

**LAW ON THE SETTLEMENT OF THE PUBLIC DEBT OF THE FEDERAL
REPUBLIC OF YUGOSLAVIA ARISING FROM FOREIGN EXCHANGE SAVINGS OF
CITIZENS**
(Consolidated text)¹

I. BASIC PROVISIONS

Article 1

This Law regulates the conditions and method of settlement of obligations arising from citizens' foreign exchange savings referred to in Article 2 of the Law on the Settlement of Obligations Arising from Citizens' Foreign Exchange Savings (FRY Official Gazette, Nos 59/98, 44/99 and 53/2001) (hereinafter: the Law) which, pursuant to Article 4 of the Law, were converted into time deposits with authorized banks and became public debt of the Federal Republic of Yugoslavia.

Article 2

The public debt referred to in Article 1 of this Law amounts to 4.00 billion euros and comprises:

- the balance of citizens' foreign exchange savings as at 31 March 2002, calculated as difference between the balance of foreign exchange savings with the authorized banks referred to in Article 2 of the Law as at 31 December 1997 and payments made until 31 March 2002 – in the amount of 3.05 billion euros;
- the accrued interest calculated at 2% interest rate p.a. and exchange rate differentials calculated for the period from 1 January 1998 until 31 March 2002 – in the amount of 0.38 billion euros;
- the interest calculated at 2% interest rate p.a. for the period from 1 April 2002 until the maturity dates stipulated by this Law – in the amount of 0.57 billion euros.

Article 3

The public debt obligation of the Federal Republic of Yugoslavia established in the manner specified in Article 2 of this Law shall, from the effective date of this Law, become the obligation and/or debt of the Republic of Serbia and of the Republic of Montenegro – proportionate to the amount of foreign exchange savings of citizens domiciled in the territories of those republics.

**II SCHEDULE FOR MEETING THE OBLIGATIONS TO FOREIGN EXCHANGE
DEPOSITORS**

Article 4

The obligations to foreign exchange depositors shall be met according to the following schedule:

- in the course of 2002 – up to the amount of 276.10 euros,

¹ This consolidated text has been produced on the basis of the Law on the Settlement of the Public Debt of the Federal Republic of Yugoslavia Arising from Foreign Exchange Savings of Citizens (FRY Official Gazette, No 36/2002 and amendments and supplements to the Law published in the RS Official Gazette, No 80/2004 – CC decision, 101/2005 – other law and 108/2016).

- on 31 May 2003 – up to the amount of 380 euros,
- on 31 May 2004 – up to the amount of 530 euros.

The outstanding amount of obligations to foreign exchange depositors shall be paid out in twelve annual instalments subject to a geometric progression ratio of 10% which shall fall due on 31 May of each year during the period from 2005 to 2016 and be calculated by multiplying the balance amount by the following coefficients:

- coefficient 0.05425092 – for the year 2005,
- coefficient 0.05967601 – for the year 2006,
- coefficient 0.06564361 – for the year 2007,
- coefficient 0.07220798 – for the year 2008,
- coefficient 0.07942877 – for the year 2009,
- coefficient 0.08737165 – for the year 2010,
- coefficient 0.09610881 – for the year 2011,
- coefficient 0.10571970 – for the year 2012,
- coefficient 0.11629167 – for the year 2013,
- coefficient 0.12792083 – for the year 2014,
- coefficient 0.14071292 – for the year 2015,
- coefficient 0.15478421 – for the year 2016.

A foreign exchange depositor shall have the right to receive payment of annual instalment in the amount of at least 500 euros if the annual instalments referred to in paragraph 2 of this Article are lower than that amount.

The right to payment within the meaning of this Article, including the interest calculated in advance at the rate of 2% p.a. shall be established for each individual foreign exchange deposit.

III METHOD OF SETTTLING THE PUBLIC DEBT OF THE FEDERAL REPUBLIC OF YUGOSLAVIA – BONDS

Article 5

For the purpose of settlement of the public debt of the Federal Republic of Yugoslavia which was turned into the public debts of the Republic of Serbia and of the Republic of Montenegro, the Republic of Serbia and the Republic of Montenegro shall, in accordance with the provisions of this Law, issue bonds denominated in the euro.

