

**Report of the Working group for the NPL Resolution Strategy  
Action plan for the Implementation of the NPL Resolution Strategy  
for the Q2 and Q3 of 2018**

AREAS	Issues	Actions	Responsible body	Deadline	Outcome/Indicator	Degree of realization(* )	Status
<b>I ENHANCING BANKS CAPACITY FOR DEALING WITH NPLs</b>							
<b>1. Collateral valuation</b>	1.1. Improve regulation of real estate appraisers, with the aim to strengthen the expertise, experience, credibility and integrity of the profession	Draft law on regulating real estate valuation and relevant by-laws regulating appraisers' profession	MoF	Q4 2015	Bill on real estate valuation sent to Parliament for adoption; if adopted, relevant by-laws published	✓	Law on Real Estate Appraisers has been adopted on 28 <sup>th</sup> of December 2016 and came into force on 6 <sup>th</sup> of January. All necessary by-laws were adopted.
	1.2. Improve accuracy of real estate valuation, in line with international good practices	Develop minimum standards for collateral valuation with transparent valuation criteria	MoF	Q4 2015	Minimum standards for collateral valuation adopted	✓	National Standards for Real Estate Appraisers were adopted on 20th of July 2017.
<b>II ENABLING CONDITIONS FOR NPL MARKET DEVELOPMENT</b>							
<b>1. Tax incentives</b>	1.1. Undertake all necessary activities in order to allow for recognition of banks' corporate loan write offs as expenditure for tax purposes without the need to start legal proceedings for loans	If decided, amend Corporate Income Tax Law to allow for such recognitions; issue univocal interpretive guidance on the implication of new tax	MoF	Q4 2015	Bill on amendments to Corporate Income Tax Law sent to Parliament; if adopted, univocal interpretive guidance on the implication of new tax legislation	✓	The amendments to Corporate Income Tax Law were adopted in the Parliament on 29th December 2015 (came into force on 1st of January 2016); On 29th of September MoF issued interpretation No 011-00-135/2016-04 regarding the

past due for more than two years	legislation			issued		tax treatment of the impairments to further clarify those amendments. Amendments to the Corporate Income Tax Law were adopted on 14th of December 2017 in order to further clarify tax treatment of corporate loans write offs.
1.2. Undertake all necessary activities in order to abolish the requirement for banks to pay on withholding basis the personal income tax for debt forgiveness to private individuals	If decided, amend Personal Income Tax Law to exclude such obligation; issue univocal interpretive guidance on the implication of new tax legislation	MoF	Q4 2015	Bill on amendments to Personal Income Tax Law sent to Parliament; if adopted, univocal interpretive guidance on the implication of new tax legislation issued	✓	The amendments to Personal Income Tax Law were adopted in the Parliament on 29 <sup>th</sup> December 2015 (came into force on 1 <sup>st</sup> of January 2016). Amendments to the Personal Income Tax Law were adopted on 14th of December 2017 in order to further clarify tax treatment of private individuals loans write offs (status of prepaid tax for the banks in 2017).
1.3. Conduct comprehensive review of tax legislation with the aim to identify other (potential) obstacles, including tax implications that may materialize in the context of NPL sales	Identify and prepare, if needed and having in mind fiscal sustainability, other amendments of tax legislation and/or binding instructions for Tax Administration staff	MoF	Q4 2015	Bill on amendments to identified tax-related law(s) sent to Parliament; if adopted, univocal interpretive guidance on the implication of new tax legislation issued	✓	Draft of the Report that reviews other relevant tax legislation for the NPL sales, has been prepared by the consultants engaged on the EBRD Project, and delivered to the NPL Working Group on 31 <sup>st</sup> December 2015. The Draft of the Report was reviewed by the relevant NPL WG institutions including the

							Tax Administration.
<b>2. Resolve existing problem of sale of NPLs in the course of litigation procedure</b>	2.1. Undertake all necessary activities in order to allow for change of plaintiff due to NPL sale in the course of the litigation proceedings or alternatively clarify existing rules on the finalization of pending litigation	Amend Civil Procedure Law	Governing court MoJ	Q2 2016	Bill on changes to Civil Procedure Law sent to Parliament	✓	The amendments to the Civil Litigation (including the amended Article 204) have been adopted in November 2018.
<b>3. More efficient resolution of DIA-managed NPL portfolios</b>	3.1. Develop a draft Strategic Plan for Asset Management, to include: (i) multi-year cash-flows from recovered proceeds of bad assets that have been restructured, bad assets linked to privatisation and other forms of recovery and (ii) expenses related to the management of the bad assets portfolio	Develop and draft-strategic plan	DIA	Q4 2015	DIA's draft strategic plan preliminary adopted by DIA Management Board	✓	In cooperation with the Consultant (PwC), the Strategic Plan for Asset Management has been prepared. Strategic Plan has been adopted by the BoD. The Annual Operational Plan for the years 2017-2019. has been incorporated into and adopted with the Strategic Plan at 26 <sup>th</sup> of April 2017..

