

LAW

ON THE SETTLEMENT OF OBLIGATIONS OF THE REPUBLIC OF SERBIA ARISING FROM ECONOMIC DEVELOPMENT LOAN

("Official Gazette", No. 43/2004)

Subject

Article 1

This Law shall govern the manner and conditions of the settlement of obligations of the Republic of Serbia arising from the gathering of foreign currency funds via special purpose foreign currency savings and issue of foreign currency-denominated bonds in respect of the loan launched in accordance with the Law on the Economic Development Loan for the Socialist Republic of Serbia ("SRS Official Gazette", Nos.25/89, 49/89, 56/89, 57/89, 9/90 and 32/90 and "RS Official Gazette", No.5/91 - hereinafter: the Law), as well as the provision of funds for these purposes.

Amount of Obligations

Article 2

Obligation of the Republic of Serbia (hereinafter: the Republic) referred to in Article 1 hereof equals EUR 56 million in total and comprises all unsettled obligations incurred by means of gathering foreign currency funds, namely by means of:

- 1) special purpose foreign currency savings worth EUR 40 million;
- 2) issue of foreign-currency denominated bonds worth EUR 16 million.

Total obligation of the Republic referred to in paragraph 1 hereof is determined by applying the agreed interest rate on the foreign currency funds gathered up to and including 30 June 1999, as well as by applying the interest rate of 2%p.a. from 1 July 1999 until the day of maturity of bonds to be issued in conformity with this Law for the purpose of settling the obligation of the Republic.

Conversion of different currencies into the euro under obligations referred to in paragraph 1 hereof, shall be performed at the exchange rate of the National Bank of Serbia valid on the day of the issue of bonds.

Funds for the Settlement of Obligations

Article 3

Funds for the settlement of the Republic obligations referred to in Article 1 hereof shall be provided for in the budget of the Republic.

Foreign currency funds for the settlement of the Republic obligations may be ensured by the purchase of foreign currency funds with the National Bank of Serbia.

Manner of the Settlement of Obligations

Article 4

The Republic shall issue bonds so as to settle obligations referred to in Article 1 hereof to persons entitled on the basis of the payment of foreign currency funds of citizens pursuant to the Law, for the purpose of special purpose foreign currency savings and purchase of foreign currency-denominated bonds (hereinafter: persons entitled on the basis of the payment of foreign currency funds).

Total obligations on all grounds for any person entitled on the basis of the payment of foreign currency funds shall be settled through bonds according to the following schedule:

- 31 August 2004 – up to EUR 530;
- 31 August 2005 – up to EUR 1,060;
- 31 August 2006 – up to EUR 5,000;
- 31 August 2007 – up to the amount of final obligation.

Amounts specified in paragraph 2 hereof include interest calculated in advance at the rate of 2% p.a. from the day of the issue of bonds until their maturity.

Persons with superannuated claims are also deemed entitled on the basis of the payment of the citizens' foreign currency funds referred to in paragraph 1 hereof.

Performance of obligations referred to in paragraph 1 hereof shall be conducted following the procedure of claim filing and determination of the amount of claim of a person entitled on the basis of the payment of foreign currency funds.

Call for Filing Claims

Article 5

Ministry in charge of finance (hereinafter: the Ministry) shall publish a call for filing claims in respect of the payment of the citizens' foreign currency funds effected in accordance with the Law in the "RS Official Gazette" and in at least two daily newspapers distributed throughout the territory of the Republic and no later than seven days following the entrance into force hereof.

Call referred to in paragraph 1 hereof shall state the manner of filing claims, to whom to file claims and other information pertaining to the filing of claims and performance of relevant administrative activities.

Filing Claims

Article 6

A person entitled on the basis of the payment of foreign currency funds may file a claim referred to in Article 5, paragraph 1 hereof within 60 days from the publication of the call referred to in Article 5, paragraph 1 thereof.

