

Pursuant to Article 14, paragraph 1, item 9, with reference to Article 34, item 9 of the Law on the National Bank of Serbia (RS Official Gazette, Nos 72/2003, 55/2004 and 44/2010), Article 38, paragraph 4 and Article 41, paragraph 1 of the Law on Foreign Exchange Operations (RS Official Gazette, No 62/2006), the Executive Board of the National Bank of Serbia hereby issues

DECISION ON OPERATING TERMS AND PROCEDURES IN THE FOREIGN EXCHANGE MARKET

General provisions

1. This Decision sets forth the operating terms and procedures in the foreign exchange market, as well as the method of setting the official middle exchange rate of the dinar against other currencies.
2. Foreign exchange and foreign cash may be purchased/sold in the foreign exchange market in accordance with the National Bank of Serbia's decision prescribing the types of foreign exchange and foreign cash to be purchased/sold in the foreign exchange market.
3. Trading in the foreign exchange market shall include swap, spot and forward purchase/sale of foreign exchange, as well as purchase/sale deals with the execution date earlier than the spot currency date.

Spot sale/purchase, under the terms hereof, means purchase/sale of foreign exchange for dinars that takes place two business days from the day of conclusion of such purchase/sale contract, and/or trading date (spot currency date).

Forward purchase/sale, under the terms hereof, means such purchase/sale of foreign exchange for dinars that takes place on a specified date which is later than the spot currency date.

Swap purchase/sale of foreign exchange, under the terms hereof, means entering into two simultaneous transactions – purchase of foreign exchange for dinars and sale of foreign exchange for dinars, but with different contract execution dates.

4. Purchase/sale of foreign exchange and foreign cash between participants in the foreign exchange market may be performed electronically, by telephone, telefax, in writing, as well as through direct contact between the interested parties.

While performing the activities of purchase/sale of foreign exchange and foreign cash, participants in the foreign exchange market are required to comply with the principles of conscientiousness, fairness, good business practice and the generally accepted code of conduct for foreign exchange market participants.

Interbank Foreign Exchange Market

5. The Interbank Foreign Exchange Market (hereinafter: IFEM) is part of the foreign exchange market where the purchase/sale of foreign exchange and foreign cash takes place between the National Bank of Serbia and banks, and/or between banks.

6. For organising direct auction purchase/sale of foreign exchange under the terms of Section 7, indent 1 hereof, the National Bank of Serbia shall charge banks a fee specified in the decision on uniform fees charged for services provided by the National Bank of Serbia.

7. Under the terms hereof, the National Bank of Serbia may purchase/sell foreign exchange for dinars in direct transactions with banks – through foreign exchange purchase/sale at auctions or through bilateral foreign exchange purchase/sale deals.

Under the terms hereof, the National Bank of Serbia may purchase/sell foreign cash for dinars in direct transactions with banks – through bilateral foreign cash purchase/sale transactions, in line with the Governor's decision.

8. The National Bank of Serbia shall trade in foreign exchange with a bank that signed an agreement on foreign exchange trading with the National Bank of Serbia, most notably a master agreement on foreign exchange spot trading – if direct foreign exchange spot trading is performed; and a master swap agreement – if foreign exchange swap trading is performed, under the terms and conditions defined by regulations on such activities.

The National Bank of Serbia shall perform the activities from paragraph 1 hereof with banks against which no measure prohibiting the performance of specific types of foreign exchange trade deals with the National Bank of Serbia was pronounced, as envisaged under Section 10 hereof.

9. The agreement on purchase/sale of foreign exchange and foreign cash in the IFEM shall be deemed concluded once the bidder receives

notification of bid acceptance.

Following the conclusion of the agreement on purchase/sale of foreign exchange in the IFEM, with the National Bank of Serbia as one of the contractual parties, the parties thereto shall exchange MT300 SWIFT messages.

10. The National Bank of Serbia may restrict bank's foreign exchange trading with the National Bank of Serbia within the meaning hereof:

- if the bank fails to settle its obligations under the foreign exchange trade agreement with the National Bank of Serbia;
- if the bank acts in breach of the code of conduct referred to in Section 4, paragraph 2 hereof;
- if the bank fails to submit the report referred to in Section 20, paragraph 2 hereof (Form 4aa and/or Form 4ab), and if it includes incorrect and/or incomplete data in such report.

The Governor shall determine the type of foreign exchange trading transaction and the period over which the restriction from paragraph 1 hereof shall apply.

The National Bank of Serbia may publicly announce to which banks the above restriction applies.