<p>3.2. Establish internal procedures and the required capacity to regularly perform asset valuations and assess the recoverable value of the associated collateral and its legal status</p>	<p>Establish internal procedures and capacity</p>		<p>Q2 2016</p>	<p>Regular asset valuations and assessment of recoverable value of the associated collateral and its legal status</p>	<p>★</p>	<p>In July 2018, new Procedure for the assigning of the receivables of the financial institutions in bankruptcy and liquidation and the Guidelines for the collection of the receivables of the financial institutions in bankruptcy and liquidation were adopted by the DIA Board of Directors. With these new documents, process of valuation of receivables and engagement of the appraisers has been defined. DIA is conducting the procedure for the adoption of the certified appraisers list.</p> <p>In the cooperation with the MoF it is going to be defined the process of the collection of various assets in the name of and on the account of RoS.</p>
<p>3.3. Draft Strategic Plan to be operationalised in an Annual Operational Plan to monitor performance of the Management and employees in this area</p>	<p>Develop Annual operational plan</p>		<p>Q2 2016</p>	<p>Defined measures for monitoring performance of the Managements and employees in this area are set in the Annual operational plan</p>	<p>✓</p>	<p>The Annual Operational Plan (in the form of the Action plan for the year 2017-2019) has been incorporated into and adopted with the Strategic Plan. The Report on Action plan implementation has been prepared and sent to</p>

					EBRD in May 2018.
3.4 Adoption of the Strategic Plan and Annual Operational Plan by the DIA BoD	Strategic Plan and Annual Operational Plan	Q4 2016	Resolution of DIA-managed NPL portfolio fully enabled; Adoption of the final Strategic Plan and the Annual Operational Plan by the DIA BoD and by the Government;	✓	The Strategic Plan for Asset Management and The Annual Operational Plan for the year 2017-2019. have been adopted by the BoD.
3.5. Strengthen DIA's capacity for resolution of its state-owned and bankruptcy NPL portfolios	Engage outside consultant	Q3 2015	Outside consultant engaged	✓	Engagement contract signed on 24/08/2015 with PricewaterhouseCoopers Consulting doo. In March 2018, new agreement was signed with international donor (GGF) in order to further support the NPL resolution process, in particular resolution of the DIA "big portfolio". As a part of this Project, in October 2018, the DIA announced its first auction for the sale of the NPL portfolio of EUR 240 million. This is the first auction in the process of the planned resolution of the DIA NPL portfolio of circa EUR 1 billion.
	Develop training curriculum	Q3 2016	Training curriculum	✓	The training in assets and receivables valuation was

					developed		held in June 2017. It is planned additional trainings regarding out of court restructuring and alternative models for settlement, to be organized during the last quarter of 2017.
		Create DIAs consolidated NPL team		Q1 2016	DIAs consolidated NPL team created	✓	DIA team focused on NPL resolution has been formed.
		Undertake training and staffing of DIAs consolidated NPL team		Q4 2016	DIAs consolidated NPL team properly staffed and trained	★	Training for the DIA NPL team on the receivables and collateral valuation was organized in June 2017. Also, training for the out of court restructuring was organized in March 2018. Training for the bank restructuring was organized in June 2018. Optimal number of employees in this organizational unit is going to be defined by the new internal organization and systematization by the end of 2018.
<b>4. Assess all obstacles to the sale of NPL (whether legal, regulatory, accounting, data including in various public</b>	4.1. Conduct a detailed assessment of all obstacles to the sale of NPLs and establishment and operations of asset management companies or other special purpose vehicles used for such purposes. Explore the need,	Engage outside consultants to work with banks, investors, experts and IFIs to conduct the assessment	MoF	Q4 2015	Assessment produced and presented to the Working Group, in order to be considered for potential revisions of the Strategy	✓	Since banking secrecy issue has been identified as one of the major obstacles for the NPL market development, the consultant, with the technical assistance provided by the EBRD, has been prepared a Study about the banking secrecy. In the previous period