The bonds referred to in paragraph 1 of this Article shall be issued as zero-coupon bonds for each successive year, in a dematerialized form, and shall be registered with the National Bank of Yugoslavia – the Clearing and Settlement Bureau – the Central Securities Depository and Clearing House (hereinafter: the Central Depository).

The bonds referred to in paragraph 1 of this Article shall be registered bonds that are transferable and payable either in euros or in dinars – as at the holder's request.

The basic components of the bonds, the size of the issue, as well as the terms and conditions of their distribution and redemption shall be prescribed by the governments of the Republic of Serbia and the Republic of Montenegro.

Article 6

The bonds referred to in Article 5 of this Law shall be issued to settle the obligations to foreign exchange depositors established within the meaning of Article 4 of this Law, except for obligations that were met until the date of issuance of the bonds referred to in Article 5 of this Law.

The obligations to foreign exchange depositors established within the meaning of Article 4 of this Law shall be settled on the date of issuance of the bonds referred to in paragraph 1 of this Article – by way of conversion of citizens' savings deposits into bonds.

By regulations referred to in Article 5, paragraph 4 of this Law, the governments of the Republic of Serbia and the Republic of Montenegro shall set the maturity date of the bonds issued to settle the obligations falling due in 2002 that have remained unpaid until the date of issuance of the bonds referred to in that Article.

Article 7

The value of the carried out conversion of citizens' savings deposits into bonds shall be recorded in savings books and registered at the Central Depository on the securities account, in evidence of which foreign exchange depositors shall be handed certificates. On the basis of an account opened with the Central Depository, the foreign exchange depositor shall exercise rights arising from bonds – payments according to the schedule from this Law, transfer of ownership, trading and other rights.

The foreign exchange depositor shall keep the foreign exchange savings book referred to in paragraph 1 of this Article as evidence that his savings deposit has been converted into bonds.

Article 8

The authorized banks referred to in Article 2 of the Law, banks that due to status changes became legal successors of those banks, as well as banks which in accordance with the regulations on bank rehabilitation, bankruptcy, and liquidation took over the activities related to the payment of citizens' foreign exchange savings deposited with the authorized banks referred to in that Article which are undergoing bankruptcy or liquidation proceedings shall, on the date of bond issuance, recalculate and redenominate in the euro the unpaid foreign exchange savings deposits of citizens, establish the obligations to foreign exchange depositors within the meaning of Article 4 of this Law and convert these savings deposits into bonds in the manner specified in Article 6 of this Law.

Article 9

The conditions and method of conversion of citizens' savings deposits into bonds within the meaning of this Law, the method of keeping their accounting records, as well as the method of registering the bonds at the Central Depository shall be prescribed in detail by the National Bank of Yugoslavia.

Article 10

Trading in bonds issued in accordance with this Law shall be unlimited and exempted from the sales tax, payment operations fee, capital gains tax, financial transactions tax, and other taxes.

Domestic legal persons and entrepreneurs, domestic natural persons and citizens temporarily working abroad, as well as foreign natural and legal persons may buy and sell the bonds referred to in Article 5 of this Law in a financial exchange market for foreign exchange.

Article 11

Domestic legal persons and entrepreneurs, as well as foreign natural and legal persons shall hold foreign exchange proceeds from the sale of bonds within the meaning of Article 10, paragraph 2 of this Law in their foreign exchange accounts.

Foreign natural and legal persons may freely transfer abroad the foreign exchange referred to in paragraph 1 of this Article, as well as foreign exchange acquired from redemption of bonds at their maturity.

Article 12

The bonds referred to in Article 5 of this Law issued to settle the obligations to foreign exchange depositors within the meaning of Article 6, paragraph 2 of this Law, may be used prior to their maturity for the following purposes:

- 1) purchase of shares of companies undergoing ownership transformation for the purpose of sale of socially-owned capital;
- 2) purchase of shares of authorized banks;
- 3) purchase of apartments, residential buildings, business premises, lots and other state-owned property.

The detailed conditions of bond use for the purposes referred to in paragraph 1 of this Article shall be established by the owners of the property referred to in that paragraph.

Article 13

In addition to making payments referred to in Article 12 of this Law, holders of bonds referred to in Article 5 of this Law may also use them at maturity for payment of the sales tax, excise duties, property tax, personal income tax and corporate profit tax.

