

LAW ON FINANCIAL LEASING (Consolidated version)¹

Chapter I

GENERAL PROVISIONS

Subject Matter

Article 1

This Law governs financial leasing transactions, financial lease agreements, rights and obligations of parties to a financial leasing transaction, terms of performing financial leasing transactions, supervision of Lessors' operations and the Register of Financial Leases.

Financial Leasing Transaction

Article 2

A financial leasing transaction means a financial intermediation transaction which is performed by the Lessor and implies that the Lessor, while retaining the right of ownership of the Lease Asset, transfers to the Lessee, for an agreed period of time, the right to possession and use of the Lease Asset, including all risks and rewards incidental to ownership, in return for the Lease Payment which the Lessee pays to the Lessor, provided that at least one of the following conditions has been met:

- 1) the Lease Asset is chosen by the Lessee;
- 2) the right of ownership of the Lease Asset is transferred from the Lessor to the Lessee after the expiry of the time period for which the agreement was concluded and after the total agreed amount of the Lease Payment has been paid;
- 3) the Lessee has the right of option to purchase the Lease Asset after the total agreed amount of the Lease Payment has been paid;
- 4) the Lessee has the right to extend the term of the Lease Agreement;
- 5) the term for which the Lease Agreement is concluded is equal to the period of depreciation of the whole or a substantial part of the Lease Asset.

(Title deleted.)

¹ This consolidated version is based on the Law on Financial Leasing (RS Official Gazette, No 55/2003) and its amendments and supplements published in the RS Official Gazette, Nos 61/2005, 31/2011, 99/2011 – other law and 99/2011 – other law.

Article 3

(deleted)

Lease Asset

Article 4

The financial lease asset shall be any movable, durable goods (equipment, machinery, vehicles, etc.) and immovable property that can be the subject of the right of ownership within the meaning of the law governing proprietary relations.

Notification of the Supplier

Article 5

The Lessor is required to notify the Supplier of the Lease Asset that the reason for acquiring the Lease Asset is the performance of the Lease Agreement, and to specify the name of the person which is the Lessee under such agreement.

The notification referred to in paragraph 1 of this Article shall be made by the time of conclusion of the Supply Agreement, at the latest.

Lease Agreement and Supply Agreement

Article 6

The Lease Agreement means an agreement concluded between the Lessor and the Lessee whereby the Lessor undertakes to transfer to the Lessee the right to possession and use of the Lease Asset, for a certain period of time, during which the Lessee enjoys all rewards and bears all risks incidental to ownership, in return for which the Lessee undertakes to make the agreed lease payments to the Lessor, at the agreed time.

The Lease Agreement must include the acquisition value of the Lease Asset, the total amount of the Lease Payment to be paid by the Lessee, the amount of individual Lease Payment instalments and their composition, the number of Lease Payment instalments and time of payment, the term of the agreement, the place, time, manner and terms of delivery of the Lease Asset, manner and terms of transfer of the right of ownership of the Lease Asset, and/or manner and terms of extending the agreement.

The National Bank of Serbia may also prescribe other elements of the Lease Agreement, as well as the manner of setting forth the elements of such agreement.

The Lease Agreement shall be in writing.

An agreement which is not titled a Lease Agreement but has the features of a Lease Agreement under a financial leasing transaction, within the meaning of this Law, or which provides such rights and obligations for the parties to the agreement which are defined as

the rights and obligations of parties to the Lease Agreement under this Law, shall be considered a simulated agreement.

The Supply Agreement means an agreement concluded between the Supplier of the Lease Asset and the Lessor, by means of which the Lessor acquires the right of ownership of the Lease Asset, chosen by the Lessee, for the purpose of leasing the Lease Asset to the Lessee.

The Supplier of the Lease Asset is chosen by the Lessee, but may also be chosen by the Lessor.

The Lessor shall acquire the right of ownership of the Lease Asset on the basis of the concluded Supply Agreement, and following the delivery of the Lease Asset in compliance with that agreement.

The Supply Agreement must include the following: precise identification of the object of supply, price, place, manner and time of delivery, notification that the object is acquired for the purpose of executing the Lease Agreement, as well as the details of the person who is the Lessee in the agreement.

The Lessee shall approve the Supply Agreement, in the part relating to the specification of the Lease Asset, price, place, time and manner of delivery of the object, by signing the Supply Agreement.

The Supply Agreement shall be in writing.

Lease Payment

Article 7

The Lease Payment means payments for the use of the Lease Asset payable to the Lessor by the Lessee (hereinafter referred to as: Lease Payment).

The Lease Payment shall be calculated on the basis of the amount paid by the Lessor to acquire the right of ownership of the Lease Asset, increased by the amount of interest and other costs payable by the Lessee to the Lessor, in compliance with the Lease Agreement.