<b>registries, or fiscal) to ensure that reform is comprehensive</b>	implications and necessary safeguards for the potential liberalization of NPL sale to investors and entities established outside of Serbia.						several meetings were held with the relevant institutions (NBS, The Commissioner for Information of Public Importance and Personal Data Protection) and as a result NBS issued additional interpretation of the Article 46. of the Banking Law in May 2017.
<b>III IMPROVING AND PROMOTING OUT-OF-COURT DEBT RESTRUCTURING</b>							
<b>1. Enhancing the CFR legal framework</b>	1.1. Streamline and simplify the existing CFR procedure, allow for entrepreneurs to apply for the CFR procedure and improve the framework for mediators' participation	Amend Law on Consensual Financial Restructuring; Amend by-laws related to CFR Law in relation to mediators	MoE, Serbian Chamber of Commerce	Q3 2015	Bill on new CFR Law sent to Parliament; if adopted, relevant bylaws published	✓	Amendments to the CFR Law adopted in the Parliament on 23/10/2015 and were put into effect from February 2016.
<b>2. Promoting out-of-court debt restructuring</b>	2.1. Promote awareness of the out-of-court financial restructuring framework for market participants	Organize and hold workshops and seminars for market participants	MoE, Serbian Chamber of Commerce	Q2 2016	A series of workshops and seminars organized and held	✓	As a part of the IFC project 10 workshops were held in the Serbian Chamber of Commerce.

	2.2. Strengthen support provided by the Serbian Chamber of Commerce to SMEs (and private entrepreneurs if they are allowed to participate in the out-of-court restructuring) in the preparation of viable restructuring plans and further negotiation with their financial creditors	Develop a template of key financial and business data to be provided by the debtor to its financial creditors at the starting point of the CFR proposal	MoE, Serbian Chamber of Commerce, Association of Serbian Banks	Q2 2016	Template of key financial and business data that the debtor must provide to its financial creditors at the starting point of the CFR proposal developed and published on Serbian Chamber of Commerce website	✓	The draft of the CFR plan is available at the following link: <a href="http://217.24.23.93/SADRZAJ/Files/Struktura%20plana%20SFR.pdf">http://217.24.23.93/SADRZAJ/Files/Struktura%20plana%20SFR.pdf</a>
<b>3. Improve efficiency of state creditors in restructurings</b>	3.1. Conduct feasibility analysis and propose relevant changes in regulations and/or instructions and develop key terms for internal restructuring policies related to the performance of the Tax Office, Development Fund and Export Credit Agency in relation to their participation in out-of-court restructuring	Conduct feasibility analyses and develop amendments to existing regulations and key terms for internal policies	MoE, MoF	Q2 2016	Feasibility analyses conducted; amendments to existing regulations adopted and published; key terms for internal state creditor policies developed	✓	The Diagnostic Study of DF and ECA has been finished by the Consultant. According to the Study recommendations and RS Government Conclusion from December 2017, during the first quarter of 2018, a number of internal procedures in DF were amended and new information system was introduced. .
	3.2. Ensure more efficient and constructive participation of state creditors (Development Fund and Export Credit Agency) in the out-of-court financial	Develop formal internal policies for CFR and out-of-court financial restructuring participation for Development Fund and Export Credit Agency	MoE, Development Fund, Export Credit Agency	Q1 2016	Internal policies for Development Fund and Export Credit Agency adopted and published	✓	According to the publicly available criteria Development Fund has active approach in the process of financial restructuring. In line with the adopted Program, Development Fund is providing to its clients an



<p>restructuring (including in CFR procedure), with clear deadlines and framework terms publicly announced for all cases (or categories of cases)</p>						<p>option to renegotiate loan maturity by signing new agreement.</p> <p>Export Credit Agency has formal internal policies for CFR and out-of-court financial restructuring participation.</p>
<p>3.3. Undertake all necessary activities in order to enable for new procedural rules for Tax Office in order to act efficiently and constructively in the out-of-court financial restructuring (including in CFR procedure), with clear deadlines and framework terms publicly announced for all cases (or categories of cases)</p>	<p>If decided, amend Tax Procedure Law; issue formal instructions to Tax Office; develop detailed procedural rules</p>	<p>MoF, Tax Office</p>	<p>Q1 2016</p>	<p>If decided, Bill on changes to Tax Procedure Law sent to Parliament; if adopted, formal instructions to Tax Office issued and published by the MoF on implementation of the law; detailed procedural rules adopted and published by the Tax Office</p>	<p>✓</p>	<p>Due to Article 74b of the Tax Procedure Law, the process of postponing the tax obligation for specific cases is defined (when tax debtor in the process of CFR applies to postpone tax obligation, according to the Law on CFR).</p>
<p><b>IV IMPROVING IN-COURT DEBT RESOLUTION AND MORTGAGE FRAMEWORK</b></p>						