After the expiration of the period referred to in paragraph 1 hereof, the right to file a claim on the basis of the payment of foreign currency funds pursuant to the Law shall cease to be valid, except when person entitled on the basis of the payment of foreign currency funds fails to file a claim due to the force majeure, in which case such claim may be filed within the period of one year following the entrance into force of this Law.

When filing a claim one shall submit copies of the contract on special purpose foreign currency deposits for the economic development of the Republic, and/or copies of foreign currency-denominated bonds issued in line with the Law.

Performance of Administrative Activities

Article 7

Administrative activities pertaining to the settlement of obligations of the Republic to persons entitled on the basis of the payment of foreign currency funds shall be performed by the Ministry.

Determination of the Amount of Claim

Article 8

Determination of the amount of filed claim referred to in Article 6 hereof shall be performed by a special committee formed by the Government of the Republic of Serbia (hereinafter: the Government). Total amount of claim on all grounds, including the respective interest as of the maturity day of bonds, shall be determined for any person entitled on the basis of the payment of foreign currency funds.

Committee referred to in paragraph 1 hereof shall issue an enactment on the determination of the amount of claim no later than 25 days following the expiration of deadline for filing claims referred to in Article 6 of this Law.

No appeals may be lodged against the enactment referred to in paragraph 2, whereas administrative proceedings may be instituted.

Bonds

Article 9

Decision on the issue of bonds referred to in Article 4, paragraph 1 of this Law shall be rendered by the Government no later than 30 days following the expiration of deadline for filing claims referred to in Article 6 thereof.

Bonds referred to in paragraph 1 of this Article shall be used for the settlement of obligations to persons whose rights have been determined by the enactment referred to in Article 8, paragraph 2 of this Law, under conditions and in the manner stipulated by this Law and regulations issued for the purpose of implementation thereof.

Article 10

Bonds referred to in Article 9, paragraph 1 hereof shall be euro-denominated, zero-coupon bonds issued in non-material form and registered with the Central Securities Depository and Clearing House a.d. Belgrade (hereinafter: the Central Registry).

Bonds referred to in paragraph 1 hereof shall be registered and negotiable, and shall be paid out in euros or, at the request of the bond-holder, in dinars.

Basic elements of bonds referred to in paragraph 1 hereof, the volume of issue, as well as the conditions of distribution and collection of bonds, shall be prescribed by the Government.

Special Rights in Respect of Bonds

Article 11

Persons referred to in Article 9, paragraph 2 of this Law may use bonds before their maturity, with a discount at the rate stipulated by the decision on the issue of bonds which amounts to the bonds interest rate for the following purposes: covering the costs of medical treatment in the country and abroad for illnesses that cannot be treated in the country; purchase of medicaments and orthopedic aids in the country and abroad if they are not produced or available in the country; payment of funeral costs.

Detailed conditions and manner of the usage of bonds, as well as the amount up to which the citizens' rights in respect of covering expenses referred to in paragraph 1 hereof are recognized, shall be determined by the Government.

In addition, bonds may be used before maturity for the following purposes:

- purchase of shares of an enterprise in the process of privatization;
- purchase of apartments, residential facilities, office space, land and other property owned by the state;
- purchase of authorized banks' shares.

Detailed conditions for the usage of bonds for the purposes specified in paragraph 3, indent 1) and 2) shall be determined by the Government, whereas detailed conditions for the purpose referred to in indent 3) thereof shall be determined by the competent body of the authorized bank.

A bond-holder may also use such bonds within their maturity for the payment of turnover tax, excises, property tax, personal income tax and corporation tax.

As regards the primary sale of bonds, persons referred to in Article 9, paragraph 2 of this Law shall be exempt from the payment of turnover tax, commission for payment operations, capital gains tax, financial transactions tax, as well as other taxes.

Conversion, Withdrawal and Redemption of Bonds

Article 12

Conversion of the determined claims referred to in Article 8, paragraph 2 of this Law, registration of bonds with the Central Registry, issue of bond registration certificate and redemption of bonds shall be performed by a bank from the territory of the Republic, selected by the Ministry in accordance with the law governing public procurement.