Analogous Application

Article 8

The provisions of the law governing companies shall accordingly apply to Lessors, unless otherwise provided by this Law.

The provisions of the law governing contracts and torts shall apply to contractual relations of parties participating in a financial leasing transaction, unless otherwise

provided by this Law.

On the basis of its powers established by this Law, the National Bank of Serbia shall adopt final decisions on the rights, obligations and legal interests of legal and natural persons specified in this Law.

The provisions of the law governing general administrative procedure shall apply to the decision-making procedure from paragraph 3 of this Article, unless otherwise provided by this Law.

In the administrative dispute against the final decision from paragraph 3 of this Article, the court may not resolve the administrative matter.

CHAPTER II

PARTIES TO A FINANCIAL LEASING TRANSACTION

Definition of Parties

Article 9

Parties to a financial leasing transaction include: the Lessor, the Lessee and the Supplier of the Lease Asset.

Definition and Activity of the Lessor

Article 10

The Lessor means a limited liability company or a joint stock company with its head office located in the Republic of Serbia and licensed by the National Bank of Serbia to engage in financial leasing transactions in compliance with this Law.

The Lessor shall engage in the financial leasing activity as its predominant business activity, within the meaning of regulations governing the classification of activities.

In addition to the activity from paragraph 2 of this Article, the Lessor may also engage in the leasing of returned Lease Assets, as well as in activities normally associated with financial leasing activities (training of Lessees with regard to the usage of the Lease Asset, services of installation, disassembly, maintenance of the Lease Asset, procurement of spare parts, etc.).

The Lessor may, for a charge, dispose of the Lease Assets returned to its possession, after the expiry of the Lease Agreement and/or Rental Agreement.

The Lessor shall not grant loans.

Financial leasing transactions can only be performed by a company that meets the requirements referred to in paragraph 1 of this Article.

Initial and Tier 1 Capital

Article 10a

The initial capital of the Lessor shall be provided by its founders from their own funds, and it may be in pecuniary and non-pecuniary form.

The non-pecuniary assets from paragraph 1 of this Article may be items and rights used in the function of operations of the Lessor.

For the performance of financial leasing transactions that have movable property as the lease asset, the pecuniary portion of the initial capital of the Lessor shall not be lower than the dinar equivalent of EUR 500,000 at the official middle exchange rate as at the payment date.

For the performance of financial leasing transactions that have immovable property as the lease asset, the pecuniary portion of the initial capital of the Lessor shall not be lower than the dinar equivalent of EUR 5,000,000 at the official middle exchange rate as at the payment date.

The founders' own funds referred to in paragraph 1 of this Article mean assets that do not originate from loans or credits.

In its operations, the Lessor shall ensure that the pecuniary portion of Tier 1 capital is at all times in the amount that is not lower than the amounts specified in paragraphs 3 and 4 of this Article, at the official middle exchange rate as at the calculation day.

The National Bank of Serbia may set out the criteria for determining the elements and amount of the capital referred to in paragraph 6 of this Article.

Bodies

Article 10b

The bodies of the Lessor shall be as follows:

- 1) Assembly;
- 2) Board of Directors;
- 3) Executive Board.

The Lessor may comprise other bodies as well.

Assembly

Article 10c

The Lessor's Assembly shall:

- 1) adopt the business policy of the Lessor;
- 2) adopt Articles of Association, adopt its Rules of Procedure and amendments and supplements to the Founding Act and Articles of Association;

3) adopt the annual statement of accounts of the Lessor and decide on the purpose and distribution of profit earned and/or coverage of losses;

4) decide on capital increase and decrease;

5) decide on the amount of investment in fixed assets and disposal of fixed assets;

6) appoint and dismiss the president and members of the Board of Directors;

7) determine the level of remuneration for members of the Board of Directors;

8) decide on status changes and the winding-up of the Lessor;

9) decide on the acquisition of bankruptcy and/or liquidation estate of the Lessor undergoing bankruptcy and/or liquidation proceedings;

10) appoint and dismiss the external auditor.

The Lessor's Articles of Association may also set out other rights and obligations of the Lessor's Assembly.

The Assembly may not delegate the decision-making power referred to in paragraph 1 of this Article to any other body of the Lessor.

The Assembly shall convene its meeting at least once a year.

The provisions of the law governing companies which refer to the convening and holding of assembly meetings of a limited liability company and/or joint stock company shall accordingly apply to the Lessor, unless otherwise provided by this Law.

Management Bodies

Article 10d

The management bodies of the Lessor are the Board of Directors and the Executive Board.

The management bodies of the Lessor are held responsible for the legality of operations of the Lessor.

Composition of the Board of Directors

Article 10e

The Board of Directors of the Lessor shall be composed of at least 3 members, including the President.

At least one-third of members of the Board of Directors shall be persons independent of the Lessor.

A person independent of the Lessor shall be a person not holding direct or indirect

ownership in the Lessor or in a member of the Lessor's group.

