

In accordance with Article 15, Paragraph 1 and Article 64, Paragraph 2 of the **Law on the National Bank of Serbia** (*Official Gazette of the Republic of Serbia*, No. 72/2003, 55/2004 and 44/2010), Article 69, Paragraph 3 and Article 70a, Paragraph 2, Item 16 of the Law on Voluntary Pension Funds and Pension Schemes (*Official Gazette of the Republic of Serbia*, no. 85/2005 and 31/2011), the Executive Board of the National Bank of Serbia hereby passes the

**DECISION**  
**ON MANNER OF CONDUCTING SUPERVISION OVER A VOLUNTARY PENSION**  
**FUND MANAGEMENT COMPANY**

1. This Decision shall prescribe the manner of conducting supervision over a voluntary pension fund management company (hereinafter referred to as: "the company"), the manner of issuing orders and taking measures in conducting such supervision, deadlines for executing orders and duration of measures, as well as other activities that the company must conduct based on the order for eliminating irregularities.

2. The supervision referred to in Item 1 hereof (hereinafter referred to as: "the supervision") shall be conducted by the National Bank of Serbia off-site and on-site.

The off-site control referred to in Item 1 hereof (hereinafter referred to as: "the off-site control") shall be conducted by collection, monitoring, inspection and analysis of reports and other documentation that the Company submits to the National Bank of Serbia pursuant to the Law on Voluntary Pension Funds and Pension Schemes (hereinafter referred to as: "the Law") and regulations of the National Bank of Serbia, and by continuous monitoring of other information regarding the business operations of the company and the voluntary pension fund (hereinafter referred to as: "the Fund") which are at disposal of the National Bank of Serbia, as well as by having meetings with the company's management, funds' portfolio managers, internal and external auditors, and, as appropriate, with other employees in the company.

The on-site control referred to in Item 1 hereof (hereinafter referred to as: "the on-site control") shall be conducted in the company's business premises – by inspecting books of account, subsidiary and other records and statements, reports prepared by the Company, internal decisions, rulebooks and business policy acts and other documentation in relation to business operations of the entity subject to supervision, in hard copies or electronic record, or by having discussions with members of management boards, employees of the Company and other persons in possession of information relevant for on-site control.

3. The National Bank of Serbia shall compile the report on on-site control if such control has established certain illegalities, and/or irregularities made by the Company or non-compliance by the Company with risk management rules, in terms of the Law.

4. On-site control shall be conducted by the employees of the National Bank of Serbia appointed by the governor or person designated by him/her (hereinafter referred to as: "Authorized persons").

The Decision referred to in Paragraph 1 hereof shall indicate the company subject to on-site control, as well as the scope of such control. In the course of on-site control, this Decision may be supplemented, and/or amended.

The authorized persons shall be obliged to compile a report upon completed on-site control.

5. The Company subject to on-site control shall ensure to the authorized persons uninterrupted performance of on-site control and cooperation with them, as well as nominate its representative for providing all the assistance required for conducting such control.

The Company shall make available to the authorized persons, for the purposes of conducting on-site control, general documents, books of account, statement of accounts and other documentation that the authorized persons would require – in writing or electronic form, as well as make available, for the purposes of conducting information system control, a detailed technical documentation and ensure an adequate access to databases, program solutions used by the Company and to other information system resources.

While conducting on-site control, the authorized persons may:

- require that they are made available separate premises for conducting control activities;
- access all organizational parts and premises of the Company, in compliance with safety procedures;
- require that they are provided the copies of documents in relation to the subject undergoing on-site control;
- directly communicate with members of the Company's management and employees for the purpose of obtaining necessary explanations.

The Company shall provide to the authorized persons upon their request all necessary assistance in the inspection of books of account, and/or documentation kept in electronic form.

Members of the Company's management, employees of the Company and other persons shall provide written and oral answers to questions made by the authorized persons upon their request and in accordance with this Decision, as well as provide evidence in relation to such answers.

The authorized persons shall conduct on-site control on working days, during regular working hours, and if required due to the scope and nature of control outside working hours, and the Company shall ensure all the conditions for conducting such control.

