

Pursuant to Article 16 of the Law on Foreign Exchange Operations (RS Official Gazette, Nos 62/2006, 31/2011, 119/2012, 139/2014 and 30/2018) and Article 14, paragraph 1, item 9), with reference to Article 34, item 9) of the Law on the National Bank of Serbia (RS Official Gazette, Nos 72/2003, 55/2004, 85/2005 – other law, 44/2010, 76/2012, 106/2012, 14/2015, 40/2015 – CC decision and 44/2018), the Executive Board of the National Bank of Serbia issues the following

DECISION ON PERFORMANCE OF FINANCIAL DERIVATIVE TRANSACTIONS

Introductory provisions

1 This Decision sets forth the conditions and the manner in which banks, residents and non-residents may effect payments, collections and transfers in respect of trading in derivative financial instruments – financial derivatives (hereinafter: financial derivative transactions).

This Decision also sets forth the netting of parties' mutual liabilities and receivables, and reporting on transactions referred to in paragraph 1 hereof.

Financial derivative transactions in the regulated market and/or multilateral trading platform

2 Banks and residents may perform transactions in financial derivatives that are traded in the regulated market and/or multilateral trading platform abroad.

The regulated market and the multilateral trading platform abroad are markets operated and/or managed by a market operator – stock exchange, and/or investment company licensed in accordance with regulations of a foreign state and supervised by an authority in charge of supervising the market of securities and other financial instruments in the territory of a foreign state.

3 Non-residents may perform transactions in financial derivatives that are traded in the regulated market and/or multilateral trading platform in the Republic of Serbia, in line with the law regulating the capital market.

Financial derivative transactions outside the regulated market and/or multilateral trading platform

4 Banks may perform financial derivative transactions involving dinar and/or foreign currency-denominated payments/collections that are traded, and/or transactions made outside the regulated market and/or multilateral trading platform in the country and abroad.

5 Residents may perform transactions in financial derivatives that are traded, and/or transactions made outside the regulated market and/or multilateral trading platform, for the purpose of hedging against the exchange rate risk, interest rate risk, securities risk, commodity price risk and stock market index risk.

Residents may perform transactions under foreign currency swap contracts for the purpose of managing foreign currency and dinar inflows/outflows.

Residents may perform financial derivative transactions referred to in this Section with:

- 1) banks, foreign currency-denominated payments/collections, as well as dinar payments/collections;
- 2) non-residents, foreign currency-denominated payments/collections, excluding dinar payments/collections.

6 Non-residents may perform transactions in financial derivatives that are traded and/or transactions made outside of the regulated market and/or multilateral trading platform, as well as transactions with residents as prescribed by Section 5 hereof.

7 Under this Decision, transactions in financial derivatives that are traded and/or transactions made outside of the regulated market and/or multilateral trading platform shall be performed in accordance with the standardised master agreement on financial derivatives which is customary in business practice and/or in the manner customary in business practice.

Financial derivative transactions in dinars performed by banks and residents

8 Banks and residents may freely perform transactions in dinar-denominated financial derivatives in the country, which are traded, according to the law regulating the capital market, in the regulated market and/or

multilateral trading platform, and/or transactions made outside of the regulated market and/or multilateral trading platform, pursuant to law.

Netting of receivables and liabilities

9 Financial derivative transactions may imply the offsetting of parties' mutual liabilities and receivables for the purpose of netting between two contractual parties – in the event of contract termination due to the counterparty's default on its obligation and in other agreed cases.

The netting referred to in paragraph 1 hereof shall be performed in accordance with the standardised master agreement on financial derivatives which is customary in business practice and/or in the manner customary in business practice, in line with law and other regulation.

Payment operations and purchase and sale of foreign currency

10 Payments, collections and transfers in respect of financial derivative transactions referred to in this Decision shall be performed through a bank, in a manner set out in the regulation governing conditions and manner of performing foreign payment transactions.

The purchase and sale of foreign currency in the Republic of Serbia for the purpose of performing financial derivative transactions referred to in this Decision shall be performed in accordance with the regulation governing terms and manner of operation of the foreign exchange market.

Reporting on financial derivative transactions

11 Banks shall prepare the following reports on financial derivative transactions:

1) report on financial derivative transactions between a bank and another bank/resident/non-resident – in the form FINDER 1 (Annex 1);

2) report on foreign currency payments/collections through a bank based on financial derivative trading between residents and non-residents – in the form FINDER 2 (Annex 2);

3) report on transactions contracted between a bank and another bank/resident/non-resident which include derivative clauses – in the form FINDER 3 (Annex 3);

4) report on commodity derivatives concluded between a bank and another bank/resident/non-resident – in the form FINDER 4 (Annex 4);

5) report on foreign currency payments/collections through a bank based on commodity derivatives that are traded between a resident and a non-resident – in the form FINDER 5 (Annex 5);

The derivatives clause referred to in paragraph 1, item 3) hereof means contracting of the value of liabilities and/or receivables depending on changes in the exchange rate, interest rate, price of securities, price of commodity and/or value of a stock market index.

The content of forms referred to in paragraph 1 hereof shall be stipulated in annexes referred to in that paragraph; the annexes shall be printed along with this Decision and shall constitute its integral part.

12 Banks shall submit to the National Bank of Serbia the reports referred to in Section 11 hereof every tenth day, within five days from the expiry of a ten-day period, in accordance with the guidelines regulating electronic submission of data to the National Bank of Serbia.

Final provisions

13 On the day this Decision enters into force, the Decision on Performing Financial Derivative Transactions (RS Official Gazette No 85/2011 and 62/2013) shall cease to be valid.

14 This Decision shall be published in the RS Official Gazette and shall enter into force on 1 November 2018.

NBS Executive Board No 86
8 October 2018

Belgrade

Chairperson
Executive Board of the National Bank of
Serbia
Governor
of the National Bank of Serbia

Dr Jorgovanka Tabaković