serbia shall be autonomous and independent in carrying out its tasks as laid down by this and other law and shall be subject to oversight by the National Assembly, to which it shall also be accountable for its work.

In carrying out their tasks, the National Bank of Serbia, the bodies of the National Bank of Serbia and the members of those bodies shall neither seek nor take instructions from government bodies and institutions, or other persons.

Government bodies and institutions, and other persons may not threaten the autonomy and independence of the National Bank of Serbia nor seek to influence the National Bank of Serbia, the bodies of the National Bank of Serbia, or the members of these bodies in carrying out their tasks.

Article 3

The primary objective of the National Bank of Serbia shall be to achieve and maintain price stability.

Without prejudice to its primary objective, the National Bank of Serbia shall contribute to the maintenance and strengthening of the stability of the financial system.

Without prejudice to its objectives referred to in paragraphs 1 and 2 of this Article, the National Bank of Serbia shall support the pursuance of economic policy of the Government of the Republic of Serbia (hereinafter: the Government), operating in accordance with the principles of a market economy.

¹ The consolidated version was prepared based on the laws published in the “RS Official Gazette”, Nos 72/2003, 55/2004, 85/2005 – other Law and 44/2010.

Article 4

The tasks of the National Bank of Serbia shall be to:

- 1) determine and implement the monetary and foreign exchange policies;
- 2) manage foreign exchange reserves;
- 3) define and implement, within its scope of authority, the activities and measures aimed at maintaining and strengthening the stability of the financial system;
- 4) issue and revoke operating licenses for banks, carry out prudential supervision of bank operations, and perform other activities in accordance with the law governing banks;
- 5) issue and revoke licenses for the performance of the insurance business, exercise supervision of such business, issue and revoke authorisations for the conduct of specific activities within the insurance business and perform other activities in accordance with the law on insurance;
- 6) issue and revoke licenses for the performance of leasing operations, exercise supervision of such operations and perform other activities in accordance with the law on leasing;
- 7) issue and revoke operating licenses of voluntary pension fund management companies, issue and revoke fund management licenses, exercise supervision of this business and perform other activities in accordance with the law governing voluntary pension funds;
- 8) issue banknotes and coins and manage cash flows;
- 9) regulate, oversee and promote smooth operation of the payment system;
- 10) perform statutory tasks or tasks established by contracts for the Republic of Serbia without threatening thereby the autonomy and independence referred to in Article 2 of this Law.

Article 5

The National Bank of Serbia shall have legal personality.

The National Bank of Serbia shall not be subject to registration in the registry of legal entities.

The seat of the National Bank of Serbia shall be in Belgrade.

The National Bank of Serbia shall have a seal featuring the name of the Republic of Serbia and the name and seat of the National Bank of Serbia, as well as the Great Coat of Arms of the Republic of Serbia.

Article 6

The National Bank of Serbia shall have its By-Law, published in the “Republic of Serbia Official Gazette”.

Article 7

The National Bank of Serbia may set up branches.

The internal organisation, scope of activities, rights and responsibilities of branches shall be set forth by the National Bank of Serbia's By-Law.

Article 8

A specialised organisation manufacturing banknotes and coins shall operate within the National Bank of Serbia under the name: the National Bank of Serbia – Institute for Manufacturing Banknotes and Coins – Topčider, its tasks and responsibilities laid down by this Law and the National Bank of Serbia's By-Law.

Article 9

The National Bank of Serbia shall be managed by the Governor of the National Bank of Serbia.

The Governor of the National Bank of Serbia shall represent and act on behalf of the National Bank of Serbia.

The National Bank of Serbia shall have two to four Vice-Governors.

Article 10

In the performance of its tasks, the National Bank of Serbia shall cooperate with the Government and other state institutions and shall, without prejudice to achieving its objectives, undertake measures within its scope of authority to promote that cooperation.

Article 11

The National Bank of Serbia may be a member of international financial organisations and institutions and may cooperate with foreign central banks, regulatory bodies as well as financial and credit institutions, and shall submit reports thereon to the National Assembly on a regular quarterly basis or more frequently if needed, for the purpose of pursuing its primary objective and performing its tasks.

Without prejudice to achieving its objectives, the National Bank of Serbia may act for and on behalf of the Republic of Serbia in international financial organisations and institutions and other forms of international cooperation with the consent of the Government.

II. BODIES OF THE NATIONAL BANK OF SERBIA

Article 12

Bodies of the National Bank of Serbia shall be:

- 1) the Executive Board of the National Bank of Serbia (hereinafter: the Executive Board);
- 2) the Governor of the National Bank of Serbia (hereinafter: the Governor);
- 3) the Council of the Governor of the National Bank of Serbia (hereinafter: the Council).

Within their scope of authority laid down by this Law, the Executive Board and the Governor shall be responsible for achieving the objectives of the National Bank of Serbia.

Executive Board

Article 13

The Executive Board shall consist of the Governor and the Vice-Governors of the National Bank of Serbia (hereinafter: the Vice-Governors).

Article 14

The Executive Board shall define the monetary and foreign exchange policies, as well as the activities aimed at maintaining and strengthening the stability of the financial system, and shall determine in particular:

- 1) the monetary policy programme of the National Bank of Serbia;
- 2) the manner of setting the interest rates of the National Bank of Serbia and the manner of calculation, collection and payment of interest on placements and other receivables of the National Bank of Serbia, as well as on the funds the National Bank of Serbia pays interest on;
- 3) terms and conditions of issuing securities of the National Bank of Serbia;
- 4) terms and conditions under which the National Bank of Serbia performs open market operations and discount activities;
- 5) short-term loan policy;
- 6) dinar exchange rate policy;
- 7) the required reserve base and ratio, as well as the terms, conditions and time limits for the allocation and use of banks' required reserves;
- 8) the strategy and policy of foreign exchange reserves management, as well as guidelines for foreign exchange reserves management;
- 9) other instruments and measures of monetary and foreign exchange policies;
- 10) measures for maintaining the liquidity of banks;
- 11) measures and activities within the scope of authority of the National Bank of Serbia aimed at maintaining and strengthening the stability of the financial system.