Indirect ownership means that a person not holding direct ownership in the Lessor, but using the ownership held directly by another person in such Lessor, may effectively exercise ownership rights in that Lessor.

A member of the Board of Directors may be employed by the Lessor but only in the capacity of a member of the Board.

A member of the Board of Directors of the Lessor must have a good business reputation and appropriate qualifications, as prescribed by this Law and the enactment of the National Bank of Serbia.

Competencies of the Board of Directors

Article 10f

The Lessor's Board of Directors shall be responsible for risk management in the Lessor.

The Lessor's Board of Directors shall:

- 1) convene meetings of the Assembly;
- 2) prepare draft decisions for the Lessor's Assembly and be responsible for their implementation;
- 3) propose to the Assembly the adoption and implementation of the business policy;
- 4) appoint and dismiss the president and members of the Executive Board;
- 5) oversee the work of the Executive Board;
- 6) adopt quarterly and annual reports of the Executive Board on business operations and submit the adopted annual report to the Assembly for final adoption;
- 7) inform the National Bank of Serbia and other competent bodies of detected irregularities;
- 8) adopt the organisational structure;
- 9) set maximum placement and borrowing limits on which the Executive Board may decide, and decide on placements and borrowings exceeding those limits;
- 10) adopt the programme and plan of the internal audit;
- 11) implement the system of internal controls;
- 12) set up the risk management system;
- 13) render decisions on the outsourcing of activities referred to in Article 13j, paragraph 6 and Article 13k, paragraph 5 of this Law;
- 14) propose an external auditor to the assembly and review external and internal audit

reports;

- 15) perform other activities in compliance with Articles of Association.

Meetings of the Board of Directors

Article 10g

The Lessor's Board of Directors shall meet at least quarterly.

The provisions of the law governing companies in relation to the convening and holding of meetings of the board of directors shall accordingly apply to the Lessor's Board of Directors, unless otherwise provided by this Law.

Composition of the Executive Board

Article 10h

The Lessor's Executive Board shall be made up of at least two members, including the President.

The President of the Lessor's Executive Board shall represent and act on behalf of the Lessor.

When entering into legal transactions and undertaking other legal actions in the name and for the account of the Lessor, the President of the Executive Board shall make sure they are signed by one member of the Executive Board.

Members of the Lessor's Executive Board shall be full time permanent employees of the Lessor.

Members of the Lessor's Executive Board must have appropriate qualifications, which are prescribed by the National Bank of Serbia, within the meaning of Article 13c, paragraph 3 of this Law.

A member of the Lessor's Board of Directors cannot be a member of the Lessor's Executive Board.

Competencies of the Executive Board

Article 10i

The Lessor's Executive Board shall:

- 1) carry out the decisions of the Assembly and the Board of Directors;
- 2) ensure the legality of the Lessor's operations;
- 3) decide on placements and borrowings by the Lessor up to the limit determined by the Board of Directors;
- 4) propose general operating terms and conditions of the Lessor to the Board of Directors, as well as make proposals for their amendments and supplements;

5) identify and measure risks to which the Lessor is exposed in its operations, and implement risk management principles and procedures approved by the Board of Directors;

6) implement operational supervision procedures, regularly evaluate and improve them, as needed, in accordance with the business policy of the Lessor;

7) inform the Board of Directors of all activities which are not in compliance with regulations and other enactments of the Lessor;

8) submit to the Board of Directors quarterly and annual reports on the Lessor's business operations, balance sheet and income statement;

9) decide on matters that are not within the remit of the Assembly and Board of Directors;

10) perform other activities in compliance with Articles of Association.

The Lessor may outsource the activities referred to in paragraph 1, item 5) of this Article to another financial sector person with its head office located in the territory of the Republic of Serbia.

By outsourcing the activities from paragraph 2 of this Article, the Executive Board of the Lessor shall not be relieved from the responsibility to ensure the legality of such activities in compliance with this Law.

The Lessee

Article 11

For the purposes of this Law, the Lessee means a natural or legal person to which the Lessor transfers the right to possession and use of the Lease Asset for an agreed period of time in return for the agreed payments.

Supplier of the Lease Asset

Article 12

For the purposes of this Law, the Supplier of the Lease Asset (hereinafter referred to as: the Supplier) means a natural or legal person which transfers the right of ownership of the Lease Asset to the Lessor for the purpose of delivering such Lease Asset to the Lessee for possession and use for an agreed period of time in return for the agreed payments.

(Title deleted.)

Article 13

(deleted)

Chapter IIA

LICENSE TO ENGAGE IN FINANCIAL LEASING AND FINANCIAL LEASING SUPERVISION

License to Engage in Financial Leasing

Article 13a

The National Bank of Serbia shall issue the license to engage in financial leasing based on the application of the Lessor's founder.