Setting of exchange rates and publishing of exchange rate lists

11. Banks and the National Bank of Serbia shall purchase/sell foreign exchange in the IFEM at quoted exchange rates based on market supply and demand.

13. Once a day, at the start of each business day, banks shall set and announce exchange rates for purchase/sale of foreign exchange and foreign cash by applying the principle of crossed exchange rates of different currencies in foreign markets applicable at the time of quoting such exchange rates. The established exchange rate lists shall apply until the new ones are published.

14. On each business day, the National Bank of Serbia shall set the official middle exchange rate of the dinar against the euro based on data on the spot sales of foreign exchange (euros) and sales of foreign exchange (euros) with the execution date earlier than the spot currency date concluded in the IFEM during the day.

Under the terms hereof, the exchange rate of the dinar against the euro shall be the dinar equivalent of the foreign currency unit – the euro.

By 6 p.m. on each business day, the National Bank of Serbia shall publish on its website the official middle exchange rate of the dinar against the euro, to be applied from 8 a.m. on the following business day.

At the start of each business day, the National Bank of Serbia shall set the official middle exchange rate of the dinar against other currencies specified in the National Bank of Serbia's decision on types of foreign exchange and foreign cash to be purchased/sold in the foreign exchange market and shall base its calculations on the official middle exchange rate of the dinar against the euro and apply the principle of crossed exchange rates of different currencies in foreign markets applicable at the time of formation of such exchange rate.

Under the terms hereof, the exchange rate of the dinar against the euro shall be the dinar equivalent of the foreign currency unit – the euro.

At the start of each business day, the National Bank of Serbia shall set the exchange rate list for the official middle exchange rate of the dinar, which shall be published and applicable from 8 a.m. on that business day until the new exchange rate list is announced.

15. At the time of setting the exchange rate list for the official middle exchange rate of the dinar, the National Bank of Serbia shall also set exchange rate lists for foreign exchange and foreign cash, which shall apply as of 8 a.m. on that business day until the new foreign exchange and foreign cash exchange rate lists are published.

Buying and selling exchange rates of the National Bank of Serbia for trading in foreign exchange and/or foreign currency cash shall be set by subtracting, and/or adding margins for foreign exchange, and/or foreign cash from and/or to the official middle exchange rate of the dinar. The margin levels shall be specified by the Governor's decision.

16. A licensed exchange dealer and a public postal operator – resident performing exchange operations based on a separate law governing its activity (hereinafter: public postal operator) shall set their exchange rate lists for foreign cash once a day, at the start of each business day in accordance with the exchange rate list of the bank, and/or banks with which they have concluded an agreement on the performance of exchange operations. These exchange rate lists shall apply until the

new exchange list for foreign cash is issued by such licensed exchange dealer, and/or public postal operator.

In the exchange rate list of an authorised exchange dealer and the public postal operator the buying exchange rate per unit of foreign currency – the euro shall not be lower than the official middle RSD/EUR exchange rate applicable on a given day by more than 1.25%, and the selling rate shall not be higher than the official middle RSD/EUR exchange rate applicable on that particular day by more than 1.25%.

Application of exchange rates set by banks, the National Bank of Serbia, licensed exchange dealers and a public postal operator

17. When trading in foreign exchange and/or foreign cash with residents and non-residents up to the spot currency date, banks shall apply the rates that fall within the range of their buying and selling quotes for trading in foreign exchange and/or foreign cash as specified in their applicable exchange rate list.

18. The National Bank of Serbia shall purchase/sell foreign cash from/to banks by applying current buying/selling rates for foreign cash specified in its current exchange rate list.

When purchasing/selling foreign exchange and foreign cash from/to residents that have foreign exchange accounts opened with the National Bank of Serbia pursuant to current legislation, the National Bank of Serbia shall apply buying and selling exchange rates as specified in the current exchange rate list and/or the official middle exchange rate of the dinar from the current exchange rate list if it is so specified in international treaties/agreements on the approval of grants or loans for budget deficit financing (budget support).

When performing foreign exchange forward and/or swap purchase/sale from/to residents specified in paragraph 2 hereof, the National Bank of Serbia shall apply the agreed exchange rates for forward and/or swap purchase/sale of foreign exchange depending on the current market and monetary developments, and on the maturity of the foreign exchange purchase/sale transaction.