The regulations of the National Bank of Serbia from paragraph 1 of this Article shall be published in the “Republic of Serbia Official Gazette”.

The Executive Board shall set the key policy rate and other interest rates applied by the National Bank of Serbia in implementing monetary policy.

Article 15

The Executive Board shall enact regulations of the National Bank of Serbia relating to supervisory tasks, in accordance with laws regulating the performance of such tasks.

The regulations from paragraph 1 of this Article shall be published in the “Republic of Serbia Official Gazette”.

The Executive Board shall decide by resolution to:

- 1) grant preliminary approvals, as well as issue and revoke banks’ operating licenses;
- 2) issue to and revoke from insurance companies licenses for carrying out insurance business;
- 3) issue and revoke licenses for carrying out leasing operations;
- 4) issue to and revoke from companies managing pension funds the licenses for operating and managing such funds.

As the Chairman of the Executive Board, the Governor shall sign resolutions from paragraph 3 of this Article.

Article 16

The meetings of the Executive Board shall be held as often as deemed necessary, but no less than once a month.

The meetings of the Executive Board shall be held if at least three members of the Executive Board are present.

The meetings of the Executive Board shall be chaired by the Governor.

The Executive Board shall take decisions by a majority vote of all members. In the event of a tie, the Governor shall have the casting vote.

No member of the Executive Board may abstain from voting.

The minister in charge of finance shall be invited to attend the meetings of the Executive Board, and shall participate in deliberations without the right to vote.

The Executive Board shall adopt its Rules of Procedure, regulating in particular the manner of convening and holding a meeting, matters to be discussed at a meeting and other matters relating to the work of the Executive Board.

Governor and Vice-Governors

Article 18

The Governor shall:

- 1) manage the operations of the National Bank of Serbia and organise its work;
- 2) implement decisions of the Executive Board and of the Council;
- 3) enact regulations, general and individual acts falling within the scope of authority of the National Bank of Serbia, which are not assigned by law to the authority of the Executive Board and the Council;
- 4) propose regulations, general and individual acts to be enacted by the Executive Board and the Council, unless otherwise provided by this Law;
- 5) regulate the internal organisation of the National Bank of Serbia and the classification of jobs in the National Bank of Serbia, as well as labour relations of employees in the National Bank of Serbia (hereinafter: the employees);
- 6) appoint and relieve of duty employees who manage organisational units in the National Bank of Serbia (hereinafter: the managing staff);
- 7) perform other tasks laid down in this and other laws in a manner that does not conflict with the objectives stipulated in Article 3 of this Law.

The regulations from paragraph 1, point 3) of this Article shall be published in the "Republic of Serbia Official Gazette".

Article 19

The Governor shall be appointed by the National Assembly upon the proposal of the President of the Republic of Serbia.

The Governor shall be appointed for a six-year renewable term of office.

The person eligible to the office of Governor shall be the national of the Republic of Serbia, shall meet the general requirements for employment, shall hold a university degree and shall have at least ten years of professional experience in the fields of economics, banking or finance.

The person appointed Governor shall enter into employment with the National Bank of Serbia.

Article 20

The Governor may not:

- 1) be a deputy to the National Assembly, member of the Government or a body or authority established by the National Assembly or the Government, or hold office in a political organisation, and/or perform the tasks of a body or those of a member of a body of an autonomous province, local government unit or trade union, and/or perform any other public function or hold a public office;
- 2) be a member of a managing, executive or supervisory board or of any other body of a bank, insurance company, leasing provider, voluntary pension fund management company, auditing firm or other entity that the National Bank of Serbia supervises or cooperates with in carrying out its tasks, nor may he be employed by or be an associate of any such entity;
- 3) hold shares, equity interest or debt securities of banks, insurance companies, leasing providers, voluntary pension fund management companies, audit firms or other legal entities that the National Bank of Serbia supervises or cooperates with in the performance of its tasks;
- 4) hold shares, equity interest or debt securities of legal entities that hold participation in banks, insurance companies, leasing providers, voluntary pension fund management companies, audit firms or other legal entities that the National Bank of Serbia supervises or cooperates with in performance of its tasks.

Participation within the meaning of paragraph 1 of this Article means direct or indirect right or possibility to exercise voting rights in a legal entity, and/or direct or indirect ownership interest in the capital of such legal entity.

The Governor may not be a person connected to the persons who perform tasks or activities referred to in paragraph 1, points 1) and 2) of this Article, and/or persons who hold shares, equity interest or debt securities referred to in points 3) and 4) of that paragraph.

If the Governor holds shares, equity interest or debt securities referred to in paragraph 1, points 3) and 4) of this Article, he shall alienate them within three months from the day of his appointment.

The Governor shall immediately upon his appointment submit a written statement to the National Assembly that he and persons connected to him do not exercise functions and perform activities from paragraph 1, points 1) and 2) of this Article and do not hold shares, equity interest or debt securities referred to in points 3) and 4) of that paragraph, and that if he holds any of these, he shall alienate them within the time limit set forth in paragraph 4 of this Article.

A connected person within the meaning of paragraphs 3 and 5 of this Article is defined in the law on the conflict of interests in the exercise of public functions.

In the event referred to in paragraph 4 of this Article, the Governor shall submit to the National Assembly a written statement within three months from the date of his

appointment that he no longer holds shares, equity interest or debt securities from paragraph 1, points 3) and 4) of this Article.

The Governor shall act in full compliance with the regulations governing the conflict of interests in the exercise of public functions.

Article 21

The Vice-Governors shall be appointed by the Council, upon the proposal of the Governor.

The Vice-Governors shall be appointed for a six-year renewable term of office.

The provisions of Article 19, paragraphs 3 and 4 and Article 20 of this Law shall apply accordingly to the appointment, incompatibility of office and conflict of interest of Vice-Governors.

Specific tasks that the Governor may confer upon Vice-Governors shall be regulated in detail by the By-Law of the National Bank of Serbia (hereinafter: the By-Law).