<p><b>1. Enhancing insolvency regulatory framework</b></p>	<p>1.1. Enhance safeguards for secured creditors in both reorganizations and winding-up (bankrupt) by providing for strict time limits for reorganization and other important decisions on the course of the proceedings; provide for a swift disposal of all assets not strictly necessary for reorganization; provide specific conditions for lifting of moratorium in bankruptcy; allow secured creditors to actively participate in certain creditors' decision making on lease and sale of secured assets as well as on course of bankruptcy procedure; provide them with efficient tools and legal remedies in relation to secured assets valuation in various situations (sale process and creditors' classes formation in reorganizations)</p>	<p>Amend Bankruptcy Law, Law on BSA and relevant by-laws</p>	<p>MoE</p>	<p>Q4 2015</p>	<p>Bill on the Amendments to the Bankruptcy Law sent to the Parliament; if adopted, relevant by-laws adopted and published</p>	<p>✓</p>	<p>The Amendments to the Bankruptcy Law were adopted by the Parliament on 14<sup>th</sup> of December 2017 and 8<sup>th</sup> of July 2018.. New Working Group for the preparation of the all necessary by- laws, including the National standards for the bankruptcy estate management was established on 19<sup>th</sup> January 2018, by the MoE. The amendments to the Procedure for the bankruptcy asset management were adopted in August 2018.</p>
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	<p>1.2. Undertake all necessary activities in order to adopt additional rules for bankruptcy proceedings for distressed group entities in order to provide for more time-efficient and procedure-efficient handling of multiple bankruptcy or reorganization cases for such entities, with peer countries review</p> <p>1.3. Undertake all necessary activities in order to strengthen protection of new financing in reorganization, but with safeguards for secured creditors and avoidance of abuses, with peer country review</p>						
<p><b>2. Improve performance and accountability of bankruptcy administrators</b></p>	<p>2.1. Strengthening capacities of BSA through technical advice and training program, increase number of supervisors, exclude risk of collusion by randomly selecting supervisors for case files review on a monthly basis</p>	<p>Amend Law on BSA and relevant by-laws; amend internal BSA procedures</p>	<p>MoE, BSA</p>	<p>Q2 2016</p>	<p>BSA supervisory department staffed and trained; bill on changes to Law on BSA sent to Parliament; relevant internal BSA procedures amended</p>	<p>✓</p>	<p>The amendments to the BSA Law were adopted in the Parliament on 20<sup>th</sup> October 2015 (came into force on 4th November 2015); In November 2015 the new Act on organizational structure and job systematization has been adopted. By the new internal organization, Center for control and development of the profession has been</p>

						established – new employees are hired to all systemized job positions. According to the recent changes in the BSA Law and new organization structure, new internal procedures have been adopted.
2.2. Revise administrator's fees to incentivize timely sale of assets or business entity, related to the success in sales and/or settlement of creditors; consider limiting and/or introducing strict conditions for advance payments of administrator's fees	Revise the Rules on the Remuneration of the Bankruptcy Administrator	MoE	Q1 2016	Rules on Remuneration of the Bankruptcy Administrator amended and published	★	The Amendments to the Bankruptcy Law were adopted by the Parliament on 14 <sup>th</sup> of December 2017. New Working Group for the preparation of the all necessary by- laws, including the National standards for the bankruptcy estate management was established on 19 <sup>th</sup> January 2018, by the MoE.
2.3. Allow more leeway to creditors in selecting bankruptcy administrators in order to create incentives for a development of a professional services' industry	Amend Bankruptcy Law		Q4 2015	Bill on the Amendments to the Bankruptcy Law sent to the Parliament	✓	The Amendments to the Bankruptcy Law were adopted by the Parliament on 14 <sup>th</sup> of December 2017.

