

L A W
ON FOREIGN EXCHANGE OPERATIONS
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I GENERAL PROVISIONS

Article 1

This Law shall govern:

- 1) payments, collections and transfers between residents and nonresidents in foreign means of payment and dinars;
- 2) payments, collections and transfers between residents in foreign means of payment;
- 3) purchase and sale of means of payment between residents and nonresidents, as well as the purchase and sale of foreign means of payment between residents;
- 4) unilateral transfers of means of payment from and into the Republic of Serbia (hereinafter: the Republic) which do not have the characteristics of transactions performed between residents and nonresidents;
- 5) current and deposit accounts of residents abroad and of residents and nonresidents in the Republic
- 6) credit operations in the Republic between banks and residents in foreign exchange, and between banks and nonresidents in dinars, as well as international credit operations.

The establishment of Foreign Exchange Inspectorate, as an administration body within the ministry in charge of finance, and its competences and organization are stipulated by this Law.

II DEFINITIONS OF TERMS

Article 2

For the purposes hereof:

(1) **Residents** shall be:

- 1) legal entity registered in accordance with regulations and headquartered in the Republic;
- 2) entrepreneur - physical entity registered in the Republic and pursuing a legally allowed activity as a form of profession for the purpose of making profit;
- 3) branch of a foreign legal entity entered into the register with the competent body in the Republic;
- 4) physical entity residing in the Republic, except for a physical entity with temporary residence abroad for over a year;

- 5) physical entity - foreign citizen residing in the Republic on the basis of residence permit, and/or work visa for over a year;
- 6) state body and organization, beneficiaries of budget funds of the Republic, beneficiaries of funds of mandatory social insurance organizations, and beneficiaries of local government budget funds;
- 7) diplomatic, consular or other representative office abroad financed from the budget of the Republic, domestic citizens employed in these offices, as well their family members.

(2) *Nonresidents* shall be all persons not listed in Section 1 hereof.

(3) *Bank* means a joint stock company headquartered in the Republic of Serbia, with the operating licence granted by the National Banak of Serbia, which performs deposit and credit activities and may perform other activities in compliance with the law.

(4) *Means of payment* shall be dinars and foreign means of payment.

(5) *Foreign means of payment* shall be:

- 1) foreign exchange - external claims denominated in foreign currency;
- 2) foreign cash - claims in cash, and/or banknotes and coins denominated in foreign currency.

(6) *Payment instruments* shall be: cheques, bills of exchange, letters of credit, remittances, payment cards and other payment instruments - claims from the issuer nonresident, denominated in foreign currency and cashable in foreign currency.

(7) *Securities* shall be securities determined by the law governing the market of securities and other financial instruments.

(8) *Domestic securities* shall be securities issued by the resident in the domestic and foreign market, and may also be denominated in foreign currency if prescribed by a special law.

(9) *Foreign securities* shall be securities issued by a nonresident and denominated in foreign currency.

(10) *Long-term securities* shall be debt securities with maturity longer than one year.

(11) *Short-term securities* shall be debt securities with maturity up to one year.

(12) *Financial derivates* shall be financial instruments as defined by the law governing the market of securities and other financial instruments.

(13) *Foreign exchange market* shall be the market where foreign exchange and foreign cash are purchased and sold.

(14) *Exchange operations* shall be the activities of purchase and sale of foreign cash and cheques denominated in foreign currency, from and to physical entities.

(15) *Current transactions* shall be transactions concluded between residents and nonresidents and the purpose of which is not the transfer of capital.

(16) *Capital transactions* shall be transactions between residents and nonresidents and the purpose of which is the transfer of capital.

Capital transactions referred to in paragraph 1 hereof shall be the following:

- direct investments;
- investments in real estate;
- transactions with securities;
- transactions with investment and voluntary pension funds; -
- credit operations;
- deposit operations;
- operations based on insurance contract in line with the law governing insurance;
 - unilateral transfers of means of payment (personal and physical)

(17) *Direct investments* shall be resident's investments into legal entity abroad and nonresident's investments into legal entity in the Republic for the purpose of getting included in the management of such legal entity's activities.

For the purposes of paragraph 1 hereof, investments shall be understood as: incorporation of legal entity, branch or representative office, purchase of shares or stake in the capital of legal entity, additional capital formation of the legal entity as well as any other form of investment whereby the investor acquires more than a 10% stake in share capital, and/or more than 10% of voting rights, in a period not longer than one year after the first investment into that legal entity in the event of successive investments (for the purpose of reaching the threshold of 10%).

For the purposes of paragraph 1 hereof, investments shall also be credits with maturity of five years or longer provided they have the characteristics of subordinated claims (subordinated credits).

(18) *Transactions with securities* shall be transactions with long-term and short-term securities, equities and financial derivatives.

(19) *Credit operations* shall be credit operations in the Republic and international credit operations.

(20) *Credit operations in the Republic* shall be operations whereby the bank approves the following:

- credit in foreign currency to resident and -
- credit in dinars to nonresident.

(21) *International credit operations* shall be credits and loans between resident and nonresident concluded in foreign currency.

Credits shall be operations between:

- bank and nonresident, whereby the bank takes credit from the nonresident or approves credit to the nonresident and
- resident and foreign bank whereby the resident takes credit.

Loans shall be operations between resident and nonresident whereby the resident takes a loan from the nonresident or gives a loan to the nonresident.

Credit operations referred to in paragraphs 1-3 shall include particularly the following:

- commercial credits,
- commodity credits,
- financial credits,
- short-term termed bank deposits,
- short-term bank credit lines.

International credit operations shall also be:

- bank guarantees, approved by banks in favor of the nonresident under international credit operations and credit operations between two nonresidents abroad
- warranties and other means of collateral that residents - legal entities approve in favor of the nonresident - creditor under international credit operations and credit operations between two nonresidents abroad, in line with this Law.

(22) For the purposes hereof, ***deposit operations*** shall be operations based on the deposit contract concluded between the nonresident and the bank, as well as between the resident and the bank abroad.

(23) *Operations based on insurance contract* shall encompass payments of premiums and insured sums on the basis of contract concluded between the insurance company - nonresident and resident as the insured, as well as between the insurance company - resident and nonresident as the insured, in line with the law governing insurance.

(24) *Currency clause* shall mean contracting the value of liability in foreign currency (liability currency) in the Republic, whereas payment and collection under such contracts are executed in dinars (payment currency).

(25) *Personal transfer of means of payment* shall be the transfer of funds from the Republic to abroad or from abroad to the Republic which is not based on the execution of the activity - it shall be performed between a resident physical entity and nonresident, and shall include gifts and aid, inheritance, annuities, settlement of debt of immigrants in the Republic and the transfer of immigrants' funds to abroad.

(26) *Physical transfer of means of payment* shall be any transfer of cash in dinars, as well as transfer of foreign cash and securities from the Republic and into the Republic.

III CURRENT TRANSACTIONS

Article 3

Payment, collection and transfers under current transactions between residents and nonresidents shall be executed freely, in line with this Law.

