

Pursuant to Article 21, paragraph 1 of the Law on the National Bank of Serbia ("RS Official Gazette", Nos. 72/2003 and 55/2004) and Article 124, paragraph 3 of the Law on Banks ("RS Official Gazette", No.107/2005), the Governor of the National Bank of Serbia hereby issues the following

**DECISION**  
**ON TERMS AND CONDITIONS OF GRANTING APPROVAL TO BANKS**  
**FOR SETTING UP OR ACQUISITION OF SUBORDINATED COMPANIES**

1. This decision sets forth the terms and conditions of granting approval to banks by the National Bank of Serbia for setting up or acquisition of subordinated companies in the Republic of Serbia or abroad (hereinafter: approval).

Only financial sector entities as defined by Article 2 of the Law on Banks (hereinafter: Law) are eligible to become subordinated companies of banks.

Subordinated companies of banks referred to in paragraph 2 hereof may be either their subsidiary or associated companies within the meaning of the Law.

2. A bank setting up or acquiring a subordinated company shall file a written application for approval thereof with the National Bank of Serbia.

In support of the application referred to in paragraph 1 hereof, the bank shall submit the following to the National Bank of Serbia:

1) decision on setting up or acquisition of a subordinated company issued by the bank's competent body;

2) data on the stake to be held by the bank in the subordinated company;

3) data on professional qualifications, experience and business reputation of the person nominated for a member of the subordinated company's management bodies (the person's business biography and a letter of reference by the director of the legal entity employing the nominated person or the director of the legal entity with which such person has business relations);

4) draft program of activities prepared by the bank for the subordinated company over a three-year period specifying in particular the planned core activities, expected sources of finance, target client group, plans regarding expansion of operations and organizational network, as well as a

projection of the balance sheet and income statement for the year in which the subordinated company is set up;

5) projection of the subordinated company's impact on the bank's operations over a three-year period, prepared pursuant to the draft program of activities referred to in indent 4 hereof;

6) draft risk management procedures, internal control and internal audit procedures, applicable at the level of the bank and its subordinated company, and/or banking group;

7) details of all legal and natural entities to hold a stake in the subordinated company (business name, head office, activity and ownership structure of a legal entity, name and address of a natural person, level of equity stake, brief overview of their business activities in the previous three years);

8) other documents requested by the National Bank of Serbia.

3. In addition to documents prescribed under Section 2 hereof, the bank which is to acquire a subordinated company shall also submit:

1) reports on the audit of the subordinated company's financial statements for the preceding two years, as well as financial statements for at least one reporting period of the current year;

2) data on whether the subordinated company holds ownership interest and/or stake in any other legal entity, and if so since when, data on the level of such ownership interest and/or stake in such other legal entity's capital in absolute and percentage terms as at the day preceding the date of filing the application for approval.

4. Banks shall not be required to submit data and/or documents specified under Section 2, paragraph 2, indents 3, 4 and 7 hereof for setting up and/or acquisition of a subordinated company in the Republic of Serbia if such company is a financial leasing company, insurance company or voluntary pension fund management company.

5. The National Bank of Serbia shall grant approval if it establishes that:

– setting up and/or acquisition of a subordinate company shall not threaten the bank's financial standing;

– the bank's risk exposure is in line with the prescribed level;

– the consolidated performance indicators are within the levels prescribed ;

– the bank's systems of organization, management, decision-making, internal control and information technology enable adequate risk management of the banking group operations;

– the structure of the banking group is transparent as stipulated by the Law;

– setting up or acquisition of a subordinated company in the Republic of Serbia shall not result in violation of competition as defined by the Law;

– there is adequate cooperation between the National Bank of Serbia and the regulatory body of a foreign country in which the bank is to set up and/or acquire a subordinated company.

6. The National Bank of Serbia shall decide on the application referred to in Section 2 hereof within 30 days following the date of its submission.

7. In order to acquire a subordinated company as a subsidiary, the bank which has been granted approval for setting up and/or acquisition of a subordinated company as an associated company, shall file an application for approval thereof with the National Bank of Serbia and enclose documents specified under Sections 2 and 3 of this decision.

The National Bank of Serbia shall grant approval referred to in paragraph 1 of this Section under terms and conditions prescribed hereunder.

8. Provisions hereof shall also apply to the issuing of prior NBS approval regarding the acquisition of a qualified stake, within the meaning of the law governing the market of securities and other financial instruments.

9. Documentation prescribed hereunder shall be submitted in the original or certified copy and not later than six months from their issuance.

Documentation referred to in paragraph 1 hereof shall be written out in Serbian, and if written in a foreign language, the original or certified copy of the translation into Serbian rendered by a sworn-in-court interpreter shall be enclosed.

10. Pursuant to this decision, the applicant referred to in that decision shall be required to submit to the National Bank of Serbia, in addition to the prescribed documentation, proof of payment of the fee prescribed by the decision on the uniform fees charged for services provided by the National Bank of Serbia, as well as proof of payment of the administrative fee as specified by the law on administrative fees at the republic level.

11. This decision shall come into effect one day after its publication in the "RS Official Gazette".

D. No. 63  
29 June 2007  
B e l g r a d e

G o v e r n o r  
National Bank of Serbia

Radovan Jelasic, sign.