The following shall be enclosed with the application from paragraph 1 of this Article:

- 1) founding act of the Lessor;
- 2) details of the founders of the Lessor and their stakes/shares, as well as data on the group of companies to which the founders belong;
- 3) certified written statement by the founders that they hold own funds in the amount from Article 10a, paragraphs 3 and 4 of this Law and that they shall transfer such funds to a temporary bank account, along with evidence of the origin of such funds;
- 4) evidence of having appropriate technical and human resources capacity to engage in financial leasing;
- 5) the Lessor's programme of activities for a three-year period;
- 6) details of persons nominated as members of the Board of Directors and/or Executive Board, and documentation proving the business reputation and professional qualifications of such persons.

Notwithstanding paragraph 2 of this Article, where the founder of the Lessor is a bank licensed by the National Bank of Serbia, the documentation from paragraph 2, items 2) and 3) of this Article shall not be submitted along with the application for license to engage in financial leasing.

In addition to the documentation referred to in paragraph 2 of this Article, the National Bank of Serbia may request that the Lessor's founders also submit additional documentation.

When considering the application and documentation referred to in paragraphs 1 and 2 of this Article, the National Bank of Serbia shall assess the fulfilment of requirements for the issuance of the license to engage in financial leasing, business reputation of the Lessor's founders (except when the founder is a bank licensed by the National Bank of Serbia), qualifications and business reputation of persons nominated as members of the Board of Directors and/or Executive Board of the Lessor.

The National Bank of Serbia shall reject the application referred to in paragraph 1 of this Article, if:

- 1) the Lessor's founding act has not been compiled in line with regulations;
- 2) the pecuniary portion of the initial capital is lower than prescribed or the pecuniary portion of such capital does not originate from the founder's own funds and/or the founders have failed to provide adequate evidence of the origin of such funds;
- 3) the financial standing of the founders is assessed as not satisfactory to provide adequate support to the Lessor's operations;
- 4) based on the submitted information, the structure of the group to which the founders belong cannot be deemed transparent;
- 5) the proposed programme of activities is assessed as inadequate;
- 6) the business reputation of the founder is not assessed as positive;
- 7) the person proposed as a member of the Board of Directors and/or Executive Board does not have appropriate professional qualifications or professional qualities, and/or adequate business reputation.

The National Bank of Serbia shall prescribe in detail the requirements for obtaining the license to engage in financial leasing, the criteria for assessing the business reputation and financial standing of the founder, the criteria for assessing the qualifications and business reputation of the person proposed as a member of the board of directors and/or executive board of the Lessor. The procedure of decision-making by the National Bank of Serbia on the application from paragraph 1 of this Article may not last longer than 60 days from the receipt of the application, and shall be completed by the rendering of a decision.

The Lessor's founders shall submit to the Business Registers Agency the application for entry in the Register of Business Entities, along with the decision granting the license to engage in financial leasing, within seven days from the receipt of that decision.

If the National Bank of Serbia rejects the application referred to in paragraph 1 of this Article, the person who filed the application may not submit a new application for the license to engage in financial leasing within a year from the date of rejection of the application.

The National Bank of Serbia may issue a decision to revoke the licence to engage in financial leasing, if it establishes that the conditions on the basis of which such decision was rendered are no longer met.

Consent to Acquisition of Ownership of Stakes/Shares of the Lessor

Article 13b

No legal or natural person may acquire direct or indirect ownership of stakes/shares of the Lessor that provide the owner of such stakes/shares 10% or more of voting rights in such Lessor without the consent of the National Bank of Serbia.

The National Bank of Serbia shall decide on the application for acquiring direct or indirect ownership of stakes/shares of the Lessor that provide the owner of such stakes/shares 10% or more of voting rights in the Lessor.

The National Bank of Serbia shall reject the application from paragraph 1 of this Article, if:

1) the financial standing of the applicant is not satisfactory in terms of providing adequate support to the operations of the Lessor;

2) the applicant, and/or the person providing the funds for the acquisition of the stakes/shares does not have a good business reputation;

3) based on the submitted information, the structure of the group to which the applicant belongs cannot be assessed as transparent;

4) it is not possible to identify the source of funds the applicant intends to use in order to acquire stakes/shares in the Lessor.

The National Bank of Serbia shall prescribe detailed requirements for granting consent to the acquisition of direct or indirect ownership of stakes/shares of the Lessor that provide 10% or more of voting rights.

The procedure of decision-making by the National Bank of Serbia on the application from paragraph 2 of this Article may not last longer than 60 days from the receipt of the application, and shall be completed by the rendering of a decision.

If a person acquired direct or indirect ownership of stakes/shares of the Lessor that provide 10% or more of voting rights in the Lessor without the consent of the National Bank of Serbia, the National Bank of Serbia shall render a decision ordering such person to dispose of such property within the timeline specified in the decision and shall prohibit such person from exercising its voting rights in the Lessor and from influencing the management and business policy of the Lessor.