Payments and transfers under current transactions shall include, without restrictions, the following:

- 1) payments under external trade activities and other external current transactions as provided by the law governing foreign trade;
- 2) payments with regard to the repayment of a part of the principal and interests on credits;
- 3) return of investment funds, as well as transfer abroad and repatriation of profit from direct investments;
- 4) transfers in favour of physical persons with regard to: pensions, disability pensions and other social contributions, transfers with regard to taxes and fees, interstate cooperation, liquidated damages with regard to the insurance contract, transfers with regard to valid and enforceable decisions, transfers with regard to gains from lotteries, concession compensations, subscriptions and penalties, and other transfers, as well as transfers with regard to the amount of costs for family sustenance.

Article 4

Resident shall bring into the Republic means of payment with regard to the export of goods or services within 180 days following the export goods clearance, and/or the day of the execution of the service.

The activity of the export of goods or services with a contracted payment deadline longer than 180 days from the day of export goods clearance, and/or the day of the execution of the service, as well as the activity of the export of goods or services which has not been paid for within the deadline referred to in paragraph 1 hereof, shall be deemed external credit operation.

Resident shall bring into the Republic means of payment arising from the sale of paid goods located abroad, within 180 days from the execution of payment.

Upon the proposal of the ministry in charge of finance, the National Bank of Serbia shall prescribe the conditions and manner of recording the activities referred to in paragraph 2 hereof.

Article 5

Resident shall import into the Republic a prepaid good or service, within 180 days following the day of the executed payment of the good or service.

Resident who does not import a good or service within the deadline referred to in paragraph 1 hereof shall immediately refund the prepaid sum, and no later than 5 days following the expiry of the deadline referred to in paragraph 1 hereof.

The activity of the import of prepaid good or service with the previously determined import deadline longer than 180 days following the day of the executed payment shall be considered external credit operation.

Upon the proposal of the ministry in charge of finance, the National Bank of Serbia shall prescribe the conditions and manner of recording the activities referred to in paragraph 3 hereof.

Article 6

Resident - legal entity may collect the realized export of goods and services by the realized import of goods and services only under exceptional circumstances under terms and conditions prescribed by the Government.

Article 7

Banks, and/or residents, except for residents - physical entities, may purchase or sell, and/or pay or collect claims and payables arising from residents' foreign trade activities.

Activities referred to in paragraph 1 hereof may be performed only on the basis of contract concluded in writing between all participants in the activity.

Banks shall be obligated to inform the National Bank of Serbia on the activities referred to in paragraph 1 hereof in the manner and deadlines prescribed by the National Bank of Serbia.

The Government shall prescribe to residents detailed conditions and manner of executing the activities referred to in paragraph 1 hereof and reporting on them to the Foreign Exchange Inspectorate.

Nonresidents may purchase claims and payables arising from foreign trade activities only under terms and conditions prescribed by the Government.

Article 8

Resident cannot execute collection, payment or issue a payment order, and/or execute transfer to nonresident, on the basis of contract where the actual price has not been stated or on the basis of untrue document.

Article 9

Profit made abroad from the performance of construction works, as well as foreign exchange kept by the ordering party as a guarantee of the correctness of performed works, in line with the guarantee deadlines, shall be brought into the country by the resident upon the completion of construction works, and/or expiry of the guarantee deadline.

Residents shall inform the Foreign Exchange Inspectorate of the profit made by the performance of economic activities abroad.

The Government shall prescribe detailed conditions, deadlines and manner of reporting on the activities referred to in this Article.

IV CAPITAL TRANSACTIONS

Article 10

Payment, collection and transfer under capital transactions between residents and nonresidents shall be executed freely, unless otherwise stipulated by this Law.

1. Direct investments of residents and nonresidents

Article 11

Payment and transfer of capital with regard to direct investments of residents - legal entities, entrepreneurs and physical entities to abroad shall be executed freely, in line with the law governing foreign trade.

Payment and transfer of capital with regard to direct investments of nonresidents in the Republic shall be executed freely in line with the law governing foreign investments.

2. Investments in real estate

Article 12

Payments for the purpose of acquiring ownership of real estate of residents abroad and nonresidents in the Republic shall be executed freely, in line with the law governing legal ownership relations.

The National Bank of Serbia shall prescribe the deadlines and manner of reporting on the activities referred to in this Article.

3. Transactions with securities

Article 13

Residents - legal entities, entrepreneurs and physical entities may effect payment for the purpose of purchasing equities abroad which do not represent direct investment, as well as long-term debt securities issued by the OECD member countries and international financial organizations.

Residents referred to in paragraph 1 hereof may effect payment for the purpose of purchasing other long-term debt securities abroad whose level of risk (rating) and issuer country may be prescribed by the National Bank of Serbia.

Residents may effect payment for the purpose of purchasing domestic securities denominated in foreign currency and issued abroad.

The National Bank of Serbia shall prescribe the deadlines and manner of reporting on the activities referred to in this Article.

Article 14

Nonresidents may effect payment for the purpose of purchasing long-term debt securities in the Republic, as well as equities in line with the law governing the market of securities.

The National Bank of Serbia shall prescribe the deadlines and manner of reporting on the activities referred to in paragraph 2 hereof.

Article 15

Payments for the purpose of purchasing foreign short-term securities in the foreign and domestic market shall be effected by the National Bank of Serbia, whereas banks shall effect such payments under terms and conditions prescribed by the National Bank of Serbia.

Residents, except for residents referred to in paragraph 1 hereof, cannot effect payment for the purpose of purchasing foreign short-term securities.

Nonresidents cannot effect payment for the purpose of purchasing domestic short-term securities.

4. Transactions with financial derivatives

Article 16

Payments for the purpose of purchasing financial derivatives in the organized market abroad may be effected by the National Bank of Serbia and banks.

The National Bank of Serbia shall prescribe to banks the conditions for the performance of activities referred to in paragraph 1 hereof, as well as the manner of reporting.

Residents, apart from residents referred to in paragraph 1 hereof, may effect payment for the purpose of purchasing financial derivatives abroad, under terms and conditions prescribed by the National Bank of Serbia.

Nonresidents may effect payment for the purpose of purchasing financial derivatives in the Republic only under conditions prescribed by the National Bank of Serbia.

5. Operations with investment and voluntary pension funds

Article 17

Residents - investment and voluntary pension fund management companies may effect payment for the purpose of investing abroad, in line with the provisions of the law governing activities with investment and voluntary pension funds.

Nonresidents may effect payment for the purpose of investing into investment funds and voluntary pension funds in the Republic, in line with the provisions of laws governing activities with investment and voluntary pension funds.

6. International credit operations

Article 18

Credit operations referred to in Article 2, Section (17), paragraph 3) and Section (21), paragraphs 4 and 5, as well as in Article 4 and 5 of this Law, shall be concluded in writing.

Banks may conclude international credit operations in their own name and for their own account, in their own name and for somebody else's account, and in somebody else's name and for somebody else's account.

Residents - legal entities may take credits from abroad in their own name and for their own account, whereas residents - legal entities that are considered related companies according to the regulation governing the incorporation of companies may also take credits from abroad in their own name and for somebody else's account.

Residents - legal entities may, in their own name and for their own account, approve to nonresidents commercial and commodity credits, credits referred to in Articles 4 and 5 hereof, as well as financial credits under conditions specified in Article 23, paragraph 1 thereof.