At the beginning of his term of office, the Governor shall designate a Vice-Governor to act in his place with the same rights and duties when he is prevented from performing his tasks.

The Council

Article 22

The Council shall consist of five members, including the president, appointed by the National Assembly upon the proposal of the committee of the National Assembly in charge of finance (hereinafter: the Finance Committee).

Members of the Council shall be appointed for a six-year renewable term of office.

Members of the Council shall not be employees of the National Bank of Serbia.

The provisions of Article 19, paragraph 3 and Article 20 of this Law shall apply accordingly to the appointment, incompatibility of office and conflict of interest of the Council members.

Apart from the conditions from Article 19, paragraph 3 of this Law, at least one member of the Council must have no less than ten years of work experience in accounting or auditing.

Article 23

The Council shall:

- 1) adopt the By-Law, upon the proposal of the Executive Board;
- 2) determine the exchange rate regime for the dinar upon the proposal of the Executive Board and with the Government's consent;
- 3) adopt the financial plan of the National Bank of Serbia;
- 4) adopt annual financial statements of the National Bank of Serbia;
- 5) appoint an external auditor, consider the external auditor's report and monitor the implementation of audit recommendations in the National Bank of Serbia;
- 6) oversee the system of financial reporting, risk management and internal controls in the National Bank of Serbia;
- 7) assess the adequacy of accounting policies and procedures adopted in the National Bank of Serbia;
- 8) adopt an annual plan of internal audit in the National Bank of Serbia (hereinafter: internal audit) and periodically consider internal audit reports;
- 9) oversee the performance of internal audit and compliance in the National Bank of Serbia;
- 10) adopt the development strategy of the National Bank of Serbia, proposed by the Executive Board, and monitor its implementation.

The Council shall submit a report on its work to the National Assembly as often as deemed necessary, but no less than once a year.

Article 24

At least once every three months, the Governor shall submit to the Council a report on implementation of monetary policy, issuance and revocation of operating licenses and the exercise of supervisory tasks of the National Bank of Serbia referred to in Article 4, points 4) to 7) of this Law, and on the enactment of regulations within the scope of authority of the National Bank of Serbia.

For the purpose of carrying out the operations laid down in Article 23 of this Law, the Council may request from the Governor to submit appropriate documents and data originating from the activities of the National Bank of Serbia.

Article 25

The meetings of the Council shall be held as often as deemed necessary, but at least once every two months.

The meetings of the Council shall be held if at least three Council members are present.

The Council shall take decisions by a majority vote of all members.

No member of the Council may abstain from voting.

The Council shall adopt its Rules of Procedure, regulating in particular the manner of convening and holding a meeting, matters to be discussed at a meeting and other matters relating to the work of the Council.

Termination of office

Article 26

The office of the Governor, Vice-Governors and members of the Council (hereinafter: officials of the National Bank of Serbia) shall terminate by the expiry of their term of office, and prior to expiry of their term of office – if they submit their resignation in writing, if they reach the statutory retirement age, as well as in the case of dismissal.

Article 27

The Governor and Council members shall submit letters of resignation to the National Assembly and shall notify the Council thereof without delay.

The Vice-Governors shall submit letters of resignation to the Council and shall notify the Governor thereof without delay.

The term of office of the Governor and/or Council member who has resigned shall terminate by appointment of a new Governor and/or Council member.

The term of office of the Vice-Governor who has resigned shall terminate by appointment of a new official, and/or by expiry of six months from the date of the submitted resignation, unless a new official is appointed during this time interval.

The term of office of an official of the National Bank of Serbia shall terminate by discontinuation of employment due to reaching the statutory retirement age, of which the Governor and members of the Council shall notify the National Assembly and the Council, and Vice-Governors shall notify the Council – at least six months prior to reaching the statutory retirement age.

The Council shall acknowledge the termination of office of the Governor and Vice-Governors, and the Finance Committee shall acknowledge the termination of office of a Council member – if an official of the National Bank of Serbia resigns or his employment is discontinued due to reaching the statutory retirement age.

Article 28

The official of the National Bank of Serbia shall be dismissed:

1) if he was sentenced by a final court decision for a business crime, or an offence against labour rights, property, government institutions, judiciary, public order and legal

procedures and official duty or for a crime by unconditional imprisonment longer than six months;

2) if it is established that his unprofessional and conscienceless performance of tasks and serious misconduct in the adoption and implementation of decisions or in the organisation of operations of the National Bank of Serbia have resulted in substantial deviations from the accomplishment of its primary objective referred to in Article 3 of this Law;

3) if, on the basis of findings and opinions of the competent medical institution, it is established that due to his health status he has permanently lost the capacity to work or is temporarily incapacitated to perform his duties for a period longer than six months;

4) if he fails to submit or submits a false statement regarding the information referred to in Article 20, paragraph 5 of this Law, or acts contrary to the provisions of paragraph 1 of that Article;

5) if it is established that he does not meet the requirements for appointment referred to in Article 19 of this Law.

The reasons for the dismissal of the Governor and Vice-Governors shall be examined by the Council, while the reasons for the dismissal of a member of the Council shall be examined by the Finance Committee.

If the Council or the Finance Committee finds that one of the reasons for the dismissal of the Governor or member of the Council is satisfied, it shall without delay submit an elaborated notification thereof to the President of the Republic of Serbia and the National Assembly, or to the Speaker of the National Assembly.

In assessing whether the reasons referred to in paragraph 1 of this Article are satisfied, the Council shall seek a statement from the Governor and/or Vice-Governor, while the Finance Committee shall seek a statement of the Council member.

The Council shall submit the Governor's statement to the National Assembly together with the notification referred to in paragraph 3 of this Article, while the Finance Committee shall submit the statement of the Council member to the Speaker of the National Assembly.

The National Assembly shall take a decision on the dismissal of the Governor and members of the Council based on the elaborated notification referred to in paragraph 3 of this Article.

The Council shall take a decision on the dismissal of a Vice-Governor, if it finds that the reasons for the dismissal are satisfied.

