

Pursuant to Article 76, paragraph 8 of the Law on Voluntary Pension Funds and Pension Schemes ("RS Official Gazette", No. 85/2005), Governor of the National Bank of Serbia hereby issues the following

DECISION
ON METHODOLOGY OF HARMONIZING OPERATIONS OF AN
INSURANCE COMPANY WITH THE LAW ON VOLUNTARY PENSION
FUNDS AND PENSION SCHEMES

1. This Decision shall govern the methodology of harmonizing operations of insurance companies that have the license for performing voluntary pension insurance activities in line with the law governing insurance (hereinafter: the insurance company) with the Law on Voluntary Pension Funds and Pension Schemes (hereinafter: the Law).

2. The insurance company shall be obliged to inform the National Bank of Serbia of the chosen manner of harmonization of its operations determined in Article 76 of the Law (hereinafter: the manner of harmonization) – not later than April 30, 2006.

The insurance company shall be obliged to inform insurance holders, and/or managers who concluded voluntary pension insurance contracts (hereinafter: the insurance contract) on behalf of employees, of the chosen manner of harmonization, in writing, not later than July 1, 2006.

The notification referred to in paragraph 2 hereof must contain:

- 1) the chosen manner of harmonization;
- 2) the note that funds of the insurance company may be transferred to the voluntary pension fund (hereinafter: the fund), whereby the insurance holder becomes member of the fund, or the insurance contract may be terminated with the right of the refund of funds, and the designation of the deadline within which the insurance company shall be informed that the chosen manner of harmonization has not been accepted;
- 3) the balance on the insurance holder's account on the notification day, with the note that the balance on the account shall not be reduced after the choice of the manner of harmonization;

4) other data important for the choice of the manner of harmonization, including data on the fund to which the insurance holder's assets shall be transferred.

3. The insurance company that harmonizes its operations with the Law shall submit to the National Bank of Serbia, by its registration as the voluntary pension fund management company (hereinafter: the fund management company) and organization of the fund to which funds, collected with regard to voluntary pension insurance and generated from operations up to that point shall be transferred, the request for registration.

Alongside the request referred to in paragraph 1 hereof, the following shall be submitted:

- 1) the incorporation act of the insurance company modified in line with the Law;
- 2) the plan of operations of the fund management company in the first three years, including the survey of expected results of operations;
- 3) rules of operations of the fund management company;
- 4) the list of proposed members of the management of the fund management company, with their CVs, statements on the assent to perform duties and evidence that they fulfill the conditions referred to in Article 15 of the Law;
- 5) evidence on organizational and technical capacity of the fund management company, with the list of persons who will perform the operations referred to in Article 8 of the Law;
- 6) draft standard contract on fund membership;
- 7) draft contract with the custody bank;
- 8) rules on the fee;
- 9) other documentation relevant for making decisions on the request.

Alongside the request referred to in paragraph 1 hereof, the insurance company shall also submit its financial statements, with the opinion of the auditor and actuary, with the balance as of the last day in the month preceding the month in which these reports are submitted, but not before the balance as of March 31, 2006.

Financial statements referred to in paragraph 3 hereof shall particularly disclose the obligations to insurance holders with regard to the insurance contract, funds for the coverage of these obligations and assets investment structure. These obligations shall be calculated for each insurance contract, in

line with conditions envisaged therein, on the calculation day. Alongside the calculation, the calculation methodology shall be submitted.

4. On the basis of requests and documentation referred to in Section 3 hereof, and on the basis of the appropriate application of provisions of the Law that are related to deciding upon the request for issuing operating license and the request for issuing the license for fund management, the National Bank of Serbia shall issue the operating license to the insurance company or shall refuse the request.

The insurance company that has been issued the operating license shall be obliged to enter into the economic subjects registry the day when it starts to operate as the fund management company, after the reception of the decree on issuing the license, in line with the Law, and within 7 days following the day of the reception of the decree on the entry into the registry, it shall submit to the National Bank of Serbia the statement from the entry into the registry and initial balances of the fund management company and the fund.

5. On the day of the entry of the fund management company into the economic subjects registry, funds of this fund calculated in the manner referred to in Section 3, paragraph 4 hereof shall be transferred to the fund, alongside the balance as of the transfer day.