Residents - entrepreneurs may, in their own name and for their own account, take credits from abroad, and approve to nonresidents commercial and commodity credits, as well as credits referred to in Articles 4 and 5 hereof.

International credit operations cannot be concluded between a resident - physical entity that is not an entrepreneur and a resident - branch of a foreign legal entity.

Article 19

Resident who concludes international credit operations contract shall be responsible for the execution of obligations arising from the contract, as well as resident under whose authorization and for whose account the contract was concluded, and/or the bank and resident - legal entity that purchases claims from the resident and/or assumes debt towards the nonresident with regard to international credit operations.

The Republic and the National Bank of Serbia shall not guarantee for the execution of obligations arising from international credit operations, except in cases envisaged by law.

The international credit operations contract shall be considered null and void if concluded in breach of provisions of paragraph 2 hereof.

Article 20

The bank, as well as resident - legal entity may purchase from the resident claims with regard to credit approved to nonresident, and assume resident's debt towards the nonresident with regard to international credit operations.

Operations referred to in paragraph 1 hereof may be performed only on the basis of contract concluded in writing between all participants in the activity.

Nonresidents may purchase from residents claims and payables with regard to international credit operations, only under the conditions and in the manner prescribed by the National Bank of Serbia.

Article 21

Financial credits taken from abroad may be used for the payment of import of goods and services and financing of the performance of construction works abroad, concluded by residents within the scope of their activity, and for the repayment of previously used external credits (refinancing).

Residents may take financial credits from abroad for other purposes as well, in the manner and under the conditions determined by the National Bank of Serbia.

Article 22

The National Bank of Serbia may determine the volume and conditions under which banks may take short-term bank deposits and short-term bank credit lines from foreign banks.

Article 23

Residents - legal entities may approve financial credits to nonresidents from the profit realized by the residents' business abroad, under the condition that the nonresident - debtor in credit operations is in majority ownership of the resident.

Under the conditions referred to in paragraph 1 hereof, residents - legal entities may grant warranties for credit operations between two nonresidents abroad.

When performing international credit operations referred to in paragraphs 1 and 2 hereof, the resident - legal entity shall be obliged to contract and acquire from the nonresident payment collateral instruments.

Provisions of paragraph 3 hereof shall also apply to the bank that approves a credit to the foreign person or issues a bank guarantee for credit operations between two nonresidents abroad.

The National Bank of Serbia may prescribe the manner and conditions under which banks and residents - legal entities may approve financial credits to nonresidents, and issue bank guarantees and warranties for credit operations between two nonresidents abroad.

Article 24

The National Bank of Serbia shall prescribe the manner, deadlines and forms for recording international credit operations.

Lending in foreign currency between residents in the Republic

Article 25

Banks may approve to residents - legal entities and entrepreneurs credits in foreign currency for the payment of import of goods and services from abroad.

Banks may approve to residents - physical entities credits in foreign currency for the purchase of real estate in the country.

Lending in dinars between residents and nonresidents in the Republic

Article 26

Banks may approve credits in dinars to nonresidents in the Republic, in the manner and under conditions prescribed by the National Bank of Serbia .

7. Deposit operations

Residents' external deposit operations

Article 27

The bank shall, without any restrictions, keep foreign exchange on the accounts of banks abroad.

Residents may keep foreign exchange on the accounts of banks abroad in the manner and under conditions prescribed by the National Bank of Serbia.

Nonresidents' deposit operations in the Republic

Article 28

Nonresident may keep foreign exchange and dinars on the account with a bank without restrictions in accordance with this Law.

The National Bank of Serbia shall prescribe conditions under which banks may open accounts for nonresidents and the manner of keeping such accounts.

Transfer of funds from accounts to abroad

Article 29

Nonresident, as well as resident - branch of a foreign legal entity, that transact business through a nonresident account shall effect the transfer from such account to abroad provided that its tax liabilities towards the Republic arising from its business activities have been settled.

The transfer of funds to abroad from the foreign currency and dinar savings account of a nonresident shall be executed freely.

Foreign bank that keeps funds in the correspondent account with the bank in the Republic shall not be liable to the obligation referred to in paragraph 1 hereof.

8. Payments under insurance contract

Article 30

Residents - insurance companies may effect payment for the purpose of depositing and investing abroad, in line with the provisions of the law governing insurance activities.

Resident may pay insurance premiums based on the insurance contract concluded with nonresident - insurance company, under the condition that such contract is allowed by the law governing insurance activities.

9. Unilateral transfers of means of payment - personal and physical

Article 31

The National Bank of Serbia shall prescribe more detailed conditions for personal and physical transfers of means of payment to and from abroad.

V PAYMENT TRANSACTIONS

Article 32

International payment transactions shall be performed in foreign exchange and dinars through the bank.

Residents referred to in Article 36 hereof shall perform international payment transactions through the National Bank of Serbia.

The bank may perform payment transactions with regard to international credit operations, apart from operations referred to in Article 2, Section (22), paragraph 4, indent 4, only on the basis of the confirmation of the National Bank of Serbia that these credit operations have been registered in line with the regulation issued pursuant to Article 24 hereof.

The National Bank of Serbia shall prescribe more detail conditions and manner of performing international payment transactions with regard to current and capital transactions.

Article 33

Resident may also effect the collection and/or payment in respect of nonresident other than the one with regard to whom the resident has any debt or claims, under current or capital transactions, provided that such transaction is allowed by this Law.

Transactions referred to in paragraph 1 hereof shall be performed solely on the basis of contract concluded in writing, between all participants in the transaction

Banks shall be obliged to inform the National Bank of Serbia of transactions referred to in paragraph 1 hereof, in the manner and within deadlines prescribed by the National Bank of Serbia, whereas residents shall be obliged to inform the Foreign Exchange Inspectorate in the manner, under conditions and within deadlines prescribed by the Government.

Article 34

Residents and nonresidents shall use foreign exchange for payments abroad, unless stipulated otherwise by this Law.

Payment, collection and transfer between residents, and between residents and nonresidents in the Republic shall be effected in dinars.

Contracting in foreign exchange in the Republic shall be allowed; payment and collection with respect to such contracts shall be effected in dinars.

By way of exception to the provision of paragraph 2 hereof, payment, collection and transfer of funds shall also be effected in foreign exchange in cases such as:

- 1) foreign currency lending in the country for the purposes specified in Article 25 of this Law;
- 2) payment of deposit as a collateral,
- 3) purchase of claims and payables referred to in Articles 7 and 20 of this Law - on the basis of contract,
- 4) insurance premium and transfer in respect of life insurance,
- 5) sale and lease of real estate.

Payment, collection and transfer referred to in paragraph 4 hereof shall be also effected in respect of activities regulated by laws governing the market of securities and other financial instruments, and deposit insurance, as well as in other instances prescribed by law.

The National Bank of Serbia shall prescribe the instances in which payment, collection, payments made and payments received may be effected in foreign cash as well.

Article 35

The bank shall keep foreign exchange with another bank as well, and/or with the National Bank of Serbia.

Resident - legal entity and entrepreneur shall keep foreign exchange on the foreign exchange account with the bank or they shall sell foreign exchange to such bank.