The office of the official of the National Bank of Serbia shall terminate by adoption of the decision on dismissal. An administrative dispute may be conducted against this decision; however, any action against such a decision may neither prevent nor postpone its implementation.

Article 29

The official of the National Bank of Serbia may not, for six months after termination of office, get employed with a bank or other legal entity that the National Bank of Serbia supervises or cooperates with in the performance of its tasks.

The Governor and Vice-Governors shall be entitled to remuneration in case of expiry of their term of office, resignation or dismissal for the reasons set forth in Article 28, paragraph 1, point 3) of this Law, equal to the earnings paid out in the month preceding the expiry of the term of office or taking of the decision on dismissal – until new employment, but not after the expiry of the term from paragraph 1 of this Article.

III. DETERMINATION AND IMPLEMENTATION OF MONETARY POLICY

Measures and instruments of monetary and foreign exchange policies

Article 34

The National Bank of Serbia shall determine and implement monetary and foreign exchange policies in the Republic of Serbia by:

- 1) setting the key policy rate and other interest rates of the National Bank of Serbia;
- 2) issuing securities;
- 3) conducting open market operations;
- 4) performing discount operations;
- 5) independently pursuing the dinar exchange rate policy and determining the dinar exchange rate regime, with the consent of the Government;
- 6) granting short-term loans;
- 7) setting the banks' required reserves to be held with the National Bank of Serbia;
- 8) determining measures for maintaining the liquidity of banks;
- 9) enacting regulations and taking measures and other activities in the field of foreign exchange transactions laid down by this and other law;
- 10) determining other monetary and exchange rate policy instruments and measures;
- 11) performing other tasks stipulated in this and other law, provided they are not contrary to the objectives referred to in Article 3 of this Law.

Issuance of securities and open market operations

Article 35

The National Bank of Serbia may issue short-term securities denominated in domestic or foreign currency on the basis of a decision setting forth the amount of the issue, maturities, and other terms for issuing securities, as well as the manner of placement and payment of those securities.

For the purposes of foreign exchange reserves management, the National Bank of Serbia may also issue long-term securities denominated in domestic or foreign currency. The National Bank of Serbia shall enact a decision on the issue of such securities, setting forth the purpose, the amount of the issue and maturities of such securities, as well as the terms and manner of their issue, placement and payment.

Article 36

The National Bank of Serbia shall conduct open market operations through purchase and sale of securities, as well as through performance of other operations with such securities and other financial instruments.

The National Bank of Serbia shall prescribe the type and quality of the securities and other financial instruments referred to in paragraph 1 of this Article, as well as the terms and manner of conducting its open market operations.

Discount operations

Article 37

The National Bank of Serbia may purchase securities from banks.
The National Bank of Serbia may sell purchased securities referred to in paragraph 1 of this Article prior to their maturity.

The National Bank of Serbia shall determine the type and quality of securities referred to in paragraph 1 of this Article, as well as the terms and manner of their purchase and sale.

Granting of short-term loans

Article 38

The National Bank of Serbia may grant loans to banks with maturity up to one year, against the collateral of securities, foreign exchange and other determined types of collateral.

The National Bank of Serbia shall determine the type and quality of the collateral for the loans referred to in paragraph 1 of this Article, as well as the terms and manner of granting those loans.

Required reserves

Article 40

The National Bank of Serbia shall determine the amount of required reserves of banks by prescribing the reserve ratio, types of deposits and other liabilities the ratio is applied to.

The National Bank of Serbia may also determine required reserves of banks on the increase in certain types of deposits and other liabilities, as well as on banks' off-balance-sheet liabilities.

The National Bank of Serbia may also set different reserve ratios, depending on the types and maturities of deposits and other liabilities.

The National Bank of Serbia shall lay down the terms and manner of calculating and allocating required reserves in further detail.

The key policy rate and other interest rates

Article 41

The National Bank of Serbia shall determine the key policy rate and publish this rate on its website.

The National Bank of Serbia shall set the interest rates on placements and other receivables of the National Bank of Serbia, as well as the interest rates on the funds on which the National Bank of Serbia pays interest, and prescribe the manner of interest calculation, collection, and payment.

Other receivables referred to in paragraph 2 of this Article shall also include the funds allocated with the National Bank of Serbia that are lower than prescribed.

Measures for maintaining liquidity of banks and other financial institutions

Article 42

For the purposes of maintaining the liquidity of banks, the National Bank of Serbia may prescribe:

- 1) the terms and manner of granting deposit and lending facilities;
- 2) the terms and manner of securing liquidity of payments of deposits of natural persons and legal entities with banks;
- 3) other measures for maintaining bank liquidity.

Regulations, measures and activities in the field of foreign exchange transactions

Article 43

The National Bank of Serbia shall autonomously pursue the dinar exchange rate policy.

The National Bank of Serbia shall determine the dinar exchange rate regime with the consent of the Government.

The decision of the National Bank of Serbia on determining the dinar exchange rate regime shall be published in the “Republic of Serbia Official Gazette”.

Article 44

The National Bank of Serbia shall purchase and sell foreign exchange and foreign currency cash in the foreign exchange market, in accordance with the determined dinar exchange rate regime, for the purposes of implementing its monetary policy and/or for the purposes of maintaining its foreign exchange reserves at an adequate level.

The National Bank of Serbia may also purchase and sell foreign exchange and foreign currency cash in the foreign exchange market for the purposes of maintaining external payments liquidity.

The National Bank of Serbia may perform exchange transactions for banks by converting foreign exchange into foreign currency cash and foreign currency cash into foreign exchange.

Article 45

The National Bank of Serbia shall prescribe:

- 1) the terms and manner of the National Bank of Serbia’s intervention in the foreign exchange market;
- 2) the type of foreign exchange and foreign currency cash to be purchased and sold in the foreign exchange market;
- 3) the terms and conditions of conversion of foreign currencies;
- 4) other measures relating to foreign exchange operations with a view to implementing the defined dinar exchange rate policy.

Article 46

The National Bank of Serbia may, in accordance with the determined monetary policy, require the banks to hold a certain amount in foreign currency on an account with the National Bank of Serbia or with foreign banks.