<b>3. Strengthen capacities and improve practice of Commercial Courts in bankruptcy cases</b>	<p>3.1. Enhance bankruptcy courts' handling of bankruptcy sales, prepackaged and bankruptcy reorganization plans and related procedures and by setting up within the legal framework an efficient mechanism of tracking all bankruptcy and reorganisation cases lasting more than 6 months where (a) a decision on the reorganisation plan was not made in the first instance; and/or (b) a decision on winding-up (bankrot) was not made in the first instance, in all such cases introducing a special degree of Appellate Commercial Court scrutiny</p>	<p>Implement training of bankruptcy judges (in particular in the economic and financial aspects of reorganisation plans and bankruptcy sales); Amend legal framework for efficient tracking of Court cases and revise case management practices</p>	<p>MoJ, Appellate Commercial Court (ACC), Judicial Academy, MoE, BSA</p>	<p>Q1 2017</p>	<p>At least two bankruptcy judges formally instituted in all Commercial Courts, with no additional competences; bankruptcy judges trained in economic and financial aspects of reorganization plans and bankruptcy sales; efficient mechanism of tracking all bankruptcy and reorganization cases lasting more than 6 months introduced, resulting in higher ACC scrutiny; bankruptcy court case management practices revised and improved</p>	<p>✓</p>	<p>The Judicial Academy has continued with the trainings for all judges in the commercial courts in Serbia that act within bankruptcy procedures during the second and third quarter of 2018.</p> <p>New software for the management of commercial courts cases "SIPRIS" has been finished and should be implemented in the coming period. Appellate Commercial Court has improved and intensified process of control of commercial courts cases, with the special attention to the bankruptcy and reorganization cases.</p>
	<p>3.2. Undertake all necessary activities in order to increase the transparency of bankruptcy court case files by operationalising already existing rules of transparency for all bankruptcy case files contained in the Bankruptcy Law, via</p>	<p>Change legal framework for efficient tracking of Court cases; implement relevant SW and HW solutions in all commercial courts; provide assurance that commercial courts comply</p>	<p>MoJ, Appellate Commercial Court; Commercial Courts</p>	<p>Q2 2016</p>	<p>Legal framework for efficient tracking of Court cases changed; SW and HW solutions implemented; ACC ongoing close scrutiny of bankruptcy case files instituted and performed on a regular basis</p>	<p>✓</p>	<p>Amendments to the Court Rulebook were adopted in April 2016.</p>

	<p>court docket internet site to all parties participating to the bankruptcy proceedings</p>	<p>with legal requirement for transparency of all documents and decisions</p>					
<p><b>4. Improve efficiency of corporate and entrepreneurial debt enforcement</b></p>	<p>4.1. Undertake all necessary activities in order to change the type of auctioning in corporate and entrepreneur enforcements (including mortgages), based on other countries best practices e.g. first auction with starting price of 100% of estimated value upwards and second auction of a Dutch type with 100% starting price downwards, with determining (if any required) a minimal level of sale price and (possibly) a debtor's right-of-first refusal at the second auction and with adequate safeguards for enforcement creditor enabling a feasible right to take-over the asset if needed</p>	<p>Explore viable options and amend Law on Enforcement</p>	<p>MoJ</p>	<p>Q4 2015</p>	<p>If decided, Bill on changes to Law on Enforcement sent to Parliament</p>	<p>✓</p>	<p>The amendments to the Law on Enforcement were adopted in the Parliament on 21<sup>st</sup> of December 2015. All necessary by laws were adopted and the Law was put into effect from 1<sup>st</sup> of July 2016.</p>

	4.2. Undertake all necessary activities in order to provide for Commercial Courts' jurisdiction for all court enforcement cases against companies and entrepreneurs, with analyses on possible transfer (and impact) of existing case backlog	Amend Law on Courts' Organisation	MoJ	Q4 2016	If decided, Bill on changes of Law on Courts' Organisation sent to Parliament	✓	Commercial Courts' jurisdiction for all court enforcement cases was defined by amendments to the Court Organization Law.
<b>5. Remove impediments for efficient functioning of mortgage framework</b>	5.1 Undertake all necessary activities in order to find an efficient solution for the problem of competing procedures of out-of-court and in-court enforcement of mortgages	Amend Law on Mortgages and/or Law on Enforcement and Security	MoF, MoJ	Q4 2015	Bill on changes to the Law on Mortgages and/or Law on Enforcement and Security sent to Parliament	✓	Amendments to the Law on Mortgages adopted in the Parliament and the Law came to force
	5.2 Create a functional second-instance decision process for land registry case files	Amend Law on Real Estate Cadaster; procure sufficient HR capacities in the Republic Geodetic Institute	MoC, Republic Geodetic Institute	Q4 2017	All new appeals resolved within 30 days deadline; appeals backlog resolved	★	The Law of the procedure of the cadaster registration for real estate and utilities came into force in June 2018. With the new Law, process of cadaster registration has been improved, with the electronic communication between the institutions in charge.  The deadline for all second instance cases resolution is 2020. In the Q3 2018, 3072 old cases were resolved (12% of the total backlog of