If the National Bank of Serbia rejects the application referred to in paragraph 2 of this Article by issuing a decision, the person who filed the application may not submit a new application for the acquisition of the right of ownership of stakes/shares of the Lessor within a year from the date of rejection of the application.

The Lessor shall submit to the Business Registers Agency the application for entry of the owner of the stakes/shares into the Register of Business Entities, along with the decision granting the consent to the acquisition of stakes/shares in the Lessor, within seven days from the receipt of that decision.

Consent to the Appointment of Members of the Board of Directors and/or Executive Board

Article 13c

The Lessor shall submit to the National Bank of Serbia an application for consent to the appointment of members of the board of directors and/or executive board of the Lessor.

Along with the application from paragraph 1 of this Article, the Lessor shall also submit the documentation proving that the person to whom the application refers:

1) has the necessary professional qualifications;

2) has at least two years of work experience in a managerial position in the financial sector or three years of work experience in a managerial position in a company, and/or four years of work experience in the area of finance;

3) has not been convicted of a criminal offence which makes him unfit for performing the function of a member of the board of directors and/or executive board, and no protective measure and/or security measure prohibiting the performance of function, activity, profession or duty has been pronounced against such person.

The National Bank of Serbia shall prescribe detailed requirements from paragraph 2 of this Article, the manner of proving their fulfilment, and the manner of granting the consent from paragraph 1 of this Article.

The National Bank of Serbia shall reject the application from paragraph 1 of this Article in the following cases:

1) if the proposed person does not meet the requirements regarding professional qualifications and the prescribed experience in the managerial position referred to in paragraph 2 of this Article;

2) if, on the day of initiation of bankruptcy proceedings and/or revocation of the operating license or six months prior to that day, the proposed person was authorized to represent and act on behalf and/or was a member of a management and/or supervisory body of a company whose main activity is financial intermediation, within the meaning of regulations governing the classification of activities, against which bankruptcy proceedings were initiated or which had its operating license revoked – if no more than three years have elapsed from the time of such licence revocation to the time of the application;

3) the proposed person has been convicted by a final judgement of a criminal offence to an unconditional prison sentence or has been convicted by a final judgement of a criminal offence against labour rights, property, economy, constitution and security of the Republic of Serbia, state bodies, judiciary, legal operations and official duty, and/or other offence which makes him unfit for the exercise of such function.

The procedure of decision-making by the National Bank of Serbia on the application from paragraph 1 of this Article may not last longer than 30 days from the receipt of the application, and shall be completed by the rendering of a decision.

Lessor's decision on the appointment of members of the board of directors and/or executive board to which the National Bank of Serbia did not give its consent shall be null and void.

The Lessor shall submit the decision on the appointment of members of the board of directors and/or executive board to the National Bank of Serbia within seven days from the day of its adoption.

The Lessor shall inform the National Bank of Serbia of the dismissal or resignation of a member of the board of directors and/or executive board within seven days from the day of such dismissal or resignation, stating the reasons thereof.

Notwithstanding paragraph 1 of this Article, the National Bank of Serbia shall, by a decision adopting the application for license to engage in financial leasing referred to in Article 13a of this Law, also grant its consent to the appointment of the first members of the Lessor's board of directors.

Obligation to Inform the National Bank of Serbia

Article 13d

The Lessor shall submit to the National Bank of Serbia the following:

- 1) annual financial statements, together with certified external auditor's report – within 120 days from the end of the calendar year for which the report is submitted;
- 2) information regarding status and other changes registered with the Register of Business Entities – within ten business days from the occurrence of the change;
- 3) other information prescribed by this Law and secondary legislation enacted pursuant to this Law – within the prescribed timelines;
- 4) other information at the request of the National Bank of Serbia – within the timeline defined in the request of the National Bank of Serbia.

The National Bank of Serbia shall prescribe the content and form of the reports, the manner of their submission, and the timelines referred to in paragraph 1, items 3) and 4) of this Article.

External Auditor

Article 13e

The Lessor shall appoint an external auditor to perform the audit of annual financial statements.

The external auditor from paragraph 1 of this Article means an auditor that, in compliance with the law governing accounting and audit, meets the requirements for auditing large entities.

The external auditor may conduct no more than five consecutive audits of annual financial statements of the Lessor.

The external auditor may not, in the course of the same year, engage in the auditing of financial statements of the Lessor and provide the Lessor with consultancy services, nor may it conduct an audit for the business year during which such services were provided.

If the audit is conducted by an external auditor that does not meet the requirements from paragraph 2 of this Article, and/or if the audit was conducted in breach of the provisions of this Law and other regulations, the National Bank of Serbia shall not accept the audit report.