The National Bank of Serbia may, in accordance with the determined monetary policy, prescribe other measures for maintaining external payments liquidity.

Article 47

The National Bank of Serbia may take foreign currency deposits from domestic and foreign banks.

The National Bank of Serbia may open accounts abroad for the purposes of performing the tasks set forth by law.

Article 48

The National Bank of Serbia may, for the purposes of bridging current imbalances in the inflow and outflow of foreign exchange, borrow abroad in its own name and for its own account, with maturities up to one year.

Notwithstanding paragraph 1 of this Article, the National Bank of Serbia may borrow from the International Monetary Fund with maturities over one year.

Article 49

The foreign exchange reserves of the National Bank of Serbia shall include:

- 1) receivables in foreign exchange on the accounts of the National Bank of Serbia kept abroad;
- 2) securities on the accounts of the National Bank of Serbia abroad;
- 3) special drawing rights and the reserve position with the International Monetary Fund;
- 4) gold and other precious metals;
- 5) foreign currency cash.

Article 50

The National Bank of Serbia shall manage foreign exchange reserves in accordance with the principles of liquidity and safety.

The National Bank of Serbia shall decide on establishing and using the foreign exchange reserves, as well as on managing and disposing of these reserves in line with monetary and foreign exchange policies and guidelines for managing foreign exchange reserves, in the manner that shall contribute to the smooth settlement of external obligations of the Republic of Serbia.

Article 51

The National Bank of Serbia shall purchase and sell abroad foreign exchange, foreign currency cash, securities and other types of assets so as to secure an appropriate asset and currency structure of foreign exchange reserves.

The National Bank of Serbia may purchase and sell dinars abroad.

Article 52

For the purposes of this Law, gold shall mean gold bars, gold on the accounts of the National Bank of Serbia abroad and coined gold.

The National Bank of Serbia may export and take out of the country, and import and bring into the country from abroad, gold bars and gold in unprocessed and coined form.

The National Bank of Serbia may purchase and sell gold bars in the country, and may also use the service of re-melting and casting of gold bars.

Issue of banknotes and coins and cash flow management

Article 53

The legal tender of the Republic of Serbia shall be the dinar, consisting of 100 paras.

The National Bank of Serbia shall have the exclusive right to issue banknotes and coins in the Republic of Serbia.

Article 54

All pecuniary obligations arising from transactions between companies, other domestic legal entities and citizens in the Republic of Serbia shall be denominated in dinars and effected by dinar-denominated means of payment, unless otherwise stipulated by law.

Article 55

The National Bank of Serbia shall issue banknotes and coins, determine denominations and basic features of banknotes and coins.

Titles and texts on banknotes and coins shall be written in both Cyrillic and Latin alphabets.

The National Bank of Serbia shall take decisions on placing in and withdrawing from circulation of banknotes and coins.

Article 56

The Governor shall determine the manner of and conditions for the withdrawal of worn-out banknotes and the replacement of damaged banknotes and coins, the cost of which shall be borne by the National Bank of Serbia.

Article 57

Subject to prior consent of the Government, the National Bank of Serbia shall decide on the issuance of banknotes for the country's extraordinary needs due to a state of war or state of emergency.

Article 58

Counterfeit banknotes and counterfeit or damaged (punched) coins shall not be legal tender.

If banknotes and coins that are legal tender in the Republic of Serbia or foreign banknotes are suspected of being counterfeit, the National Bank of Serbia shall establish their authenticity.

Banknotes and coins referred to in paragraph 1 of this Article shall be delivered to the National Bank of Serbia without any compensation.

The National Bank of Serbia shall prescribe the manner of acting with the banknotes and coins referred to in paragraph 2 of this Article.

The National Bank of Serbia shall prescribe the conditions under which banknotes and coins in circulation or withdrawn from circulation may be reproduced.

Article 58a

The National Bank of Serbia shall plan the issue of banknotes and coins, and manage cash flows by supplying banknotes and coins to banks and taking over banknotes and coins from banks.

The National Bank of Serbia shall determine the smallest denomination in circulation against which account in cash payment operations shall be rounded off.

The National Bank of Serbia shall prescribe the manner of managing cash flows.

Payment system

Article 59

The National Bank of Serbia shall promote efficient and safe functioning of the payment system and shall in accordance with law enact regulations governing that system.

Article 60

The National Bank of Serbia shall maintain the system of consolidated Treasury account for assets denominated in dinars and foreign currency, as well as other accounts laid down by law, and shall charge a fee for such operations.

The National Bank of Serbia shall pay interest on assets referred to in paragraph 1 of this Article deposited on the account, in line with the contract entered into with the depositor.

Operations for the Republic of Serbia

Article 61

On the basis of law or contract, and in the name and for account of the Republic of Serbia, the National Bank of Serbia may perform fiscal agent operations in connection with foreign borrowing of the Republic of Serbia, and/or operations concerning the withdrawal of funds and repayment of foreign obligations, as well as issue long-term securities relating to the Republic of Serbia's membership in the International Monetary Fund.

The National Bank of Serbia may also perform other operations for the Republic of Serbia on the basis of law or contract.

Article 62

The National Bank of Serbia may not approve credits, loans, overdraft facilities or other forms of credit facilities to the Republic of Serbia, autonomous province or local government unit, public enterprises and other legal entities the founder of which is the Republic of Serbia, autonomous province or local government unit, or in which the Republic of Serbia, autonomous province or local government unit have a controlling participation.

The National Bank of Serbia may not directly purchase securities issued by entities referred to in paragraph 1 of this Article.

The prohibition from paragraph 1 of this Article shall neither apply to daily credits whose maturities cannot be extended nor to credits, loans, overdraft facilities or other types of credit facilities for the settlement of the Republic of Serbia's obligations based on its membership in the International Monetary Fund.

The National Bank of Serbia may approve credits and credit facilities to banks in which the Republic of Serbia, autonomous province or local government unit have a controlling participation under the conditions and in the manner set forth by this Law.