Article 14

The original holder of bonds referred to in Article 5 of this Law may also use those bonds prior to maturity to pay medical bills, purchase medicines, cover funeral expenses, and for other purposes – up to the amount of the actual costs, under the conditions and up to the amounts prescribed by the respective republican governments.

The original bond holder referred to in paragraph 1 of this Article is considered to be the foreign exchange depositor whose savings deposit was converted to bonds within the meaning of Article 6, paragraph 2 of this Law.

IV SOURCES OF FUNDS FOR PAYMENT OF BONDS

Article 15

The funds for the payment of bonds within the meaning of this Law shall be provided by the Republic of Serbia and the Republic of Montenegro, in accordance with the timeline and the amounts specified in this Law.

The funds referred to in paragraph 1 of this Article shall be paid into a special account opened with the National Bank of Yugoslavia.

The detailed conditions of purchase of foreign exchange intended for the payment of bonds referred to in Article 5 of this Law shall be established by the National Bank of Yugoslavia.

Article 16

The authorized banks referred to in Article 2 of the Law and the banks that are legal successors of those banks which had the obligation to provide funds for the settlement of the public debt of the Federal Republic of Yugoslavia within the meaning of Articles 6 and 7 of the Law – shall be freed from that obligation and placed under obligation to the Republic of Serbia and/or the Republic of Montenegro.

The obligations of the banks referred to in paragraph 1 of this Article, amounting to 15% of the public debt determined in Article 2 of this Law shall be reduced by the amounts paid out by those banks until the date the decision was taken on the issuance of bonds within the meaning of this Law, and by the amount of claims not compensated to those banks by the Federal Republic of Yugoslavia and the constituent republics in accordance with Article 26 of the Law.

The method and conditions for the settlement of obligations of the Republic of Serbia and/or the Republic of Montenegro to banks referred to in paragraph 1 of this Article, provided that the obligations of these banks established in paragraph 2 of this Article do not exceed the claims by those banks, shall be prescribed by the governments of the Republic of Serbia and/or the Republic of Montenegro.

Article 17

For the purpose of settling the obligations from Article 16 of this Law, the banks referred to in that Article shall be obligated, within thirty days from receiving a written order issued by the National Bank of Yugoslavia, to render a decision on the issuance of shares in the amount stated in the order.

The shares referred to in paragraph 1 of this Article shall be ordinary voting shares in the nominal amount of 10,000 dinars.

One share from paragraph 1 of this Article shall carry one vote.

The Republic of Serbia and the Republic of Montenegro shall buy the shares referred to in paragraph 1 of this Article from the banks referred to in that paragraph – by converting the claims on those banks into the share capital whereby the balance sheet structure of these banks will be improved, their operating costs reduced and their capital increased.

No approval of the relevant federal authority shall be required for the issue and purchase of shares referred to in this Article.

The National Bank of Yugoslavia shall revoke the operating license from a bank which fails to render the decision on the issuance of shares within the deadline specified in paragraph 1 of this Article and initiate the liquidation proceedings against such bank, in accordance with the federal law.

Article 18

The Agency for Deposit Insurance and Rehabilitation, Bankruptcy and Liquidation of Banks (hereinafter: the Agency) shall organise and follow up purchases of shares referred to in Article 17 of this Law, and also take part in managing the banks referred to in Article 16 of this Law on the grounds of those shares, on behalf of the Republic of Serbia and the Republic of Montenegro.

Article 19

The Republic of Serbia and the Republic of Montenegro shall start selling the shares referred to in Article 17 of this Law not later than within six months from the effective date of this Law.

The Agency shall organize and follow up the sale of shares referred to in paragraph 1 of this Article.

The proceeds from the sale of shares within the meaning of paragraph 1 of this Article shall be paid to special accounts of the Republic of Serbia and the Republic of Montenegro kept with the National Bank of Yugoslavia and shall be used exclusively for the settlement of obligations under this Law.

Article 20

The Republic of Serbia and the Republic of Montenegro shall provide funds for the settlement of obligations of banks referred to in Article 2 of the Law in which bankruptcy and/or liquidation proceedings have been initiated, until the completion of such proceedings. The funds provided shall be proportionate to the banks' obligations arising from the foreign exchange savings of citizens domiciled in those republics.