Reserves

Article 13f

The National Bank of Serbia may prescribe the circumstances in which the Lessor shall have the obligation to keep reserves on a special account opened with a bank. By means of the regulation referred to in paragraph 1 of this Article, the National Bank of Serbia shall also prescribe the manner of determining the base for the calculation of reserves, the reserve ratio applied in such calculations, timelines for the calculation and allocation of the reserves, as well as the manner and timelines for submitting the report on reserves calculated and allocated to the National Bank of Serbia.

The reserves from paragraph 1 of this Article cannot be the subject of enforced collection.

Minimum Requirements for Entering into Lease Agreement

Article 13g

If immovable property is the object of the Lease Agreement, the Lessor may not require the Lessee – a natural person, to make a down payment.

In the event referred to in paragraph 1 of this Article, the Lease Agreement must contain a clause stating that the right of ownership of the Lease Asset is transferred from the Lessor to the Lessee after the expiry of the time period for which the agreement is concluded and after the total agreed amount of the Lease Payment has been made.

The National Bank of Serbia shall prescribe minimum requirements under which the Lessor enters into Lease Agreements in accordance with this Law, as well as the manner of disclosing the Lease Payment and other costs resulting from the Lease Agreement.

Supervision of Operations of the Lessor

Article 13h

The National Bank of Serbia shall conduct the supervision of the Lessor's operations.

The supervision referred to in paragraph 1 of this Article shall be conducted through:

1) off-site supervision of: reports, other documents and data that the Lessor submits to the National Bank of Serbia in compliance with regulations or at the request of the National Bank of Serbia, as well as data available to the National Bank of Serbia;

2) on-site supervision, inspection of business books and documentation of the Lessor, as well as other documentation.

Should any irregularities or illegalities be detected in the course of the supervision procedure, the National Bank of Serbia shall pronounce one of the following measures against the Lessor:

- 1) send a written letter of warning;
- 2) send an ordering letter;
- 3) issue orders for eliminating the detected irregularities;
- 4) revoke the license to engage in financial leasing.

The National Bank of Serbia shall pronounce the measures referred to in paragraph 3 of this Article by a decision to that effect.

By taking the decision referred to in paragraph 4 of this Article, the National Bank of Serbia may also impose a fine on the Lessor and the responsible person in the Lessor.

The fine referred to in paragraph 5 of this Article imposed on the Lessor shall not be lower than 3% or higher than 20% of the minimum amount of the pecuniary portion of initial capital referred to in Article 10a, paragraphs 3 and 4 of this Law.

The fine referred to in paragraph 5 of this Law imposed on the person that performs the function of a member of the board of directors and/or executive board of the Lessor shall not be lower than the wage paid to that person in the previous month or higher than the sum total of wages paid to such person in the prior six months.

The National Bank of Serbia shall prescribe detailed terms and conditions of conducting the supervision of Lessor operations and pronouncing the measures laid down in this Article.

Revocation of License to Engage in Financial Leasing

Article 13i

The National Bank of Serbia shall revoke the license to engage in financial leasing if:

- 1) the license was issued based on false and inaccurate data provided by the founder of the Lessor;
- 2) the Lessor ceases to comply with the requirements necessary for acquiring the license;
- 3) the Lessor fails to enable the conduct of supervision of its operations;
- 4) it has been found that the pecuniary portion of the Lessor's capital is smaller than the amount prescribed by this Law.

The National Bank of Serbia may issue a decision on revoking the license to engage in financial leasing if:

- 1) the Lessor fails to submit the prescribed reports, documentation and other data relating to its operations in the manner and within the timelines prescribed;
- 2) the Lessor failed to implement the measures ordered by the National Bank of Serbia specified in the decision ordering the implementation of such measures within the given timeline.

The National Bank of Serbia shall submit the decision referred to in paragraphs 1 and 2 of this Article to the Lessor and the Register of Business Entities.

When the National Bank of Serbia revokes the Lessor's license to engage in financial leasing, it shall immediately issue a decision on the fulfilment of requirements for initiation of bankruptcy proceedings and/or a decision on liquidation, in compliance with the law, which shall be submitted to the competent court and to the Deposit Insurance Agency established pursuant to a separate law (hereinafter referred to as: Deposit Insurance Agency).

The decision on the fulfilment of requirements for initiation of bankruptcy proceedings against the Lessor shall only be issued when the liabilities of the Lessor exceed its assets.

On the day the decision is issued to revoke the license to engage in financial leasing, the National Bank of Serbia shall also pronounce a measure prohibiting the disposal of property until the initiation of bankruptcy and/or liquidation proceedings.

As of the date of entry of the decision from paragraphs 1 and 2 of this Article in the Register of Business Entities, the Lessor whose license to engage in financial leasing has been revoked shall not conclude any new Lease Agreements, while the rights and liabilities under Lease Agreements concluded prior to that date shall remain unchanged.