					cases). The total number of new cases (2016-2018) stood at 25.022 out of which 2099 were resolved in the Q3 18 (22% of the remaining cases).
5.3 Identify specific land registry branches (territories of Belgrade, Nis, Novi Sad and Kragujevac) with high backlog of case files and improve their efficiency	Adopt Rulebook on Internal Organization and Systematization of Work Places in the Real Estate Cadaster; allocate sufficient number of additional employees to land registry branches which represent bottlenecks in the process		Q3 2016	Land registry bottlenecks identified and properly staffed; case backlog from 2013 and earlier resolved; new case files resolved within 7 days	★ In order to resolve backlog appeal The Republic Geodetic Institute engaged consultants under the World Bank Project: „Improvement of the Real Estate Cadaster in Serbia“. Out of the total number of the consultants, 172 are engaged in Belgrade Cadaster, 32 in Novi Sad Cadaster, 28 in the Niš Cadaster and 1 in Kragujevac. During Q3 2018 number of successfully resolved backlog of appeals were: Belgrade 873 (3,1%), Novi Sad 126 (2,4%), Niš 26 (1,3%) and Kragujevac 17 (2,3%).
5.4 Ensure uniform application of the rules on changes of elements of registered mortgages in case of restructured loans under out-of-court, CFR or pre-pack restructurings	Issue formal binding instructions to all Land Registries on mortgage registration procedure; procure for the uniform application thereof in all land Registries		Q4 2015 for issuing instruction; Q4 2016 for the uniform application	Formal binding instructions issued and uniform application obtained	✓ Second instance decisions regarding mortgage framework are published at the RGI web site, in order to educate RGI employees, to inform general public and to secure uniform application of the relevant legislation as well. RGI is issuing quickly the interpretations and providing support, upon the request of the land registry branches and



							clients.  The procedure for the uniform implementation of the Law in case of changing the elements of the mortgage is under way.
	5.5 Allow the buyer of a collateral property out-of-court to purchase it free of lower ranked liens, but provide sufficient protection of lower ranked mortgage creditors in terms of proper valuation to be used for such out-of-court sale	Amend the Law on Mortgages	MoF	Q2 2015	Bill on changes to Mortgage Law sent to Parliament	✓	Amendments to the Law on Mortgages adopted in the Parliament and the Law came to force
<b>6. Consider development of personal bankruptcy legal framework</b>	6.1 Conduct a study on the options for bankruptcy of private individuals, with peer countries review	Engage outside consultant to conduct a study	Working Group	Q4 2016	A study conducted and presented to the Government of Serbia and the NBS	✓	The Study on the options for bankruptcy of private individuals and entrepreneurs has been presented to the NPL WG in July 2018.

Agenda:  
 ✓ - outcome achieved  
 ✗ - outcome not achieved  
 ★ -realization of outcome in progress

**Legend:**

Ministry of Finance	MoF
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Ministry of Justice	MoJ
Deposit Insurance Agency	DIA
Ministry of Economy	MoE
Ministry of Construction, Traffic and Infrastructure	MoC
Serbian Export Credit and Insurance Agency	AOFI
Bankruptcy Supervision Agency	BSA
National Bank of Serbia	NBS
International Financial Institutions Consensual	IFI
Financial Restructuring Small and Medium Enterprises	CFR SME

**Action Plan of the National Bank of Serbia for the execution of the NPL Resolution Strategy**

**Q2 and Q3 of 2018**

N o.	Goal	Activities	Result	Deadli ne	Degree of realization (* )	Status
<b>BANK SUPERVISION</b>						
1.	Enhancemen t of the regulatory framework for the treatment of restructured receivables	<ul style="list-style-type: none"> <li>- Analysis of the results of special diagnostic studies of banks from the aspect of best practice and method of restructuring receivables,</li> <li>- Analysis of regulatory best practice in the EU member states regarding the treatment of restructured receivables,</li> <li>- Identification of key provisions of the regulation that needs to be adopted or amended and review of the effects of their implementation on key performance indicators of the banking sector in order to define the optimal model of implementation - through phasal approach or full upfront implementation approach,</li> <li>- Development of the regulatory framework for the treatment of restructured receivables</li> </ul>	Preparatio n of new or changing/ amending existing regulation s and related document s	<a href="#">Q1 2016</a> <a href="#">[1]</a>	✓	-Decision on the Classification of Bank Balance Sheet Assets and Off-balance Sheet Items has been amended (RS Official Gazette 61/2016)