The body in charge of carrying out the proceedings referred to in paragraph 1 of this Article shall transfer the funds from the bankruptcy and/or liquidation estate to the budget account of the republic that is settling the obligation of the banks referred to in that paragraph – up to the amount of total established obligations of those banks.

V SPECIAL PROVISIONS

Article 21

Citizens of former SFRY republics which are no longer part of the Federal Republic of Yugoslavia who had deposited their foreign exchange savings referred to in Article 2 of the Law with authorized banks headquartered in the Federal Republic of Yugoslavia, as well as citizens of the Federal Republic of Yugoslavia who had deposited such savings with the branch offices of the banks referred to in the same Article that were located in the territory of the former SFRY republics until their secession – shall realise their claims arising from the foreign exchange savings of citizens in accordance with a separate law.

Citizens temporarily working abroad and foreign natural persons who had deposited their foreign exchange savings with the banks referred to in Article 2 of the Law shall exercise their right to payment of such savings in accordance with this Law.

The funds for the payment of the foreign exchange savings referred to in paragraph 2 of this Article shall be provided by the Republic of Serbia and the Republic of Montenegro, according to the location of head offices of banks with which those savings were deposited.

Article 21a

The government shall designate a bank which will discharge the obligations to citizens in respect of foreign exchange savings deposited with Jugobanka Jugbanka a.d. Kosovska Mitrovica and regulate in more detail the issues relating to the payment of those savings.

Article 22

The right to payment of obligations toward foreign exchange depositors specified in Article 4 of this Law shall be increased by the amount of the so far unpaid funds referred to in Article 10 of the Law for 2000, 2001 and 2002, and reduced by the amount of distributed bonds of the series A for the period from 2002 to 2004. The right to annual instalment specified within the meaning of Article 4, paragraph 3 of this Law shall be reduced by the amount of distributed bonds of the series B, issued in accordance with the Decision on Issue of Bonds of the Federal Republic of Yugoslavia for the Settlement of the Obligations Arising from Foreign Exchange Savings of Citizens (FRY Official Gazette, Nos 4/2001, 6/2001 and 27/2001) (hereinafter: Decision).

Article 23

The right in respect of A and B series bonds issued in line with the Decision and distributed to foreign exchange depositors prior to the rendering of the decision on bond issuance within the meaning of this Law shall be exercised according to the Decision.

The holders of the B series bonds may exchange those bonds for the new bonds issued within the meaning of this Law.

Article 24

Domestic legal persons and entrepreneurs, domestic natural persons, citizens temporarily working abroad, as well as foreign natural and legal persons may take out of or bring into the country, under the conditions and in the manner prescribed by the National Bank of Yugoslavia, the A and B series bonds issued in accordance with the Decision and distributed to depositors before the date of rendering the decision on bond issuance within the meaning of this Law.

Article 25

The A and B series bonds issued in accordance with the Decision shall be distributed until the date of rendering the decision on bond issuance within the meaning of this Law.

The authorized banks referred to in Article 8 of this Law shall return to the National Bank of Yugoslavia the bonds from paragraph 1 of this Article which remained undistributed, no later than five days from the rendering of the decision on bond issuance within the meaning of this Law.

VI PENALTY PROVISIONS

Article 26

A bank referred to in Article 8 of this Law shall be fined from 900,000 to 3,000,000 dinars for a commercial offence if it fails:

1) on the day of issuance of bonds referred to in Article 5 of this Law, to convert the citizens' savings deposits into bonds (Article 6, paragraph 2);

2) to record the value of citizens' savings deposits converted into bonds in their savings books, register it at the Central Depository and issue a certificate to that effect to the foreign exchange depositor (Article 7, paragraph 1);

3) on the day of issuance of bonds, to recalculate and redenominate into the euro the unpaid foreign exchange deposits of citizens, and to establish the obligation to a foreign exchange depositor within the meaning of Article 4 of this Law (Article 8);

4) to return the undistributed A and B series bonds issued in accordance with the Decision to the National Bank of Yugoslavia within the specified deadline (Article 25, paragraph 2).