Legal transactions in the name and for the account of the Lessor whose license to engage in financial leasing has been revoked which are concluded in the period from the rendering of the decision on licence revocation until the initiation of bankruptcy and/or liquidation proceedings shall be null and void.

Risk Monitoring and Measurement, Risk Management, Internal Controls System and Activities

Article 13j

The Lessor shall organize and implement the internal controls system so as to enable continuous identification, measurement and assessment of risks that may adversely affect its operations.

The risks referred to in paragraph 1 of this Article shall include in particular:

1) credit risk – risk of occurrence of adverse effects on the financial result and capital of the Lessor, caused by the Lessees' failure to fulfil their obligations to the Lessor;

2) operational risk – risk of occurrence of adverse effects on the financial result and capital of the Lessor caused by intentional or unintentional omissions in employees' work, inadequate internal procedures and processes, inadequate management of information and other systems at the Lessor, as well as by unforeseeable external events;

3) liquidity risk – risk of occurrence of adverse effects on the financial result and capital of the Lessor caused by its inability to fulfil its obligations;

4) compliance risk – risk due to non-compliance of the Lessor's operations with law, secondary legislation, internal acts, procedures on the prevention of money laundering and terrorism financing, as well as with the rules of the profession, good business practices and business ethics of the Lessor;

5) market risk – risk of occurrence of adverse effects on the financial result and capital of the Lessor, caused by changes in interest rates, exchange rate and other market risks;

6) exposure (concentration) risk – risk of occurrence of adverse effects on the financial result and capital of the Lessor due to inadequate diversification of debtors or financing of acquisition of Lease Assets of lower marketability.

In its enactments, the Lessor shall prescribe procedures for identification, measurement, assessment and management of risks, in compliance with regulations, standards and rules of the profession.

The enactments referred to in paragraph 3 of this Article shall comprise:

- 1) risk identification, measurement, and assessment procedures;
- 2) risk management procedures;
- 3) procedures enabling supervision and consistent implementation of all internal procedures of the Lessor relating to risk management;
- 4) procedures for regular reporting on risk management to competent bodies and to the National Bank of Serbia.

The National Bank of Serbia may prescribe detailed criteria for identification, measurement, and assessment of risks to which the Lessor is exposed in its operations, including the manner of calculating individual performance indicators of the Lessor relating to risk management, as well as limitations pertaining to such risks.

The Lessor may outsource the activities of risk identification, measurement, assessment and management to another financial sector person with its head office located in the territory of the Republic of Serbia.

A financial sector person, within the meaning of paragraph 6 of this Article, has the meaning laid down in the law governing banks.

By outsourcing the activities referred to in paragraph 6 of this Article, the board of directors of the Lessor shall not be released from responsibility for the legality of such activities in compliance with this Law.

Internal Audit

Article 13k

Internal audit activities shall be performed at the Lessor.

Internal audit activities shall include in particular:

- 1) assessment of adequacy and reliability of the Lessor's internal controls system;
- 2) setting forth conditions under which risks are adequately identified and supervised;
- 3) identifying weaknesses in the activities of the Lessor and its employees;
- 4) controlling accuracy of overviews of risk management policies and internal controls system submitted to the National Bank of Serbia.

The Lessor shall have the internal audit function tasked with examining, assessing and monitoring the adequacy and efficiency of the internal controls system, in compliance with this Law.

The National Bank of Serbia may prescribe detailed terms and manner of conducting internal audit.

The Lessor may outsource internal audit activities to another financial sector person with the head office located in the territory of the Republic of Serbia.

A financial sector person, within the meaning of paragraph 5 of this Article, has the meaning laid down in the law governing banks.

By outsourcing the activities referred to in paragraph 5 of this Article, the board of directors of the Lessor shall not be released from responsibility for the legality of such activities in compliance with this Law.

Bankruptcy and Liquidation of Lessors

Article 13l

The Deposit Insurance Agency shall perform the function of bankruptcy and/or liquidation administrator of the Lessor, in conformity with law.

In the bankruptcy and/or liquidation proceedings of the Lessor, the bankruptcy and/or liquidation estate shall not include immovable property that is the object of the Lease Agreement.

The provisions of the law governing bankruptcy and liquidation proceedings of insurance companies shall accordingly apply to bankruptcy and/or liquidation proceedings of Lessors, unless otherwise provided by this Law.

In the bankruptcy proceedings of Lessors, the provisions of the law governing bankruptcy proceedings of companies shall apply to the priority of creditor claims.

Subject to the consent of the National Bank of Serbia, voluntary liquidation proceedings shall be conducted against a Lessor if such Lessor's assembly has rendered a decision to wind-up the business of the entity. The provisions of the law governing voluntary liquidation of insurance companies shall accordingly apply to voluntary liquidation of Lessors.