6. It shall be deemed that the Company has not ensured that the National Bank of Serbia could conduct the supervision in terms of this Decision if it has not acted in accordance with Item 5 of the Decision, as well as in the following cases:

- if the Company has not submitted all the required information or evidence, in particular the information the Company is obliged to possess in accordance with the law or other regulation or rules of profession;
- if the Company has submitted inaccurate information, deliberately or in gross negligence;
- if the Company has not ensured the required conditions for the authorized persons to conduct supervision, and/or has not ensured that the authorized persons should not be interrupted by employees of the Company or other persons;
- if the Company has not submitted two reports in succession that it is obliged to submit periodically in accordance with the law or another regulation and if it has failed to submit the requested reports or information upon the repeated request of the National Bank of Serbia within the prescribed period, and/or if it frequently submits inaccurate and incomplete information in such reports.

7. The reports referred to in Item 3 and Item 4, Paragraph 3 hereof (hereinafter referred to as: “the Report”) include the elements specified by the law governing the general administrative procedure, in particular: date of compiling the report, subject of supervision and relevant data in relation to that subject, information on the factual state and signature of the person who has made the report.

The National Bank of Serbia shall submit the report to the Company which may file its objections to it – within eight days as of the submission of the report.

The Company shall submit the evidence to the National Bank of Serbia that the members of the Company’s management have been familiar with the contents of the report.

The National Bank of Serbia shall review the objections of the Company to the report, and if it establishes that the factual state has been different than the one indicated in the report, it shall supplement the report (hereinafter referred to as: “the Supplemented Report”), which is submitted to the Company within 15 days as of the submission of the objections.

The Company may file objections to the supplemented report as well – within three days as of the date of receipt of the supplemented report.

8. The National Bank of Serbia shall pass a conclusion on termination of supervision procedure:

- if illegalities, and/or irregularities have not been established by the report, or if insignificant irregularities have been established, or
- if the Company’s objections have been grounded to dispute the findings in the report, and/or supplemented report, or a part of such findings has been disputed and the remaining irregularities represent less relevant irregularities.

The conclusion referred to in Paragraph 1 hereof shall be submitted to the Company.

9. If the National Bank of Serbia has passed the decision on a provisional measure in accordance with Article 69a of the Law – such decision shall be effective until pronouncement of measures referred to in Article 69, Paragraph 1 of the Law or until the adoption of the conclusion referred to in Item 8 hereof.

10. If the Company has not submitted its objections to the report, and/or supplemented report within the deadlines prescribed by this Decision, by which illegalities, and/or irregularities specified by the Law or another law pursuant to which the National Bank of Serbia is authorised to exercise supervision, and/or by which non-compliance with the risk management rules has been established, or if the Company has not refuted in its objections the factual findings referred to in the report, and/or supplemented report – the National Bank of Serbia shall take one or more measures referred to in Article 69, Paragraph 1 of the Law against that company, in accordance with the criteria referred to in Paragraph 2 thereof, as follows:

- 1) issue a written warning notice;
- 2) issue the order to remove the identified irregularities;
- 3) withdraw the approval of appointment of a member of management of the management company;
- 4) revoke the operating license of the management company.

The National Bank of Serbia may render a decision on the pronouncement of measures referred to in Paragraph 1 hereof. Such decision shall be final and administrative proceedings may be initiated against it.

11. A written warning notice shall be issued to a company for less significant irregularities established in its business operations, and/or irregularities which do not affect business operations of that company, and/or fund managed by the company, directly or significantly.

If the written warning notice referred to in Paragraph 1 includes an order and deadline by which the company must notify the National Bank of Serbia of the activities taken to remove the said irregularities – such notification must include the report on the removed irregularities, with the submitted evidence.

The National Bank of Serbia shall adopt the conclusion on termination of supervision procedure over a company to which the written warning notice has been issued after it has established that the identified irregularities have been removed, and/or removed to a great extent within the term specified in the written warning notice, and in case such irregularities have not been removed – the National Bank of Serbia shall take a new measure referred to in Article 69, Paragraph 1 of the Law against that company, in accordance with the criteria referred to in Paragraph 2 thereof.

12. The “Order to Remove Irregularities” (hereinafter referred to as: “the order”) shall be sent to a company with respect to whose business operations significant irregularities have been identified, and/or non-compliance with the rules on risk management.