A responsible person in the bank referred to in Article 8 of this Law shall also be fined, from 20,000 to 200,000 dinars, for commercial offence for actions referred to in paragraph 1 of this Article.

Article 27

A domestic or foreign legal person shall be fined from 90,000 to 450,000 dinars for a commercial offence if it does not:

1) hold the foreign exchange proceeds from the sale of bonds within the meaning of Article 10, paragraph 2 of this Law in the foreign exchange account (Article 11, paragraph 1);

2) act in accordance with the regulation of the National Bank of Yugoslavia (Article 24).

A responsible person in the domestic and/or foreign legal person shall also be fined, from 3,000 to 15,000 dinars, for a commercial offence for actions referred to in paragraph 1 of this Article.

Article 28

An entrepreneur shall be fined from 5,000 to 50,000 dinars for an offence for actions referred to in Article 27 of this Law.

For actions referred to in paragraph 1 of this Article, a protective measure prohibiting engagement in self-employment activity from three months to one year may also be pronounced in addition to the fine.

Article 29

A foreign natural person shall be fined from 5,000 to 50,000 dinars for offence if he does not keep the foreign exchange proceeds from the sale of bonds within the meaning of Article 10, paragraph 2 of this Law in the foreign exchange account (Article 11, paragraph 1).

Article 30

A domestic and foreign natural person, as well a citizen temporarily employed abroad shall be fined from 5,000 to 50,000 dinars for offence if they fail to act in accordance with the regulation of the National Bank of Yugoslavia (Article 24).

VII TRANSITIONAL AND FINAL PROVISIONS

Article 31

The 550 million dinars worth of foreign exchange savings that the National Bank of Yugoslavia paid out from 1994 to 1999 and which were not covered by the Law shall be settled by the Federal Republic of Yugoslavia in twelve annual instalments starting from 2005.

Article 32

The banks that pursuant to the regulations on the rehabilitation, bankruptcy and liquidation of banks took over the activities related to the payment of citizens' foreign exchange savings deposited with the authorized banks from Article 2 of the Law undergoing bankruptcy or liquidation proceedings shall be provided funds specifically committed by the Republic of Serbia and the Republic of Montenegro for the performance of those activities.

Article 33

For payments in 2002, the obligors referred to in Article 6 of the Law shall provide the funds for the settlement of obligations in percentages stipulated in that Article and/or proportionate to their participation in the amount of funds established for that year in accordance with Article 7 of the Law.

In the period from 2003 to 2016 the funds for the settlement of obligations under this Law shall be provided in accordance with Articles 15, 19 and 20 of the Law.

Article 34

The A and B series bonds issued in accordance with the Decision may be used prior to their maturity for the purposes and up to the amounts established by the Decision on Early Redemption of Bonds Issued by the Federal Republic of Yugoslavia Against Citizens' Foreign Exchange Savings to Pay for Designated Expenses (FRY Official Gazette, Nos 7/2001 and 10/2002) – until the date of issuance of the regulation referred to in Article 14, paragraph 1 of this Law.

By the regulation referred to in Article 14, paragraph 1 of this Law, the republican governments shall stipulate that the bonds from paragraph 1 of this Article may be used in the same way and under the same conditions as the bonds referred to in Article 5 of this Law.

Article 35

The conditions and method of settling the obligations arising from foreign exchange savings referred to in Article 3 of the Law that were converted into time deposits with the authorized banks and constitute the public debt of the Federal Republic of Yugoslavia in accordance with Article 4 of the Law shall be regulated by a separate Law.

Article 36

As of the effective date of this Law, all court proceedings that relate to the collection of foreign exchange savings regulated by this Law, including the enforcement proceedings, shall be discontinued.

Article 37

This Law repeals the Law on the Settlement of the Obligations Arising from Foreign Exchange Savings of Citizens (FRY Official Gazette, Nos 59/98, 44/99 and 53/2001).

Article 38

This Law comes into effect on 4 July 2002.

*Independent Article of the Law Amending the Law on the Settlement of the Public Debt of the
Federal Republic of Yugoslavia Arising from Foreign Exchange Savings of Citizens
(RS Official Gazette No 108/2016)*

Article 4

This Law comes into effect on 30 December 2016.