As regards the selection of a bank referred to in paragraph 1 hereof, the Ministry is under obligation to publish the decision on the selection on the day immediately following the rendering of such decision in no less than two daily newspapers distributed throughout the territory of the Republic.

The Minister in charge of finance is hereby authorized to conclude a contract with the bank referred to in paragraph 1 hereof.

Redemption of a bond issued in accordance with the provisions hereof may be effected after the withdrawal, and/or annulment of such bond issued in line with the Law.

Detailed conditions of conversion of claims referred to in Article 8, paragraph 2 hereof, registration of bonds, manner of redemption, and withdrawal of existing bonds shall be laid down by the Government.

Purchase and Sale of Bonds

Article 13

Bonds referred to in Article 4 hereof may be purchased and sold at the foreign exchange market by domestic legal entities and entrepreneurs, domestic natural persons and citizens working temporarily abroad, as well as foreign natural and legal persons.

Foreign currencies referred to in paragraph 1 hereof, as well as foreign currencies arising from the collection of bonds within their maturity, may freely be transferred abroad by foreign natural and legal persons.

Submission of Documentation

Article 14

A bank which performed, on behalf of the Republic, administrative activities related to economic development loan shall submit to the Ministry documentation and data base pertaining to administrative and technical activities

in respect of the loan realization conducted in line with the provisions of the Law, no later than five days following the entrance into force hereof.

Article 15

Persons that used loan funds in line with the provisions of the Law on the Usage of Economic Development Loan Funds in the Socialist Republic of Serbia ("SRS Official Gazette", No. 27/89 and "RS Official Gazette", No. 49/92 and 70/94) are required to repay those funds to the Republic in accordance with the mentioned law, other law and loan contract.

Property and assets of the fund established in line with the provisions of the Law on the Peoples' Fund for Economic Revival in the Socialist Republic of Serbia ("SRS Official Gazette", Nos. 40/89 and 37/90) are owned by the Republic.

As of the entrance into force hereof, obligations of banks to persons entitled on the basis of paid out foreign currency funds, as well as claims of such banks on the same grounds from a bank which performed loan-related administrative activities on behalf of the Republic, and/or to the Republic.

Banks shall be under obligation to transfer to the Republic foreign currency funds obtained from a loan administrator bank, that the banks did not pay out to persons entitled on the basis of the payment of foreign currency funds, as well as other funds that the banks received under the provisions of the Law, and did not transfer funds to the administrator bank or in the event that such funds were used for purposes other than those specified by the Law, i.e. such funds shall represent the claims of the Republic on those banks.

Loan beneficiaries' obligations in respect of the repayment of loan funds referred to in paragraph 1 hereof, and/or claims of the Republic referred to in paragraph 4 of this Article, may also be settled by the Republic participating in the capital of such persons, and/or banks, by having a stake in capital or acquiring the shares of such persons, and/or banks, in line with the law.

Article 16

As of the day when this Law enters into force, the following laws shall cease to be valid:

1) Law on the Economic Development Loan for the Socialist Republic of Serbia ("SRS Official Gazette", Nos. 25/89, 49/89, 56/89, 57/89, 9/90 and 32/90 and "RS Official Gazette", No. 5/91);

2) Law on the Peoples' Fund for Economic Revival in the Socialist Republic of Serbia ("SRS Official Gazette", Nos. 40/89 and 37/90);

3) Law on the Usage of the Economic Development Loan Funds in the Socialist Republic of Serbia ("SRS Official Gazette", No. 27/89 and "RS Official Gazette", No. 49/92 and 70/94), except for the provisions regulating obligations of the beneficiaries of such funds in respect of the repayment of disbursed funds.

Article 17

This Law shall enter into force on the eighth day following the day of its publication in the "RS Official Gazette".