		<p>in order to incentivize sustainable restructuring practices and to prevent unsustainable refinancing practices (evergreening), in cooperation with International Financial Institutions (IFIs),</p> <ul style="list-style-type: none"> <li>- Inclusion of supervisory expectations in the methodologies for direct and indirect control in order to secure continuous implementation of stated changes</li> </ul>				
2.	<p>Enhancement of the process of bad assets management in banks</p>	<ul style="list-style-type: none"> <li>- Analysis of the results of the comprehensive survey on causes of the creation of NPLs and on plans for their resolution,</li> <li>- Analysis of comparable regulatory and supervisory best practice,</li> <li>- Analysis of the results of special diagnostic studies of banks from the aspect of NPL management in banks,</li> <li>- Preparation of draft regulation (in cooperation with IFIs), taking into account international best practice,</li> <li>- Inclusion of supervisory expectations in the methodologies for direct and indirect control in</li> </ul>	<p>Preparation of new or changing/ amending existing regulations and related documents</p>	<p>Q1 2016</p>	<p>✓</p>	<p>-Decision on Bank Risk Management has been amended (RS Official Gazette 61/2016)</p>

		order to secure continuous implementation of stated changes				
<b>ACCOUNTING STANDARDS AND BEST PRACTICE</b>						
3.	Enhancement of the implementation of International Accounting Standard number 39 (IAS 39)	<ul style="list-style-type: none"> <li>– Analysis of comparable regulatory and supervisory best practice,</li> <li>– Analysis of the results of special diagnostic studies of banks from the aspect of IAS 39 implementation in banks,</li> <li>– Preparation (in cooperation with IFIs) of supervisory guidelines that will reflect clear supervisory expectations related to the implementation of IAS 39 in the part related to impairments,</li> <li>– Establishment (in line with the supervisory guidelines) of the practice of continuous review of receivables write-off policies that banks implement,</li> <li>– Inclusion of supervisory expectations related to the cautious recognition of interest on uncollectable loans in the supervisory guidelines,</li> <li>– Inclusion of supervisory expectations in the methodologies for direct and indirect control in</li> </ul>	Preparation of supervisory expectations guidelines related to the method of recognition of impairment of receivables in banks' balance sheets in accordance with IAS 39, with stating supervisory expectations related to receivables write-off and recognition of interest on NPLs	Q4 2015	✓	–Supervisory expectations guidelines related to the method of recognition of impairment of receivables in banks' balance sheets in accordance with IAS 39, with stating supervisory expectations related to receivables write-off and recognition of interest on NPLs, has been published.

		order to secure continuous implementation of stated changes				
4.	Development of the capacity of NBS in the area of implementation of IAS	<ul style="list-style-type: none"> <li>- Determining the adequate method for establishing continuous review of classification and receivables impairment, as well as of receivables write-off policies that banks implement,</li> <li>- Organizing an educational program for the employees in the Sector for Bank Supervision,</li> <li>- Assessment of the need for developing the staffing capacities of the Sector for Bank Supervision,</li> <li>- Establishment of continuous communication with auditors</li> </ul>	Preparation of the Plan for developing the capacities of NBS	Q4 2015	✓	-The Plan for developing the capacities of NBS has been prepared.
5.	Enhancement of the system of reporting on NPLs (committing banks to the compulsory delivery of data regarding collaterals, accrued interest, largest exposures/debtors)	<ul style="list-style-type: none"> <li>- Assessment of the capacity of banks to deliver reports in the requested format,</li> <li>- Preparation of the draft report and the instructions for filling it out,</li> <li>- Communication with banks with the aim of adjusting the system of reporting to reporting needs more efficiently</li> </ul>	Amendments to regulation on the basis of which reports on NPLs will be enhanced	Q4 2015	✓	- The <u>Decision on Disclosure of Data and Information by Banks</u> has been amended in order to improve reporting on NPLs
<b>DISCLOSURE OF DATA AND INFO BY BANKS</b>						