The Republic of Serbia, autonomous province or local government unit shall have a controlling participation referred to in paragraphs 1 and 4 of this Article if they directly or indirectly:

- 1) have a possibility to exercise more than 50% of voting rights in a legal entity, or
- 2) own more than 50% of the capital of such legal entity, or
- 3) can appoint more than one half of members of the board of directors or supervisory board or of another management body of a legal entity.

IV. SUPERVISORY FUNCTION OF THE NATIONAL BANK OF SERBIA

Article 63

The National Bank of Serbia shall issue and revoke operating licenses, perform supervision referred to in Article 4, points 4) to 7) of this Law, and undertake other measures in accordance with law.

The National Bank of Serbia may adopt regulations setting forth the standards of sound and safe operation of entities that it supervises.

The National Bank of Serbia shall maintain a registry of issued operating licenses referred to in paragraph 1 of this Article. The registry shall be public, maintained in electronic form and be accessible on the website of the National Bank of Serbia.

Article 64

In performing supervision referred to in Article 63 of this Law, the National Bank of Serbia shall have the right to examine the books and other documentation of banks, insurance companies, leasing providers, voluntary pension fund management companies, as well as of legal entities connected with them by ownership, managing or business relations.

The National Bank of Serbia shall prescribe, in further detail, the conditions and manner of performing the supervisory function in accordance with this and other law.

Article 65

With the aim of promoting its supervisory function, the National Bank of Serbia shall cooperate with foreign institutions responsible for the supervision of banks, insurance companies, leasing providers and voluntary pension fund management companies, and shall also cooperate with domestic bodies and institutions responsible for supervision in the field of financial operations.

The National Bank of Serbia may exchange data gathered in performance of the supervisory function with the bodies and institutions referred to in paragraph 1 of this Article.

V. SPECIAL AUTHORITIES OF THE NATIONAL BANK OF SERBIA

Article 66

The National Bank of Serbia may grant an authorisation for the performance of external payment and credit operations to a bank, at the request of a bank, provided that it establishes that the bank satisfies the conditions for performing such operations prescribed by the National Bank of Serbia.

The National Bank of Serbia may revoke the authorisation referred to in paragraph 1 of this Article if the bank does not satisfy the conditions referred to in paragraph 1 of that Article.

Article 67

The National Bank of Serbia shall maintain registries of banks authorised to perform external payment and credit operations, registries of approvals granted for the opening of branches, other organisational forms and representative offices of banks abroad, as well as of representative offices of foreign banks in the Republic of Serbia.

The National Bank of Serbia shall prescribe the terms of registration and the method of maintaining the registries referred to in paragraph 1 of this Article.

The registries referred to in paragraph 1 of this Article shall be public.

The data entered in the registries referred to in paragraph 1 of this Article shall be public.

VI. INFORMATION SYSTEM OF THE NATIONAL BANK OF SERBIA

Article 68

The National Bank of Serbia may prescribe the obligation for legal entities and entrepreneurs to record, gather, process and submit relevant data.

The National Bank of Serbia shall prescribe, in further detail, the contents of data referred to in paragraph 1 of this Article and the manner in which they are to be submitted.

Article 69

For the purposes of efficient execution of its functions and achievement of its objectives, the National Bank of Serbia shall develop automated information systems, and prescribe the method and conditions for inclusion of legal entities and entrepreneurs into those systems.

Article 70

Based on data obtained from legal entities and entrepreneurs, its own databases and automated information systems, the National Bank of Serbia shall compile financial statements and reports, in accordance with law.

VII. RELATION OF THE NATIONAL BANK OF SERBIA TO THE NATIONAL ASSEMBLY AND THE GOVERNMENT

Article 71

The National Bank of Serbia shall communicate the monetary policy programme for the forthcoming year to the National Assembly, for information thereof, no later than 15 December of the current year.

The National Bank of Serbia shall submit to the National Assembly, no later than 30 June of the following year, an annual report on monetary policy, with an explanation of all the factors affecting the implementation of that policy, as well as the annual report on the stability of the financial system.

The National Bank of Serbia shall submit to the National Assembly, no later than 30 September of the current year, a semi-annual report on monetary policy, with an explanation of all the factors affecting the implementation of that policy.

The National Bank of Serbia shall submit to the National Assembly, no later than 30 June of the following year, an annual report on its operations and work results.

The contents of reports from paragraphs 2, 3 and 4 of this Article shall be determined by the By-Law.

The National Bank of Serbia shall publish the monetary policy programme referred to in paragraph 1 of this Article in the "Republic of Serbia Official Gazette" without delay.

The Governor shall explain the monetary policy programme and the reports referred to in this Article in the National Assembly.

The National Assembly may not give any instructions to the National Bank of Serbia based on the submitted monetary policy programme and the reports referred to in this Article.

Article 72

The Governor may be invited to attend meetings of the Government.

The Government and/or the relevant ministries shall submit to the National Bank of Serbia drafts of laws and other regulations related to the objectives, tasks, rights and obligations of the National Bank of Serbia for the purposes of obtaining an opinion thereon.

Within the time limits laid down by the law on budget system, the Government and/or the relevant ministry shall timely submit to the National Bank of Serbia a draft of the memorandum on budget, economic and fiscal policies and a draft of the law on budget, for the purposes of obtaining an opinion thereon.

The ministry in charge of finance shall, at least once a year, provide the National Bank of Serbia with a written notification of planned new borrowings of the Republic of Serbia abroad, as well as of expected disbursement of foreign loans and repayment under such loans, in order for the National Bank of Serbia to analyse the impact of such borrowing on determination and implementation of monetary policy.

The ministry in charge of finance shall timely notify the National Bank of Serbia of all transactions of the Republic of Serbia relating to its external borrowing.

Article 72a

The National Bank of Serbia shall be entitled to propose to the National Assembly the laws within the scope of its competence.

The Governor shall, at the meeting of the National Assembly, explain the reasons for the laws proposed by the National Bank of Serbia.