The National Bank of Serbia shall prescribe to banks the conditions for opening and the manner of maintaining foreign exchange accounts and residents' foreign exchange savings deposits.

The level, manner of calculation and payment of interest, and the currency in which interests and the principal are paid shall be determined by the contract between the bank and the resident.

Article 36

Residents - state bodies and organizations, beneficiaries of budget funds of the Republic, beneficiaries of funds of mandatory social insurance organizations and beneficiaries of local government's budget funds may have foreign exchange accounts only with the National Bank of Serbia, unless otherwise stipulated by a special law or an international agreement, and they may sell to the National Bank of Serbia foreign exchange and foreign cash generated by their operations.

By way of exception to the provision of paragraph 1 hereof, the minister in charge of finance may approve to the beneficiary referred to in paragraph 1 thereof the opening of a foreign exchange account with an authorized bank for payments that cannot be effected through the National Bank of Serbia, provided this is required by the specific characteristics of beneficiary's activities.

Reporting on payment transactions

Article 37

The National Bank of Serbia shall prescribe to residents the obligation to report on the payment, collection and transfer with regard to payment transactions referred to in Articles 32 and 34 of this Law.

Using the data from reports referred to in paragraph 1 hereof, the National Bank of Serbia shall prepare the projection of the balance of payments of the Republic which serves as the analytical basis for determining monetary policy objectives and tasks, and it shall monitor the realization of the projection made.

VI FOREIGN EXCHANGE MARKET AND DINAR EXCHANGE RATE

Foreign exchange market

Article 38

Foreign exchange and foreign cash may be purchased and sold only in the foreign exchange market and for the purposes allowed by this Law.

Purchase and sale of foreign exchange and foreign cash in the foreign exchange market in the Republic shall be performed:

- 1) directly:
 - between banks and residents, as well as between banks and nonresidents,
 - between banks,
 - between banks and the National Bank of Serbia,

- between residents authorized to perform exchange operations and the National Bank of Serbia,
 - between banks and residents authorized to perform exchange operations;
 - between residents referred to in Article 2, Section 1, indent 6) and the National Bank of Serbia
- 2) at the session of the interbank foreign exchange market:
- between banks
 - between banks and the National Bank of Serbia.

Purchase and sale of foreign cash in the foreign exchange market shall be performed by the bank, the National Bank of Serbia, as well as by other residents that perform exchange operations in line with this Law.

The National Bank of Serbia shall prescribe the conditions and procedures in the foreign exchange market operations.

Article 39

Exchange operations may be performed by: banks, the National Bank of Serbia and residents - legal entities and entrepreneurs authorized by the National Bank of Serbia.

The National Bank of Serbia shall prescribe the conditions and manner of performing exchange operations and the supervision procedure applied to exchange operations.

Provided all prescribed conditions have been met, the National Bank of Serbia shall issue a decision:

- on the suspension of exchange operations in the period of up to 30 business days;
- on orders for the elimination of established irregularities;
- on the revocation of authorization for supervised exchange office or for all exchange offices;
- on the revocation of authorization for the performance of exchange operations.

Decisions of the National Bank of Serbia referred to in paragraph 3 hereof shall be final.

Dinar exchange rate

Article 40

The dinar exchange rate against foreign currencies shall be established freely in the foreign exchange market, in line with the foreign exchange demand and supply.

Article 41

The official middle dinar exchange rate shall be formed in the manner determined by the regulation of the National Bank of Serbia.

The official middle dinar exchange rate shall be applied for the needs of bookkeeping and statistics.

The official middle dinar exchange rate, determined on the last business day in the week preceding the week in which the amount of customs and other import dues is determined, shall be applied for the calculation of customs and other import dues, in line with the law governing customs.

VII PROTECTIVE MEASURES

Article 42

In the event of more serious disturbances in the balance of payments, when capital movements, resulting from excessive inflow or outflow of capital from the Republic, cause or threaten to cause serious difficulties in the implementation of monetary policy and foreign exchange rate policy, the Government, upon the proposal of the National Bank of Serbia, may adopt the following protective measures:

- 1) it may prescribe conditions under which residents and nonresidents may keep foreign exchange on the accounts with banks abroad or on the accounts with banks in the Republic;
- 2) it may obligate banks to sell to the National Bank of Serbia foreign cash arising from exchange operations of banks and exchange offices;
- 3) it may limit the execution of payments and collection with respect to claims and obligations in external operations;
- 4) it may limit the transfer of securities, gold and foreign cash in and from the Republic;
- 5) it may limit the performance of transactions with securities between residents and nonresidents;
- 6) it may limit the performance of credit operations between residents and nonresidents;
- 7) it may limit the granting of guarantees or warranties, pledges or other means of collateral in favor of nonresidents;
- 8) it may prescribe the placement of a certain percentage of foreign exchange deposit on the account with the National Bank of Serbia;
- 9) it may prescribe to nonresidents the possibility of payment for the purpose of purchase of domestic short-term securities;
- 10) it may prescribe to residents the possibility of payment for the purpose of purchase of foreign short-term securities;
- 11) it may prescribe to residents performing economic activities abroad the obligation of the repatriation of profit if such profit is not reinvested abroad;

12) it may limit the residents' purchase of real estate abroad.

Measures specified in paragraph 1 hereof may be applied until the disturbances, on account of which they were brought, last, however not longer than six months following their adoption.

Article 43

The National Bank of Serbia or the Government may introduce additional protective measures, if necessary, with a view to implementing sanctions of the United Nations or other international organizations, of which the Republic of Serbia is a member, these sanctions being imposed by the said organizations against other countries.

VIII FOREIGN EXCHANGE SUPERVISION

Article 44

Activities referred to in this Law shall be subject to foreign exchange supervision.

Foreign exchange supervision shall be conducted by supervision bodies National Bank of Serbia, Foreign Exchange Inspectorate, customs authority, and/or other competent bodies that have the right to require, for the purpose of verification, all documentation on foreign exchange operations, as well as other documentation needed for foreign exchange supervision.

Article 45

The National Bank of Serbia shall conduct supervision of foreign exchange operations of banks and other financial organizations, exchange offices, as well as residents and nonresidents connected with banks and other financial organizations, and exchange offices by property, management and business relations.

Article 46

The Foreign Exchange Inspectorate shall conduct supervision of foreign exchange operations of residents and nonresidents.

The Foreign Exchange Inspectorate shall conduct control of foreign exchange operations of persons referred to in Article 45 of this Law if such persons are connected to persons referred to in paragraph 1 of this Article by property, management and business relations.

Article 47

Customs authority shall conduct supervision of the taking out from the Republic and bringing into the Republic foreign cash, dinars, cheques and securities in passenger, commodity and mail transport.

Article 48

Customs authority at the customs border shall temporarily seize from residents and nonresidents the amount of dinars, foreign cash, cheques and securities denominated in foreign currency exceeding the amount prescribed by the National Bank of Serbia, and shall issue an appropriate certificate.

Article 19

Supervision bodies shall be under obligation to cooperate in conducting foreign exchange supervision and to make available all data, findings and information that they have and that are needed for foreign exchange supervision, and when necessary, to engage other competent bodies.