18a. Notwithstanding the provisions of Section 18, paragraph 2 hereof, when buying/selling foreign exchange and foreign cash within the measures of support to citizens and businesses to mitigate the consequences of the COVID-19 pandemic triggered by the SARS-CoV-2

virus from/to residents who have foreign exchange accounts with the National Bank of Serbia based on law, the National Bank of Serbia shall apply the official middle exchange rate of the dinar as specified in the current exchange rate list.

19. A licensed exchange dealer and a public postal operator shall purchase/sell foreign cash at current buying/selling rates specified in their exchange rate lists, within the quoted range between the buying and selling rates.

Reporting

20. In line with the guidelines for the preparation and electronic submission of data to the National Bank of Serbia, banks shall submit electronically the following data to the National Bank of Serbia by 10 a.m. on each business day:

a) *for the preceding business day:*

- foreign currency position of the bank (Form 2),
- report on spot purchase/sale of foreign exchange from residents and nonresidents (Form 3a),
- report on purchase/sale of foreign exchange from residents and nonresidents with the execution date other than the spot currency date (Form 3b),
- report on swap purchase/sale of foreign exchange from residents and nonresidents (Form 3c),
- report on purchase/sale of foreign cash from residents and nonresidents (Form 3d),
- report on direct spot sale of foreign exchange and foreign cash to another bank (Form 4a),
- report on direct sale of foreign exchange and foreign cash to another bank with the execution date other than the spot currency date (Form 4b),
- report on direct swap sale of foreign exchange and foreign cash to another bank (Form 4c);
- report on the balance on non-resident dinar accounts (Form 6a),
- report on changes in non-resident dinar accounts and underlying transactions (Form 6b);
- report on payment card transactions impacting the bank's FX position (Form 7);
- report on currency-indexed bank loans (Form 8a);
- report on currency-indexed bank deposits (Form 8b).

b) *for the current business day* – exchange rate lists for foreign exchange and foreign cash.

Banks shall submit to the National Bank of Serbia the following reports for the current business day:

- by 1.30 p.m. – on direct spot trade and trade with the execution date earlier than the spot currency date – sale/purchase of foreign exchange (euros) to/from another bank, concluded from 9.00 a.m. to 12.30 p.m. (Form 4aa);
- by 5 p.m. – on direct spot trade and trade with the execution date earlier than the spot currency date – sale/purchase of foreign exchange (euros) to/from another bank, concluded from 12.30 a.m. to 4 p.m. (Form 4ab).

Banks shall submit to the National Bank of Serbia electronically, in line with the guideline governing the preparation and electronic submission of data to the National Bank of Serbia, each 20th day in the month for the previous month, submit the report on allowances for impairment for FX loans and currency-indexed bank loans (Form 8c),

If the 20th day in the month is a non-business day, banks shall submit to the National Bank of Serbia the report referred to in paragraph 3 hereof on the first following business day.

In addition to the list of exchange rates for foreign cash, banks shall also submit to the National Bank of Serbia data on their lowest offer price when buying foreign cash, and on the highest asking price when selling foreign cash, for all currencies contained in their exchange rate lists, by 9 a.m. on each business day.

21. The forms referred to herein are enclosed with this Decision and are integral thereto.

22. By 2 p.m. of each business day, the National Bank of Serbia shall publish on its website information on the exchange rate of the dinar against the euro calculated based on data on the spot sales of foreign exchange (euros) and sale of foreign exchange (euros) with the execution date earlier than the spot currency date, and concluded from 9.00 a.m. to 12.30 a.m. on that business day (indicative exchange rate of the dinar against the euro), as well as data from Section 20, paragraph 5 thereof.

23. The National Bank of Serbia may publish on its website information on the indicative exchange rate of the dinar against the dollar. This information may be published twice during a business day:

- by 2 p.m. – information on the indicative exchange rate of the dinar against the dollar calculated based on the indicative exchange rate of the dinar against the euro from Section 22 hereof and the exchange rate of the euro against the dollar in foreign markets;
- by 6 p.m. – information on the indicative exchange rate of the dinar against the dollar calculated based on the official middle exchange rate of the dinar against the euro from Section 14, paragraph 1 hereof and the exchange rate of the euro against the dollar in foreign markets.

Final provisions

25. This Decision repeals the Decision on Operating Terms and Procedures in the Foreign Exchange Market (RS Official Gazette, Nos 34/2009, 20/2010, 36/2010 and 40/2010).

26. This Decision is published in the RS Official Gazette and enters into force on 1 March 2011.

NBS Executive Board
No 12
16 February 2011
Belgrade

Chairperson
NBS Executive Board
Governor
National Bank of Serbia
Dejan Šoškić, PhD