VIII. ASSETS, REVENUE, EXPENDITURE AND CAPITAL

Article 73

Assets of the Republic of Serbia used by the National Bank of Serbia shall comprise dinar and foreign currency short-term and long-term placements, foreign exchange funds, securities, other assets and property rights of the National Bank of Serbia, chattels and realties, and pecuniary assets in the giro account of the National Bank of Serbia.

The assets referred to in paragraph 1 of this Article shall be used for the operation of the National Bank of Serbia.

The Governor shall pass acts on the procurement, management, use and disposal of assets referred to in paragraph 1 of this Article, with the exception of the disposal of realties.

Article 74

The National Bank of Serbia shall have a financial plan which shall determine the planned revenues and expenditures of the National Bank of Serbia for the next year.

The National Bank of Serbia shall submit, for information thereon, the financial plan for the next year to the National Assembly by no later than 31 December of the current year.

Article 75

The National Bank of Serbia shall collect revenue from:

- 1) interest on, and other revenues from, the funds deposited abroad;
- 2) interest on credits and other placements and receivables;
- 3) fees for rendering services;
- 4) purchase and sale of securities;
- 5) exchange rate gains;
- 6) other revenues collected through its operations and operations of the specialised organisation within it.

The Executive Board shall determine single tariff at which the National Bank of Serbia shall charge fees for the services rendered.

Article 76

The following expenditures shall be covered out of revenues collected by the National Bank of Serbia:

- 1) interest and other costs arising from foreign loans;
- 2) interest on funds held by the National Bank of Serbia;
- 3) interest on and other costs arising from securities;
- 4) costs of manufacturing banknotes and coins;
- 5) material and non-material costs and depreciation costs;
- 6) exchange rate losses;
- 7) salaries of NBS employees;
- 8) other operating costs of the National Bank of Serbia and of the specialised organisation within it.

Article 77

The Republic of Serbia shall be the owner of the entire capital of the National Bank of Serbia.

The capital of the National Bank of Serbia shall consist of core capital and special reserves.

Until the minimum amount of RSD 10,000,000,000 is reached, the entire profit of the National Bank of Serbia shall be earmarked for core capital.

Upon reaching the minimum amount of core capital referred to in paragraph 3 of this Article, the entire profit of the National Bank of Serbia shall be allocated to special reserves of the National Bank of Serbia until such reserves shall have reached the level of RSD 20,000,000,000.

Upon reaching the minimum amount of core capital referred to in paragraph 3 of this Article and special reserve amount referred to in paragraph 4 of the same Article, the profit originating from exchange rate gains and revaluation reserves of the National Bank

of Serbia shall be appropriated in the following manner: 33.3% to core capital and 66.7% to special reserves.

Upon reaching the minimum amount of core capital referred to in paragraph 3 of this Article and special reserve amount referred to in paragraph 4 of the same Article, the profit not originating from exchange rate gains and revaluation reserves of the National Bank of Serbia shall be appropriated in the following manner: 10% to core capital, 20% to special reserves and 70% to the budget of the Republic of Serbia.

In accordance with paragraph 6 of this Article, the National Bank of Serbia shall transfer a part of the profit from that paragraph to the budget of the Republic of Serbia within 10 days from the date of submission of annual accounts of the National Bank of Serbia to the National Assembly, together with the external auditor's report.

Article 78

The National Bank of Serbia shall cover the realised loss from special reserves and core capital in excess of the minimum core capital level, and if such funds are not sufficient, from the budget of the Republic of Serbia or from securities that the Republic of Serbia shall issue for such purpose under market conditions and transfer to the National Bank of Serbia.

The securities by which the loss was covered may be collected ahead of maturity by the National Bank of Serbia – by sale for the purposes of maintaining current liquidity, with the consent of the Council.

If the Republic of Serbia fails to cover the loss of the National Bank of Serbia in the manner set forth in paragraph 1 of this Article, such loss shall be covered from the profit of the National Bank of Serbia realised in the following years, prior to the appropriation set forth by Article 77 of this Law.

IX. FINANCIAL STATEMENTS

Article 79

Annual financial statements of the National Bank of Serbia (hereinafter: financial statements) shall be prepared in line with the law governing accounting and audit, and International Accounting Standards and/or International Financial Reporting Standards.

The Council shall submit the annual financial statements, along with the external auditor's report, to the National Assembly, for information thereon, by no later than 30 June of the following year.

The National Bank of Serbia shall publish the annual financial statements in the “Republic of Serbia Official Gazette” within a month following the date of their submission to the National Assembly.

Article 81

Audit of financial statements shall be carried out in the manner prescribed by the law governing financial statement auditing and International Auditing Standards.

The National Bank of Serbia shall select an external auditor in line with the law governing public procurements, for a period of minimum three business years.

X. WORK ORGANISATION AND STATUS OF EMPLOYEES

Article 82

Pursuant to law, the work organisation of the National Bank of Serbia shall be laid down in further detail by the National Bank of Serbia’s By-Law and its general internal acts, and in particular:

- 1) internal organisation of the National Bank of Serbia and job classification in the National Bank of Serbia;
- 2) rights, obligations and responsibilities of managing staff;
- 3) rights, obligations and responsibilities of employees in performing their activities and tasks;
- 4) salaries and remunerations of the National Bank of Serbia’s officials and employees;
- 5) protection of data marked with a degree of secrecy (hereinafter: secret data) and security of information in the National Bank of Serbia;
- 6) document management in the National Bank of Serbia.

Article 83

The law governing labour relations shall apply to the rights, obligations and responsibilities of the National Bank of Serbia’s employees arising from employment, unless otherwise provided by this Law.

Article 84

The Governor shall hire and select employees with special authority of the National Bank of Serbia.

The employees with special authority referred to in paragraph 1 of this Article shall be subject to re-election every fifth year.

Article 85

The officials of the National Bank of Serbia and employees may not be guided by political considerations in the performance of their activities.

The provisions of Article 20, paragraph 1, points 2) to 4) of this Law shall accordingly apply to the employees.

Subject to prior written consent of the Governor, an employee may take on additional paid work and activities outside his working hours provided the performance of such work and activities does not lead to a conflict of interests nor affects the impartial performance of his tasks.