IX FOREIGN EXCHANGE INSPECTORATE

Organization and competences

Article 50

Foreign Exchange Inspectorate shall be established as a body within the ministry in charge of finance for the purpose of performing inspection activities, conducting offence procedures and related expert activities.

Article 51

Foreign Exchange Directorate shall be managed by director.

Article 52

Foreign exchange supervision referred to in Article 46 hereof shall be conducted by foreign exchange inspector.

When conducting on-site supervision, foreign exchange inspector must possess an official identity document.

Foreign exchange inspector shall issue a decision whereby the removal of irregularities and/or illegalities is ordered, and shall order the execution of measures, under the threat of forced execution.

Decision referred to in paragraph 3 hereof shall be final.

Foreign exchange supervision shall be conducted in line with the law governing administrative procedure.

Article 53

Residents and nonresidents shall keep records of the operations prescribed by the provisions hereof.

The Government shall prescribe the conditions and manner of conducting supervision of foreign exchange operations of residents and nonresidents, as well as the conditions and manner of reporting and keeping records referred to in paragraph 1 hereof.

Article 54

The Offence Commission of the Foreign Exchange Inspectorate shall conduct first-instance offence procedure and issue a decision on the offence.

A complaint may be filed against first-instance decision on the offence.

The offence procedure regarding offences prescribed hereby shall be conducted in line with the law governing offences.

Article 55

Supervision bodies shall be under obligation to deposit foreign exchange, foreign cash, cheques and securities, temporarily seized under founded suspicion that a criminal act or offence has been committed, on the special-purpose account of the Foreign Exchange Inspectorate maintained with the National Bank of Serbia or on the custody account with the National Bank of Serbia, whereas dinars shall be deposited on a special-purpose account of the Foreign Exchange Inspectorate maintained with the ministry in charge of finance, no later than two business days following the day of seizure.

Article 56

Revenues from collected penalties and costs of the offence procedure shall be the revenues of the Republic budget.

X PENALTY PROVISIONS

1. Criminal offence

Article 57

Any person buying from or selling to physical entities foreign cash and cheques denominated in foreign currency without the authorization of the National Bank of Serbia shall be punished for criminal offence by a prison sentence lasting from six months to five years.

Any attempt of committing the offence referred to in paragraph 1 hereof, shall be punished.

Article 58

Any person who effects collection and payment or issues a payment order, and/or executes to nonresident a transfer of amount exceeding EUR 100,000 on the basis of contract where no actual price is stated or on the basis of untrue document, shall be punished for criminal offence by a prison sentence lasting from one to ten years.

Any attempt of committing the offence referred to in paragraph 1 hereof shall be punished.

2. Offences

Article 59

Resident - legal entity, bank and nonresident shall be fined from CSD 10,000 to 100,000:

- 1) if means of payment arising from the export of a good or service are not imported into the Republic within 180 days following the export goods clearance, and/or the day of the execution of service (Article 4, paragraph 1);
- 2) if means of payment arising from the sale of paid goods located abroad and directly delivered to abroad, are not brought into the Republic within 180 days following the day of the execution of payment (Article 4, paragraph 3);
- 3) in the event of failure to comply with the regulation of the National Bank of Serbia whereby conditions and manner of recording the activities referred to in Article 4, paragraph 2 hereof are prescribed (Article 4, paragraph 4);
- 4) in the event of failure to import the prepaid goods or services into the Republic within 180 days following the day of the execution of payment of goods or services (Article 5, paragraph 1);
- 5) in the event of failure to immediately return the prepaid amount for goods or services which have not been imported within 180 days from the day of the

- execution of payment, or by latest five days after the expiry of that deadline (Article 5, paragraph 2);
- 6) in the event of failure to comply with the regulation of the National Bank of Serbia whereby conditions and manner of recording the activities referred to in Article 5, paragraph 3 hereof are prescribed (Article 5, paragraph 3);
 - 7) if the realized export of goods and services is paid for by the realized import of goods and services contrary to the Government's regulation (Article 6);
 - 8) if claims and payables not arising from residents' foreign trade activities are purchased or sold, and/or paid for or collected (Article 7, paragraph 1);
 - 9) if activities referred to in Article 7, paragraph 1 are not performed on the basis of contract concluded in writing between all participants in the activity (Article 7, paragraph 2);
 - 10) in the event of failure to comply with the prescribed obligation of reporting (Article 7, paragraph 3; Article 12, paragraph 2; Article 13, paragraph 4; Article 14, paragraph 2; Article 33, paragraph 3; Article 37, paragraph 1);
 - 11) in the event of failure to comply with the Government's regulation (Article 7, paragraph 4);
 - 12) in the event of purchasing claims and payables arising from foreign trade activities contrary to the Government's regulation (Article 7, paragraph 5);
 - 13) in the event of executing collection and payment or issuing a payment order, and/or effecting transfer to nonresident on the basis of contract where the actual price is not stated or on the basis of untrue document (Article 8);
 - 14) in the event of failure to bring into the country profit generated abroad by the performance of construction works, as well as foreign exchange that the ordering party kept, in line with the guarantee deadlines, as guarantee of the correctness of performed works, upon the completion of construction works, and/or upon the expiry of the guarantee deadline (Article 9, paragraph 1);
 - 15) in the event of failure to comply with the Government's regulation (Article 9, paragraphs 2 and 3);
 - 16) in the event of effecting payment and transfer of capital with regard to direct investment abroad contrary to the law governing foreign trade activities (Article 11, paragraph 1);
 - 17) in the event of effecting payment and transfer of capital with regard to direct investments in the Republic contrary to the law governing foreign investments (Article 11, paragraph 2);
 - 18) in the event of effecting payment for the purpose of acquiring ownership of real estate abroad, and/or in the Republic contrary to the law governing legal ownership relations (Article 12, paragraph 1);
 - 19) in the event of effecting payment for the purpose of purchasing abroad equities which represent direct investments, as well as long-term debt securities whose issuers are not OECD member countries or international financial organizations (Article 13, paragraph 1);
 - 20) in the event of effecting payment for the purpose of purchasing abroad long-term debt securities whose level of risk (rating) and issuer country have not been prescribed by the National Bank of Serbia (Article 13, paragraph 2);
 - 21) in the event of effecting payment for the purpose of purchasing long-term debt securities and equities in the Republic contrary to the law governing the market of securities (Article 14, paragraph 1);

