

Pursuant to Article 15, paragraph 1 of the Law on the National Bank of Serbia (RS Official Gazette, Nos 72/2003, 55/2004 and 44/2010) and Article 31, paragraphs 7 and 8 of the Law on Voluntary Pension Funds and Pension Schemes (RS Official Gazette, Nos 85/2005 and 31/2011), the Executive Board of the National Bank of Serbia adopts the following

DECISION
ON MORE DETAILED CONDITIONS AND MAXIMUM AMOUNTS OF
VOLUNTARY PENSION FUND ASSETS INVESTMENT AND MANNER OF
INVESTING SUCH ASSETS ABROAD

1. This Decision sets out more detailed conditions and maximum amounts of investing voluntary pension fund assets (hereinafter: fund assets) and the manner of investing such abroad.

2. Fund assets may be invested without limitations in debt securities issued by the National Bank of Serbia and the Republic of Serbia, as well as debt securities issued by autonomous provinces and local government units in the Republic of Serbia and other legal entities with the guarantee of the Republic of Serbia.

3. Fund assets may be invested up to the following amounts:

- 1) up to 50% in:
 - debt securities issued by autonomous provinces and local government units in the Republic of Serbia, apart from securities referred to in Section 2 hereof,
 - debt securities issued in the Republic of Serbia by international financial institutions that the Republic of Serbia is a member of,
 - debt securities issued abroad by international financial institutions,
 - debt securities issued by foreign governments or foreign legal entities provided their credit rating is no less than 'A' as established by Standard&Poor's and Fitch-IBCA, or no less than 'A2' as established by Moody's,
 - mortgage bonds issued in the territory of the Republic of Serbia,
 - debt securities issued by legal entities headquartered in the Republic of Serbia, traded in the regulated market of the Republic of Serbia, apart from securities referred to in Section 2 hereof,

- short-term debt securities issued or guaranteed by banks headquartered in the Republic of Serbia, in line with the law governing the capital market;

2) up to 40% in:

- shares issued by legal entities headquartered in the Republic of Serbia, traded in the regulated market of the Republic of Serbia,
- listed shares of foreign legal entities, traded on stock exchanges of EU/OECD member states;

3) up to 35% in money deposits in banks headquartered in the Republic of Serbia, established in line with the law governing banks;

4) up to 5% in investment units of open-end investment funds managed by investment fund management companies (hereinafter: management companies), headquartered in the Republic of Serbia and/or EU/OECD member states;

5) up to 10% in:

- depositary receipts issued by banks headquartered in the Republic of Serbia,

- depositary receipts issued by banks headquartered in EU/OECD member states, based on deposited securities referred to in Article 31, paragraph 1, items 3, 4 and 7 of the Law on Voluntary Pension Funds and Pension Schemes (hereinafter: the Law);

6) up to 5% in real estate in the territory of the Republic of Serbia.

Total investment of fund assets abroad under all grounds may not exceed 10% of fund assets.

4. Debt securities issued by autonomous provinces and local government units in the Republic of Serbia without the guarantee of the Republic of Serbia, in which fund assets are invested – must meet the following conditions:

- the nominal value of the issue of these securities shall be no less than RSD 500,000,000.

- these securities shall be traded in the regulated market – the prospectus or the notification on the securities issue shall contain a clear intention of submitting the request for admission of securities to the regulated market, provided they are issued in the primary issue;

- autonomous provinces and/or local government units in the Republic of Serbia have opened accounts with the exclusive purpose of debt repayment under these securities – these accounts shall contain at any moment the amount needed for the settlement of liabilities under these securities over the next year;

– credit rating of these securities as established by Standard&Poor's and Fitch-IBCA, or Moody's shall be at the least at the level of the Republic of Serbia's credit rating.

Notwithstanding paragraph 1 hereof, up to 5% of fund assets may be invested in debt securities issued by autonomous provinces and local government units in the Republic of Serbia which do not fulfil the condition referred to in paragraph 1, subparagraph 2, or if they do not have a credit rating established by an agency referred to in paragraph 1, subparagraph 4 hereof.

5. Fund assets may be invested in debt securities issued by foreign governments and debt securities issued by international financial institutions abroad – provided their credit rating is no less than 'A' as established by Standard&Poor's and Fitch-IBCA, or no less than 'A2' as established by Moody's.

6. Fund assets may be invested in debt securities issued by legal entities headquartered abroad, provided these securities are traded on stock exchanges in these countries and provided their credit rating is no less than 'A' as established by Standard&Poor's and Fitch-IBCA, or no less than 'A2' as established by Moody's.

7. Mortgage bonds issued in the territory of the Republic of Serbia, in which fund assets are invested – must meet the following conditions:

- they shall be issued by a bank;
- the nominal value of the issue of these bonds shall be no less than RSD 500,000,000.
- the ratio between the market value of mortgage against which such bonds are issued and bonds themselves shall be no less than 1.5 : 1.

8. Debt securities issued by legal entities headquartered in the Republic of Serbia, apart from securities referred to in Section 2 hereof, which meet the condition to be traded in the regulated market in the Republic of Serbia or that the prospectus contains a clear intention of submitting the request for admission of securities to the regulated market, provided they are issued in the primary issue – must meet the condition to have their credit rating ranked as set out in Section 4, paragraph 1, subparagraph 4 hereof.