Article 86

In accordance with regulations, the National Bank of Serbia shall store archival records and/or documentary material generated in the course of work of the National Bank of Serbia and the work of bodies and organisations legally succeeded by the National Bank of Serbia, and other archival records and/or documentary material in its possession.

Article 86a

Data generated in the course of National Bank of Serbia's operation, which are designated as secret, shall in particular be those relating to:

- 1) foreign exchange reserves management;
- 2) negotiations with the organisations and institutions referred to in Article 11 of this Law;
- 3) issuance of banknotes and coins and cash flow management;
- 4) individual data and operating indicators of entities supervised by the National Bank of Serbia.

Other data generated in the course of the National Bank of Serbia's operation which, if disclosed to unauthorised persons could jeopardise the achievement of objectives and the performance of the tasks of the National Bank of Serbia, may also be designated as secret by law or general internal act of the National Bank of Serbia.

Officials and employees of the National Bank of Serbia shall be bound to keep secret data irrespective of the manner in which they have learned such data.

The obligation referred to in paragraph 3 of this Article shall remain in force even after termination of employment or engagement at the National Bank of Serbia.

Article 86b

The National Bank of Serbia, Governor, Vice-Governors and other employees shall not be liable for the damage caused in the performance of operations of the National Bank of

Serbia, unless proved that such damage has been inflicted deliberately or by gross negligence.

The employees referred to in paragraph 1 of this Article may not be held liable for the damage referred to in the same paragraph even after termination of their employment and/or engagement in the National Bank of Serbia.

The National Bank of Serbia shall compensate the costs of representation in court and administrative proceedings instituted against the employees referred to in paragraph 1 of this Article in connection with the operations referred to in that paragraph.

Article 86c

An administrative proceeding may be initiated against an administrative act of the National Bank of Serbia passed in the performance of its tasks, but an action against such act may neither prevent nor postpone its implementation.

In an administrative proceeding against the act referred to in paragraph 1 of this Article the court may not resolve an administrative matter the resolving of which is placed under the scope of authority of the National Bank of Serbia by this Law.

XI. PENAL PROVISIONS

1. Criminal offence

Article 87²

2. Offences

Article 91

A bank shall be fined from 100.000 to 2.000.000 dinars if:

- 1) it acts in contravention of regulations of the National Bank of Serbia referred to in Article 40 of this Law;
- 2) it fails to implement measures prescribed by the National Bank of Serbia for the purpose of maintaining the liquidity of banks referred to in Article 42 of this Law;
- 3) it fails to comply with regulations of the National Bank of Serbia referred to in Article 45 of this Law;

² *Ceased to be in effect with the entry into force of the Criminal Code ("RS Official Gazette", No 85/2005).*

- 4) it fails to comply with measures prescribed by the National Bank of Serbia for the purpose of maintaining the liquidity of external payments referred to in Article 46 of this Law;
- 5) it fails to comply with regulations of the National Bank of Serbia referred to in Article 58 paragraph 4 of this Law;
- 6) it fails to comply with regulations of the National Bank of Serbia referred to in Article 58a paragraph 3 of this Law.

For the offences referred to in paragraph 1 of this Article, the responsible person in a bank shall also be fined from 15,000 to 150,000 dinars.

For the offence referred to in paragraph 1 of this Article, a court may, in addition to a fine, issue a protective measure to ban a bank from the performance of certain banking operations for a period of six months to three years.

For the offence referred to in paragraph 1 of this Article, a court may, in addition to the fine, issue a protective measure to ban a responsible person in a bank from the performance of certain banking operations for a period of three months to a year.

Article 91a

A legal entity shall be fined from 100,000 to 2,000,000 dinars if it fails to submit to the National Bank of Serbia the relevant data in accordance with the regulations referred to in Article 68 of this Law.

An entrepreneur shall be fined from 25,000 to 500,000 dinars if he fails to submit to the National Bank of Serbia the relevant data in accordance with the regulations referred to in Article 68 of this Law.

A responsible person in a legal entity shall also be fined from 15,000 to 150,000 dinars for the offence referred to in paragraph 1 of this Law.

XII. FINAL PROVISIONS

Article 97

This Law shall supersede the Law on the National Bank of Yugoslavia (“FRY Official Gazette”, Nos 93, 41/94, 61/95, 29/97, 44/99 and 73/2000).

Article 98

This Law shall enter into force on the day following its publication in the “Republic of Serbia Official Gazette”.

NOTE:

Currently in force are transitional provisions of the Law on Amendments and Supplements to the Law on the National Bank of Serbia (“RS Official Gazette”, No 44/2010) which came into force on 1 July 2010 – Articles 96, 97 and 98.

Article 96

The National Bank of Serbia shall continue to perform the operations carried out in accordance with the Law on the National Bank of Serbia (“Republic of Serbia Official Gazette”, Nos 72/03, 55/04 and 85/05 – other law – hereinafter: the Law), in line with the competences set forth by this Law.

Article 97

The Governor and Vice-Governors appointed in accordance with the provisions of the Law shall continue to discharge their functions set forth by this Law until the end of the term they were appointed for.

The president and members of the Council of the National Bank of Serbia appointed in line with the provisions of the Law shall continue to discharge their functions as Council members set forth by this Law until the end of the term they were appointed for.

The Governor, Vice-Governors, the president and members of the Council of the National Bank of Serbia who resigned or requested termination of office until the day of entry into force of this Law shall vacate office before the expiry of their term of office, in accordance with provisions of the Law.

Article 98

The regulations enacted by the National Bank of Serbia on the basis of the Law shall remain in force pending adoption of new regulations in line with this Law.

The National Bank of Serbia shall harmonise the regulations adopted on the basis of the Law, which are contrary to this Law, within one year from the date of its entry into force.

The Council shall adopt the By-Law of the National Bank of Serbia within three months from the date of entry into force of this Law.

The National Bank of Serbia shall fully harmonise its general internal acts with provisions of this Law within six months from the date of entry into force of the By-Law of the National Bank of Serbia.