- 22) in the event of purchasing foreign short-term securities in the domestic and foreign market contrary to the regulation of the National Bank of Serbia (Article 15, paragraph 1);
- 23) in the event of effecting payment for the purpose of purchasing foreign short-term securities (Article 15, paragraph 2);
- 24) in the event of effecting payment for the purpose of purchasing domestic short-term securities (Article 15, paragraph 3);
- 25) in the event of failure to comply with the regulation of the National Bank of Serbia (Article 16, paragraph 2);
- 26) in the event of effecting payments for the purpose of purchasing financial derivatives abroad contrary to the regulation of the National Bank of Serbia (Article 16, paragraph 3);
- 27) in the event of effecting payments for the purpose of purchasing financial derivatives in the Republic contrary to the regulation of the National Bank of Serbia (Article 16, paragraph 4);
- 28) in the event of effecting payments for the purpose of investing abroad contrary to the law governing activities with investment and voluntary pension funds (Article 17, paragraph 1);
- 29) in the event of effecting payments for the purpose of investing into investment and voluntary pension funds in the Republic contrary to the law governing activities with investment and voluntary pension funds (Article 17, paragraph 2);
- 30) if credit operations referred to in Article 18, paragraph 1 are not concluded in writing (Article 18, paragraph 1);
- 31) if an international credit operation is concluded contrary to the provision of Article 18, paragraph 3 hereof (Article 18, paragraph 3);
- 32) if an international credit operation is concluded contrary to the provision of Article 18, paragraph 4 hereof (Article 18, paragraph 4);
- 33) if an international credit operation is concluded contrary to the provision of Article 18, paragraph 6 hereof (Article 18, paragraph 6);
- 34) if a contract on international credit operation which implies obligations for the Republic or for the National Bank of Serbia is concluded (Article 19, paragraph 2);
- 35) if activities referred to in Article 20, paragraph 1 hereof are not performed on the basis of contract concluded in writing between all participants in the activity (Article 20, paragraph 2);
- 36) in the event of purchasing claims and payables arising from international credit operations contrary to the regulation of the National Bank of Serbia (Article 20, paragraph 3);
- 37) in the event of using financial credits taken abroad contrary to the provision of Article 21, paragraph 1 hereof (Article 21, paragraph 1);
- 38) in the event of taking financial credits abroad contrary to the regulation of the National Bank of Serbia whereby purposes, terms and conditions of disbursing such credits are determined (Article 21, paragraph 2);
- 39) in the event of taking short-term termed bank deposits and short-term bank credit lines from foreign banks contrary to the regulation of the National Bank of Serbia whereby the volume and conditions of such borrowing are determined (Article 22);
- 40) in the event of approving financial credits to nonresidents contrary to the provision of Article 23, paragraph 1 hereof (Article 23, paragraph 1);

- 41) in the event of granting warranties for credit operations between two nonresidents abroad under conditions contrary to the provision of Article 23, paragraph 1 hereof (Article 23, paragraph 2);
- 42) in the event of failure to conclude a contract and to obtain from the nonresident payment collateral instruments when performing credit operations referred to in Article 23, paragraphs 1 and 2 hereof (Article 23, paragraph 3);
- 43) in the event of approving financial credits and granting bank guarantees and warranties for credit operations between two nonresidents abroad, contrary to the regulation of the National Bank of Serbia (Article 23, paragraph 5);
- 44) in the event of failure to comply with the regulation of the National Bank of Serbia whereby manner, deadlines and forms for recording international credit operations are determined (Article 24);
- 45) in the event of approving credit in foreign exchange contrary to the provision of Article 25, paragraph 1 hereof (Article 25, paragraph 1);
- 46) in the event of approving credits in foreign exchange contrary to the provision of Article 25, paragraph 2 hereof (Article 25, paragraph 2);
- 47) in the event of approving credit in dinars to a nonresident in the Republic contrary to the regulation of the National Bank of Serbia (Article 26);
- 48) in the event of keeping foreign exchange on the account with a bank abroad contrary to the regulation of the National Bank of Serbia (Article 27, paragraph 2);
- 49) in the event of keeping foreign exchange and dinars on the account with a bank contrary to this Law (Article 28, paragraph 1);
- 50) in the event of failure to comply with the regulation of the National Bank of Serbia (Article 28, paragraph 2);
- 51) in the event of executing transfer of funds from nonresident account to abroad without prior settlement of tax liabilities towards the Republic arising from the activity which generated such funds (Article 29, paragraph 1);
- 52) in the event of effecting payments for the purpose of depositing and investing abroad contrary to the provisions of the law governing insurance activities (Article 30, paragraph 1);
- 53) in the event of effecting payments of insurance premium based on insurance contract concluded with nonresident - insurance company, which is not allowed by the law governing insurance activities (Article 30, paragraph 2);
- 54) in the event of failure to comply with the regulation of the National Bank of Serbia (Article 31);
- 55) in the event of failure to perform international payment transactions in foreign exchange and dinars through a bank (Article 32, paragraph 1);
- 56) in the event of performing payment transactions with regard to international credit operations contrary to the provision of Article 32, paragraph 3 hereof (Article 32, paragraph 3);
- 57) in the event of performing international payment transactions under current and capital transactions contrary to the regulation of the National Bank of Serbia (Article 32, paragraph 4);
- 58) in the event of executing collection and/or payment in respect of a nonresident other than the one with regard to whom the resident has any debt or claims, under current or capital transaction which is not allowed by this Law (Article 33, paragraph 1);

- 59) if activities referred to in Article 33, paragraph 1 hereof are not performed on the basis of contract concluded in writing between all participants in the activity (Article 33, paragraph 2);
- 60) in the event of failure to inform the Foreign Exchange Inspectorate of the activities referred to in Article 33, paragraph 1 hereof, in the manner and within deadlines prescribed by the Government (Article 33, paragraph 3);
- 61) in the event of using foreign exchange for payments abroad contrary to the provisions of this Law (Article 34, paragraph 1);
- 62) in the event of effecting collection, payment and transfer in the Republic contrary to the provisions of Article 34 (Article 34, paragraphs 2, 4 and 5);
- 63) in the event of effecting payment, collection, payments made and received in foreign cash contrary to the regulation of the National Bank of Serbia (Article 34, paragraph 6);
- 64) in the event of failure to keep foreign exchange on the account with a bank, and/or National Bank of Serbia (Article 35, paragraph 1);
- 65) in the event of failure to keep foreign exchange on the foreign exchange account with a bank or to sell foreign exchange to such bank (Article 35, paragraph 2);
- 66) in the event of failure to comply with the regulation of the National Bank of Serbia (Article 35, paragraph 3);
- 67) in the event of performing international payment transactions for residents referred to in Article 36 hereof contrary to regulations (Article 36, paragraphs 1 and 2);
- 68) in the event of purchasing and selling foreign exchange and foreign cash outside the foreign exchange market (Article 38, paragraph 1);
- 69) in the event of failure to comply with the regulation of the National Bank of Serbia (Article 38, paragraph 5);
- 70) in the event of failure to comply with the regulation of the National Bank of Serbia (Article 39, paragraph 2);
- 71) in the event of failure to apply, for the needs of bookkeeping and statistics, the exchange rate specified in Article 41, paragraph 2 hereof (Article 41, paragraph 2);
- 72) in the event of contravention of measures referred to in Article 42 hereof (Article 42);
- 73) in the event of contravention of measures referred to in Article 43 hereof (Article 43);
- 74) in the event of failure to keep records of foreign exchange operations (Article 53, paragraph 1);
- 75) in the event of contravention of the Government's regulation (Article 53, paragraph 2);

As regards actions referred to in paragraph 1 hereof, responsible person in the resident - legal entity or nonresident shall also be punished for the offence, as well as responsible person in the bank, and shall be fined from CSD 500.00 to 50,000.

As regards actions referred to in paragraph 1 hereof, responsible person in the resident - branch of a foreign legal entity shall be punished for the offence and fined from CSD 500.00 to 50,000.