The National Bank of Serbia shall issue the order to the company to take one or more activities referred to in Article 70a, Paragraph 2, Item 1 through 15 of the Law within a specified term, and/or to take or terminate other activities depending on the established irregularities, and/or illegalities or non-compliance with the risk management rules in business operations of that company, such as the activity:

- to increase the value of capital;
- to decrease the degree of exposure to risk of the fund's assets;
- to engage an independent professional to review and make a proposal how to improve the business operations in the sphere where irregularities have been identified;
- to publish the correction to the advertisement;
- to publish the correction in the calculation of fees, investment units, value of the fund's assets, and/or yields;
- to establish the decrease of value of the fund's assets caused by the company's negligent actions, and to cover such decrease from its assets;
- to increase control over conducting business and activities entrusted to another person, in accordance with the Law;
- to take part in the activities of shareholders' meeting of companies being the issuers of shares constituting the fund's assets.

If during the term specified in the order the Company has filed the application to extend that term – the National Bank of Serbia may extend it if it estimates that such request is grounded.

The Company shall submit the report on removed irregularities with the attached evidence to the National Bank of Serbia, after the expiry of deadlines specified in the order.

If the National Bank of Serbia has established that the company has executed the order or that the irregularities based on which the order has been issued have been removed to the extent that only less significant irregularities have remained – it shall pass a conclusion on termination of supervision over the company, and if the irregularities have not been removed – it shall take a new measure referred to in Article 69, Paragraph 1 of the Law against the company, in accordance with the criteria referred to in Paragraph 2 thereof.

13. If, based on available new information on the company's business operations, the National Bank of Serbia has estimated that the company to which the order has already been issued has made new irregularities, and/or illegalities, or that it has not complied with risk management rules, and/or has not acted in accordance with the issued orders – the National Bank of Serbia may immediately initiate a new supervision procedure over that company or take a new measure referred to in Article 69, Paragraph 1 of the Law against it, in accordance with the criteria referred to in Paragraph 2 thereof.

If the National Bank of Serbia decides to initiate a new supervision procedure over the company in accordance with Paragraph 1 hereof – it shall terminate the current supervision procedure simultaneously with initiating a new supervision procedure or simultaneously with the pronouncement of any of the measures referred to in Article 69, Paragraph 1 of the Law, based on the findings after completing a new supervision procedure.

14. The National Bank of Serbia shall withdraw its consent regarding the appointment of a management member in cases prescribed by Article 17, Paragraph 1 of the Law.

15. The National Bank of Serbia shall revoke the operating licence to a company in cases prescribed by Article 71, Paragraph 1 of the Law, and/or may cancel such licence in cases referred to in Paragraph 2 thereof.

16. For the purpose of pronouncing a fine to a member of the company's management in accordance with Article 69b of the Law – the company shall submit to the National Bank of Serbia, upon its request and within the specified term, the information on the amount of salary of persons who will be pronounced a fine, as well as the information on opened current accounts of such persons in banks.

17. A company shall submit to the National Bank of Serbia the proof of payment to its current account of pronounced fines - no later than 15 days as of the receipt of the decision on the pronouncement of a fine." Otherwise, the National Bank of Serbia shall initiate an enforced payment.

18. The National Bank of Serbia conducts supervision over a custody bank as well, and/or over the activities this bank performs in accordance with the Law, in the manner prescribed by the Law and this decision.

19. While conducting the supervision, the National Bank of Serbia shall be entitled to inspect books of account and other documentation of legal persons affiliated to the company subject to supervision – by management, capital or in another way, for the purpose of achieving mutual business objectives, in such a manner that the business operations or the business results of one person may significantly affect the business, and/or the results of business operations of another person (shareholders of the company, persons to whom the company entrusted the performance of certain activities in accordance with Article 5, Paragraph 5 of the Law, mediators of the company, as well as the persons who are related to the company in another way in accordance with the Law), and it may request that such persons submit other information relevant for conducting the supervision, in accordance with the Law, in which case the National Bank of Serbia shall act in the manner prescribed by the Law and this decision.

20. Supervision procedures over companies initiated until the date of this decision coming into effect shall be terminated in accordance with provisions of regulations effective at the time of initiating such supervision procedures.

21. On the date of its coming into effect, this Decision shall supersede the Decision on the manner of conducting supervision over a voluntary pension fund management company ("Official Gazette of the Republic of Serbia", no. 27/2006).

22. This Decision shall enter into force on the eight day following the day of its publication in the "Official Gazette of the Republic of Serbia".

Executive Board of the NBS No.  
66  
11. August 2011  
Belgrade

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

Dejan Šoškić, PhD, sign-manual