6.	Enhancement of banking business' transparency related to assets quality	<ul style="list-style-type: none"> <li>- Comparable analysis of disclosure practices employed by banks,</li> <li>- Determining the appropriate method of data and info disclosure, i.e. the content, format, degree of compulsoriness and level of info that is disclosed,</li> <li>- Communication with the banking industry regarding potential solutions</li> </ul>	Preparation of amendments to regulation related to info disclosure	<a href="#">Q1 2016 [2]</a>	✓	-The Guidelines for the disclosure of the data regarding banks asset quality has been published.
<b>NPL MARKET</b>						
7.	Identification of impediments to the development of a NPL market in the Republic of Serbia	<ul style="list-style-type: none"> <li>- Contributing to the comprehensive analysis of impediments to sale of NPLs which, under the supervision of the MoF, is conducted by external consultants in line with the Action Plan of the Government of the Republic of Serbia for the execution of the NPL Resolution Strategy</li> </ul>	Report on the identification of issues that are significant for the NPL market and are under the jurisdiction of NBS, along with emphasizing the issues that may be labelled as impediments	Q4 2015	✓	- The Report on possibilities and impediments to the liberalization of the assignment of receivables from natural persons and other issues that are significant for the NPL market and are under the jurisdiction of NBS, has been prepared.
8.	Assessment of possibilities and limitations related to the liberalization	<ul style="list-style-type: none"> <li>- Assessment of a potential natural persons' NPL market from the aspect of supply and of plausible effects of the liberalization of the</li> </ul>	Report on possibilities and impediments to the liberalization of the	Q4 2015	✓	

	n of the assignment of receivables from natural persons	assignment of receivables from natural persons, <ul style="list-style-type: none"> <li>– Comparable analysis of regulation and best practice,</li> <li>– Assessment of possibilities, potential risks, regulatory impediments, as well as of the method of establishing the infrastructure (licensing, supervision etc.) related to the liberalization of the assignment of receivables from natural persons</li> </ul>	assignment of receivables from natural persons			
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**COLLATERAL VALUATION**

9.	Development of a database of valuations of real estate that is used as collateral for loans and of loans that are collateralized with that real estate	<ul style="list-style-type: none"> <li>– Preparation and adoption of a Decision on delivering to the NBS data related to real estate that is used as collateral for loans and to loans that are collateralized with that real estate,</li> <li>– Preparation of instructions for the electronic delivery, to the NBS, of data related to real estate that is used as collateral for loans and to loans that are collateralized with that real estate,</li> <li>– Development of a comprehensive database of valuations of real estate that is used as collateral for loans and of loans that are collateralized with that real estate,</li> </ul>	Establishing a functional database of valuations of real estate that is used as collateral for loans and of loans that are collateralized with that real estate	Q4 2015	✓	–The functional database of valuations of real estate that is used as collateral for loans and of loans that are collateralized with that real estate has been established.
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		<ul style="list-style-type: none"> <li>- Enabling banks and valuers to have access to relevant data on valuations of real estate that is used as collateral for loans, after the establishment of an appropriate regulatory framework for the profession of authorized valuers,</li> <li>- Development of analytical tools for monitoring <i>LTV</i><sup>[3]</sup> and <i>DSTI</i><sup>[4]</sup> indicators on the basis of data contained in the database of valuations of real estate that is used as collateral for loans and of loans that are collateralized with that real estate</li> </ul>				
10.	Enhancement of supervisory requirements related to the treatment of real estate that banks use as collateral	<ul style="list-style-type: none"> <li>- Analysis of the results of special diagnostic studies of banks in the area related to real estate valuations and collateral management,</li> <li>- Analysis of comparable regulatory best practice related to the treatment of collateral,</li> <li>- Identification of key regulatory provisions (including the frequency of collateral valuation and regulatory requirements related to that valuation and to collateral management) that need to be amended and review of the effects of</li> </ul>	Report on the possibilities of enhancing supervisory requirements related to the treatment of real estate that banks use as collateral	Q4 2015	✓	-The Report on the possibilities of enhancing supervisory requirements related to the treatment of real estate that banks use as collateral has been prepared.

	<p>their implementation on key performance indicators of the banking sector in order to assess the optimal model for their implementation,</p> <ul style="list-style-type: none"> <li>- Incentivizing, through direct and indirect bank supervision, the enhancement of the collateral management process and of the collateral valuation practice</li> </ul>			
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Agenda:

- \* ✓ - outcome achieved;
- \* ✘ - outcome not achieved;
- ★ - realization of outcome in progress

[\[1\] Commencement of implementation planned for 30/06/2016](#)

[\[2\] Commencement of implementation planned for 30/12/2016](#)

[\[3\] Loan to Value](#)

[\[4\] Debt Service to Income](#)

**Legend:**

Ministry of Finance  
MoF  
National Bank of Serbia  
NBS