Article 60

Responsible person in the state body and organization referred to in Article 36, paragraph 1 hereof, shall be fined from CSD 500.00 to 50,000:

- 1) in the event of failure to perform international payment transactions through the National Bank of Serbia (Article 32, paragraph 2);
- 2) in the event of failure to keep foreign exchange accounts with the National Bank of Serbia (Article 36, paragraph 1);
- 3) in the event of failure to apply in the calculation of customs and other import dues the official middle exchange rate of the dinar determined on the last business day in a week preceding the week in which the amount of customs and other import duties is established (Article 41, paragraph 3);
- 4) in the event of failure to issue a certificate at the customs border for the temporarily seized dinars and foreign cash, cheques and securities denominated in foreign currency, exceeding the amount prescribed by the National Bank of Serbia (Article 48);
- 5) in the event of failure to deposit the temporarily seized foreign exchange, foreign cash, dinars, cheques and securities denominated in foreign currency to special-purpose account of the Foreign Exchange Inspectorate maintained with the National Bank of Serbia or to place them on the custody account with the National Bank of Serbia within two business days following the day of seizure (Article 55);

Article 61

Resident - entrepreneur shall be fined from CSD 5,000 to 500,000:

- 1) in the event of failure to bring into the Republic means of payment arising from the export of goods or services within 180 days following the export goods clearance or the execution of services (Article 4, paragraph 1);
- 2) in the event of failure to bring into the Republic means of payment generated by the sale of paid goods located abroad and delivered directly abroad within 180 days following the day of the execution of payment (Article 4, paragraph 3);
- 3) in the event of failure to comply with the regulation of the National Bank of Serbia prescribing the manner and conditions for recording activities referred to in Article 4, paragraph 2 hereof (Article 4, paragraph 4);
- 4) in the event of failure to import prepaid goods or services into the Republic within 180 days following the day of the execution of payment of goods or services (Article 5, paragraph 1);
- 5) in the event of failure to return the prepaid amount for goods or services which have not been imported within the period of 180 days following the day of the execution of payment, immediately or by latest within five days following the expiry of the above deadline (Article 5, paragraph 2);

- 6) in the event of failure to comply with the regulation of the National Bank of Serbia prescribing conditions and manner of recording activities referred to in Article 5, paragraph 3 hereof (Article 5, paragraph 4);
- 7) in the event of purchasing or selling, and/or paying or collecting claims or payables not arising from residents' foreign trade activities (Article 7, paragraph 1);
- 8) in the event of failure to perform activities referred to in Article 7, paragraph 1 hereof on the basis of contract concluded in writing between all participants in the activity (Article 7, paragraph 2);
- 9) in the event of failure to comply with the Government's regulation (Article 7, paragraph 4);
- 10) in the event of effecting collection and payment or issuing a payment order, and/or effecting transfer to nonresident on the basis of contract where no actual price is stated or on the basis of untrue document (Article 8);
- 11) in the event of failure to bring into the country profit generated abroad by the performance of construction works, as well as foreign exchange that the ordering party kept, in line with the guarantee deadlines, as guarantee of the correctness of performed works, upon the completion of construction works, and/or upon the expiry of the guarantee deadline (Article 9, paragraph 1);
- 12) in the event of failure to comply with the Government's regulation (Article 9, paragraphs 2 and 3);
- 13) in the event of effecting payment and transfer of capital with regard to direct investments to abroad contrary to the law governing foreign trade activities (Article 11, paragraph 1);
- 14) in the event of effecting payment for the purpose of acquiring ownership of real estate abroad, contrary to the law governing legal ownership relations (Article 12, paragraph 1);
- 15) in the event of effecting payment for the purpose of purchasing abroad equities which represent direct investments, as well as long-term debt securities whose issuers are not OECD member countries or international financial organizations (Article 13, paragraph 1);
- 16) in the event of effecting payment for the purpose of purchasing abroad long-term debt securities whose level of risk (rating) and issuer country have not been prescribed by the National Bank of Serbia (Article 13, paragraph 2);
- 17) in the event of failure to comply with the prescribed obligation of reporting (Article 12, paragraph 2; Article 13, paragraph 4; Article 33, paragraph 3; Article 37, paragraphs 1 and 3);
- 18) in the event of effecting payment for the purpose of purchasing foreign short-term securities (Article 15, paragraph 2);
- 19) in the event of executing payment for the purpose of purchasing financial derivatives abroad contrary to the regulation of the National Bank of Serbia (Article 16, paragraph 3);
- 20) in the event of failure to conclude credit operations referred to in Article 18, paragraph 1 hereof in writing (Article 18, paragraph 1);

- 21) in the event of concluding international credit operations contract which envisages obligations for the Republic or for the National Bank of Serbia (Article 19, paragraph 2);
- 22) in the event of using financial credits taken abroad contrary to the provision of Article 21, paragraph 1 hereof (Article 21, paragraph 1);
- 23) in the event of taking financial credits abroad contrary to the regulation of the National Bank of Serbia whereby the purposes, terms and conditions of taking such credits are prescribed (Article 21, paragraph 2);
- 24) in the event of failure to comply with the regulation of the National Bank of Serbia whereby the manner, deadlines and forms for recording international credit operations are determined (Article 24);
- 25) in the event of keeping foreign exchange on the account with a bank abroad contrary to the regulation of the National Bank of Serbia (Article 27, paragraph 2);
- 26) in the event of effecting payment of insurance premium on the basis of insurance contract concluded with nonresident - insurance company, which is not allowed by the law governing insurance activities (Article 30, paragraph 2);
- 27) in the event of failure to perform international payment transactions in foreign exchange and dinars through the bank (Article 32, paragraph 1);
- 28) in the event of executing collection and/or payment in respect of a nonresident other than the one with regard to whom the resident has any debt or claims, under current or capital transaction which is not allowed by this Law (Article 33, paragraph 1);
- 29) in the event of failure to perform activities referred to in Article 33, paragraph 1 hereof on the basis of contract concluded in writing between all participants in the activity (Article 33, paragraph 2);
- 30) in the event of failure to inform the Foreign Exchange Inspectorate of the activities referred to in Article 33, paragraph 1 hereof, in the manner and within deadlines prescribed by the Government (Article 33, paragraph 3);
- 31) in the event of using foreign exchange for payments abroad contrary to the provisions of this Law (Article 34, paragraph 1);
- 32) in the event of effecting payment, collection and transfer in the Republic contrary to the provisions of Article 34 (Article 34, paragraphs 2, 4 and 5);
- 33) in the event that payment, collection, payments made and received in foreign cash are made contrary to the regulation of the National Bank of Serbia (Article 34, paragraph 6);
- 34) in the event of failure to keep foreign exchange on the foreign exchange account with the bank or to sell foreign exchange to such bank (Article 35, paragraph 2);
- 35) in the event of purchasing and selling foreign exchange and foreign cash outside the foreign exchange market (Article 38, paragraph 1);
- 36) in the event of failure to comply with the regulation of the National Bank of Serbia (Article 39, paragraph 2);
- 37) in the event of failure to apply, for the needs of bookkeeping and statistics, the exchange rate specified in Article 41, paragraph 2 hereof (Article 41, paragraph 2);
- 38) in the event of contravention of measures referred to in Article 42 hereof (Article 42);