Notwithstanding paragraph 1 hereof, up to 5% of fund assets may be invested in debt securities issued by legal entities headquartered in the Republic of Serbia, whose rating has not been established by rating agencies referred to in Section 5 hereof.

9. Shares of legal entities headquartered in the Republic of Serbia, in which fund assets are invested must meet the following conditions:

- they shall be traded by the continuous trading method on the stock exchange;
- the minimum period of operation of their issuers shall be two years;
- their free-float market capitalisation, calculated based on stock exchange acts shall be no less than RSD 100,000,000.

10. Fund assets may be invested in shares of foreign legal entities which are listed and traded on stock exchanges of EU/OECD member states, under the following conditions:

- these legal entities shall be headquartered in these states;
- these shares shall be officially quoted on stock exchanges of these states for at least one year;
- market capitalisation of these shares shall be no less than EUR 300,000,000.

11. Up to 5% of fund assets may be invested in money deposits with one bank or several related banks.

Fund assets may not be invested in money deposits with a custody bank or a bank which is a founder of a fund management company and/or a bank which is directly related to the founder of the company.

12. An open-end investment fund managed by a management company headquartered in the Republic of Serbia, in whose investment units the fund may invest its assets – must meet the following conditions:

- net assets of the open-end investment fund shall be no less than one billion dinars;
- the open-end investment fund shall not be managed by a management company being the entity referred to in Article 33, item 5 of the Law;
- investment policy of the open-end investment fund shall envisage exclusively investment meeting the conditions prescribed by the investment policy of the fund whose assets are invested.

13. Open-end investment funds managed by management companies headquartered in EU/OECD member states, in whose investment units the fund may invest its assets – must meet the following conditions:

- net assets of the open-end investment fund shall be no less than EUR 100,000,000;
- the conditions set out in Section 12, subparagraphs 2 and 3 hereof;
- the management company or the open-investment fund managed by the management company are not registered in off-shore zones.

14. Depositary receipts issued by banks headquartered in the Republic of Serbia, in which fund assets are invested – must be made out to shares meeting the conditions prescribed by this Decision.

15. Depositary receipts issued by banks headquartered in EU/OECD member states, in which fund assets are invested – must be made out to securities meeting the conditions prescribed by Sections 5, 6 and 10 hereof.

16. Fund assets may be invested in real estate in the territory of the Republic of Serbia, in line with the Law, exclusively for the purpose of leasing real estate and making profit therefrom.

17. By investing in investment units of the open-end investment fund referred to in Sections 12 and 13 hereof, the fund may acquire at most 10% of net assets of the open-end investment fund.

Up to 2% of fund assets may be invested in investment units of one or several open-end investment funds referred to in Sections 12 and 13 hereof, which are managed by the same management company.

18. Fund assets may not be invested in financial derivatives.

19. Short sale may not be performed with fund assets.

20. Fund assets may not be lent nor the management company may, for the fund's account, borrow assets from other persons.

21. The management company shall regularly revise its investment policy, upon each important change in investment conditions and at least once in three years.

When establishing the method of implementing the principles of investing fund assets in the fund's investment policy in line with Article 30, paragraph 3, item 1 of the Law, the management company shall particularly specify the following: objectives of fund assets investment that it intends to achieve; types and amounts of assets investment in the portfolio; the level of

credit and market risk it is ready to take for each type of investment and for the overall portfolio, and the level of the fund's liquidity risk; methods it used when establishing the level of the above risks; the description of the investment decision making procedure.

The objectives of investing fund assets referred to in paragraph 2 hereof shall be clearly and comprehendingly established, expressed in absolute or relative amounts relative to benchmark values, and determined in terms of time.

22. A fund management company shall harmonise its existing acts adopted in line with the Decision on Maximum Amounts of Voluntary Pension Fund Assets Investment and Terms and Conditions for Investing Such Assets Abroad (RS Official Gazette, Nos 63/2007, 67/2007, 111/2009 and 34/2010) with the provisions of this Decision by 1 October 2011.

23. A fund management company shall harmonise the portfolio of the fund that it manages with the provisions of this Decision by 1 November 2011, apart from Section 11, paragraph 2 of this Decision with which it shall harmonise the portfolio by 31 December 2011.

24. The Decision on Maximum Amounts of Voluntary Pension Fund Assets Investment and Terms and Conditions for Investing Such Assets Abroad (RS Official Gazette, Nos 63/2007, 67/2007, 111/2009 and 34/2010) shall be repealed as from the date on which this Decision is applied, apart from Section 4 of that Decision which shall be repealed on the date of entry into force of this Decision.

25. This Decision shall enter into force on the eighth day following its publication in the RS Official Gazette and shall apply from 1 October 2011, apart from Section 3, paragraph 1, subparagraphs 3), 4) and 6), Section 4 and Sections 11–17 which shall apply as of the date of entry into force of this Decision.

NBS EB No 30
10 June 2011
Belgrade

Chairman
of the NBS Executive Board
Governor
of the National Bank of Serbia

dr Dejan Šoškić, *signature*