On the day of the entry into the registry referred to in paragraph 1 hereof, insurance holders shall, with regard to the incorporation contract, become members of the fund, and the amount of funds on the account that they had until that point shall be calculated into investment units.

6. The insurance company that harmonizes its operations with the Law shall submit to the National Bank of Serbia, by the incorporation of the fund management company which will organize the fund to which funds collected with regard to voluntary pension insurance shall be transferred, the request for issuing the operating license and fund management license.

Alongside the request referred to in paragraph 1 hereof, the documentation prescribed by Article 10 of the Law shall be submitted, as well as financial statements of the insurance company, with the opinion of the auditor and actuary, with the balance as of the last day in the month which proceeds the month in which these statements are submitted, but not before the balance as of March 31, 2006. Data on the insurance company shareholder referred to in Article 10, paragraph 1, Section 4 of the Law shall not be submitted alongside this request.

The opinion referred to in paragraph 2 hereof shall also contain the estimate whether the assets of the insurance company, assessed in line with regulations, are sufficient for covering its obligations, after the performed harmonization, for covering obligations of the company and continuing operations in line with the law governing insurance.

Financial statements referred to in paragraph 2 hereof shall disclose particularly the obligations to insurance holders on the basis of the insurance contract, funds for covering these obligations and assets investment structure. These obligations shall be calculated for each insurance contract, in line with conditions envisaged in the contract, on the calculation day. Alongside the calculation, the calculation methodology shall be submitted.

Simultaneously with the request referred to in paragraph 1 hereof, the insurance company shall submit the request for the change of the license, and/or the transfer of the voluntary pension insurance portfolio which includes the funds collected with regard to this insurance, in line with the law governing insurance.

Provisions of Sections 4 and 5 hereof shall apply accordingly on deciding upon the request and the manner of harmonization referred to in paragraph 1 hereof.

7. The insurance company that harmonizes its operations with the Law shall, by transferring to the fund the funds collected with regard to voluntary pension insurance, shall submit to the National Bank of Serbia the request for the transfer of these funds.

Alongside the request referred to in paragraph 1 hereof, the insurance company shall also submit its financial statements, with the opinion of the auditor and actuary, with the balance as of the last day in the month preceding the month in which these statements are submitted, but not before the balance as of March 31, 2006.

The opinion referred to in paragraph 2 hereof shall also contain the estimate whether insurance company assets, estimated in line with regulations, are sufficient, after the performed harmonization, for covering obligations of the company and continuing operations in line with the law governing insurance.

Financial statements referred to paragraph 2 hereof shall disclose particularly obligations to insurance holders with regard to the insurance

contract, funds for covering these obligations and assets investment structure. These obligations shall be calculated for each insurance contract in line with the conditions envisaged in the contract, on the calculation day. Alongside the calculation, the calculation methodology shall be submitted.

Simultaneously with the request referred to in paragraph 1 hereof, the insurance company shall also submit the request for changing the license, and/or transferring voluntary pension insurance portfolio which includes all funds collected with regard to this insurance, in line with the law governing insurance.

Alongside the request referred to in paragraph 1 hereof, the following shall be submitted:

- 1) contract on the transfer of funds calculated in the manner referred to in paragraph 4 of Section thereof;
- 2) list of contracts that are subject of transfer;
- 3) modified business plan of the insurance company;
- 4) written procedures of the transfer of funds into the fund and the establishment of the number of investment units that belong to fund members.

8. After the reception of the decree whereby the approval of the transfer of funds referred to in Section 7, paragraph 1 hereof is given, the insurance company shall, within the following 30 days, transfer to the fund total collected funds calculated in the manner referred to in paragraph 4 of Section thereof.

The fund management company and the insurance company shall be obliged to submit to the National Bank of Serbia balance sheets, with the balance as of the day of transfer, within 7 days following the day of transfer referred to in paragraph 1 hereof.

Provisions of Section 5 hereof shall accordingly apply in the manner of harmonization of transfer referred to in paragraph 1 hereof.

9. This Decision shall come into effect on the day following its publication in the "RS Official Gazette", and shall be applied as of April 1, 2006.

D. No. 40
March 28, 2006
Belgrade

Governor
of the National Bank of Serbia

Radovan Jelašić