- 39) in the event of contravention of measures referred to in Article 43 hereof (Article 43);
- 40) in the event of failure to keep records of foreign exchange operations (Article 53, paragraph 1);
- 41) in the event of contravention of the Government's regulation (Article 53, paragraph 2);

Article 62

Resident - physical entity shall be fined from CSD 500.00 to 50,000:

- 1) in the event of contravention of Article 7, paragraph 1 hereof;
- 2) in the event of executing collection and payment or issuing a payment order, and/or effecting transfer to nonresident on the basis of contract where the actual price is not stated or on the basis of untrue document (Article 8);
- 3) in the event of effecting payment and transfer of capital with regard to direct investments to abroad contrary to the law governing foreign trade activities (Article 11, paragraph 1);
- 4) in the event of effecting payment for the purpose of acquiring ownership of real estate abroad, contrary to the law governing legal ownership relations (Article 12, paragraph 1);
- 5) in the event of effecting payment for the purpose of purchasing abroad equities which represent direct investments, as well as long-term debt securities whose issuers are not OECD member countries or international financial organizations (Article 13, paragraph 1);
- 6) in the event of effecting payment for the purpose of purchasing abroad long-term debt securities whose level of risk (rating) and issuer country have not been prescribed by the National Bank of Serbia (Article 13, paragraph 2);
- 7) in the event of effecting payment for the purpose of foreign short-term securities (Article 15, paragraph 2);
- 8) in the event of effecting payment for the purpose of purchasing financial derivatives abroad contrary to the regulation of the National Bank of Serbia (Article 16, paragraph 3);
- 9) in the event of concluding international credit operations (Article 18, paragraph 6);
- 10) in the event of keeping foreign exchange on the account with a bank abroad contrary to the regulation of the National Bank of Serbia (Article 27, paragraph 2);
- 11) in the event of effecting payments of insurance premium based on insurance contract concluded with nonresident - insurance company, which is not allowed by the law governing insurance activities (Article 30, paragraph 2);
- 12) in the event of failure to comply with the regulation of the National Bank of Serbia (Article 31);
- 13) in the event of failure to perform international payment transactions in foreign exchange and dinars through the bank (Article 32, paragraph 1);
- 14) in the event of contravention of Article 33, paragraph 1 hereof;
- 15) in the event of failure to perform the activities referred to in Article 33, paragraph 1 hereof on the basis of contract concluded in writing between all participants in the activity (Article 33, paragraph 2);

- 16) in the event of using foreign exchange for payments abroad contrary to the provisions of this Law (Article 34, paragraph 1);
- 17) in the event of effecting payment, collection and transfer in the Republic contrary to the provisions of Article 34 (Article 34, paragraphs 2, 4 and 5);
- 18) in the event of effecting payment, collection, payments made and received in foreign cash contrary to the regulation of the National Bank of Serbia (Article 34, paragraph 6);
- 19) in the event of purchasing and selling foreign exchange and foreign cash outside the foreign exchange market (Article 38, paragraph 1);
- 20) in the event of contravention of measures referred to in Article 42 hereof (Article 42);

Article 63

Nonresident - physical entity shall be fined from CSD 500.00 to 50,000:

- 1) in the event of contravention of Article 7, paragraph 5 hereof;
- 2) in the event of effecting payment and transfer of capital with regard to direct investment in the Republic contrary to the law governing foreign investment (Article 11, paragraph 2);
- 3) in the event of effecting payment for the purpose of acquiring ownership of real estate in the Republic, contrary to the law governing legal ownership relations (Article 12, paragraph 1);
- 4) in the event of effecting payment for the purpose of purchasing long-term debt securities and equities in the Republic, contrary to the law governing the market of securities (Article 14, paragraph 1);
- 5) in the event of effecting payment for the purpose of purchasing domestic short-term securities (Article 15, paragraph 4);
- 6) in the event of effecting payment for the purpose of purchasing financial derivatives in the Republic contrary to the regulation of the National Bank of Serbia (Article 16, paragraph 4);
- 7) in the event of effecting payments for the purpose of investing into investment and voluntary pension funds in the Republic contrary to the law governing activities with investment and voluntary pension funds (Article 17, paragraph 2);
- 8) in the event of contravention of the regulation of the National Bank of Serbia (Article 20, paragraph 3);
- 9) in the event of keeping foreign exchange and dinars on the account with the bank, contrary to this Law (Article 28, paragraph 1);
- 10) in the event of failure to comply with the regulation of the National Bank of Serbia (Article 31);
- 11) in the event of using foreign exchange for payments abroad contrary to the provision of this Law (Article 34, paragraph 1);
- 12) in the event of effecting payment, collection and transfer in the Republic contrary to the provisions of Article 34 (Article 34, paragraphs 2, 4 and 5);
- 13) in the event of effecting payment, collection, payments made and received in foreign cash contrary to the regulation of the National Bank of Serbia (Article 34, paragraph 6);

- 14) in the event of purchasing and selling foreign exchange and foreign cash outside the foreign exchange market (Article 38, paragraph 1);
- 15) in the event of contravention of measures referred to in Article 42 of this Law (Article 42);

Article 64

With respect to offences referred to in Articles 59 - 63 hereof, in addition to a fine, a protective measure of seizing the items used in or intended for the perpetration of offence, or generated by the perpetration of offence, shall be pronounced.

By way of exception to paragraph 1 hereof, partial seizure of items used in or intended for the perpetration of offence, or generated by the perpetration of offence, may be executed, when the motives or other circumstances under which the offence was committed point to the conclusion that the seizure of item in its entirety is not justified.

Article 65

Should a period of three years from the day of the perpetration of offence elapse, proceedings in respect of offences referred to in this Law cannot be instituted.

Article 66

Fines, benefits in terms of ownership, means of payment, and the dinar equivalent arrived at through the sale of items used in or intended for the perpetration of criminal offence or offence, or generated by the perpetration of criminal offence or offence, shall be paid to the budget of the Republic.

Foreign cash seized as the item of the perpetration of criminal offence or offence may be sold to the National Bank of Serbia, which shall pay the dinar equivalent of such cash to the budget of the Republic.

XI TRANSITIONAL AND FINAL PROVISIONS

Article 67

Offence procedures launched before the effectiveness hereof shall be resolved according to the provisions thereof, should that be more favorable for the perpetrator.

Article 68

Regulations pertaining to the execution of this Law shall be issued no later than six months following the entry into force of that Law.

Until the enactment of regulations referred to in paragraph 1 hereof, regulations issued on the basis of Foreign Exchange Law («FRY Official Gazette», no. 23/02 and 34/02), Law on International Credit Operations («FRY Official Gazette», no. 42/92, 24/94, 28/96 and 21/99), as well as Decision on Keeping Records of Concluded Foreign Trade Transactions («FRY Official Gazette», no. 74 /00»), shall be applied.

Article 69

As of the effectiveness hereof, Foreign Exchange Law («FRY Official Gazette», no. 23/02 and 34/02) and Law on International Credit Operations («FRY Official Gazette», no. 42/92, 24/94, 28/96 and 21/99) shall cease to be valid.

Article 70

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