CHAPTER III

RIGHTS AND OBLIGATIONS OF THE LESSOR

Obligation to Acquire the Lease Asset

Article 14

The Lessor shall acquire the Lease Asset from a Supplier chosen by the Lessee, in accordance with the specification provided by the Lessee.

The Lessor may not mortgage immovable property that is the object of financial leasing.

Protection in the Event of Lessee's Bankruptcy

Article 15

In the event of bankruptcy of the Lessee, the Lessor shall have the right to exempt the Lease Asset from the Lessee's bankruptcy estate, in accordance with the law governing bankruptcy proceedings.

The Lessee and the court competent for conducting bankruptcy proceedings shall notify the Lessor, without delay, of the initiation of bankruptcy proceedings.

Exclusion of Liability for Material Defects

Article 16

The Supplier shall be liable to the Lessee for material defects of the Lease Asset, unless otherwise provided in the agreement.

Exclusion of Liability for Damage Caused by the Lease Asset

Article 17

The Lessor shall not be liable to the Lessee for damage caused by the Lease Asset except in case the Lessee has suffered damage as a result of its reliance on the Lessor's skill and judgment, or the Lessor took part in the selection of the Supplier or the specification of the Lease Asset, unless otherwise agreed.

Liability for Legal Defects

Article 18

The Lessor shall be liable for third-party rights that exist in relation to the Lease Asset which exclude, reduce or limit the Lessee's quiet possession, of which the Lessee was not informed, nor did the Lessee agree to accept the Lease Asset encumbered by such rights.

Notification of the Lessor

Article 19

In the event of third-party rights to the Lease Asset referred to in Article 18 of this Law, the Lessee shall notify the Lessor thereof and request that the Lessor free the Lease Asset from such third party's right or claim within a reasonable time period.

The Lessee who initiated and lost a dispute against the third party referred to in paragraph 1 of this Article without notifying the Lessor thereof may invoke the liability of

the Lessor for legal defects, unless the Lessor proves that he had the available means to reject the third party's claim.

The Lessee shall have the right to invoke the Lessor's liability for legal defects of the Lease Asset even when he admitted the third party's right as founded, without notifying the Lessor and without entering into a dispute.

If, in the case from paragraph 3 of this Article, the Lessee has paid a certain amount of money to the third party in order for such third party to waive its right, the Lessor may be released from its liability if it indemnifies the Lessee for the amount paid and the loss sustained.

Sanctions for Legal Defects

Article 20

The Lease Agreement shall be terminated if the Lease Asset is removed from the possession of the Lessee and the Lessor does not act in accordance with the Lessee's request referred to in Article 19, paragraph 1 of this Law, unless otherwise provided in the agreement.

If the Lessor does not act in accordance with the Lessee's request referred to in Article 19, paragraph 1 of this Law, and the Lessee's quiet possession is reduced or limited, the Lessee shall have the right to terminate the agreement if the purpose of the agreement cannot be accordingly fulfilled, or to request a proportionate reduction of the Lease Payment.

In the cases referred to in paragraphs 1 and 2 of this Article, the Lessee shall have the right to claim damages for the loss suffered.

The Lessee shall not have the right to claim damages if, at the time of conclusion of the Lease Agreement, the Lessor was aware of the possibility that the Lease Asset may be taken away from him or his quiet possession be reduced or limited.

Limitations or Exclusions of Lessor's Liability by Agreement

Article 21

Lessor's liability for legal defects of the Lease Asset may not be limited or excluded by the agreement.

Transfer of the Right of Ownership of the Lease Asset

Article 22

The Lessor shall have the right to transfer the right of ownership of the Lease Asset to a third party – Lessor within the meaning of this Law.

In the event of a transfer of the right of ownership of the Lease Asset referred to in paragraph 1 of this Article, the third party shall take the place of the Lessor, and the rights and obligations from the Lease Agreement shall accordingly be established between him and the Lessee.

In the case referred to in paragraph 1 of this Article, the third party may not request that the Lessee surrender the Lease Asset before the end of the agreed term of the Lease Agreement.

The transfer of the right of ownership of the Lease Asset to a third party may be excluded by the agreement or regulated otherwise therein.

CHAPTER IV

RIGHTS AND OBLIGATIONS OF THE LESSEE

Acceptance of Delivery of the Lease Asset

Article 23

The Lessee shall accept the delivery of the Lease Asset at the time, place and in the manner set forth in the agreement.

Termination of Agreement Due to Non-delivery

Article 24

In accordance with the law governing contracts and torts, the Lessee may refuse to accept the delivery of the Lease Asset or terminate the Lease Agreement and claim damages, if the Supplier fails to deliver the Lease Asset, or delivers it with a delay, or if the Lease Asset has material defects.

In the event referred to in paragraph 1 of this Article, the agreement may nevertheless remain effective if the Lessor delivers the Lease Asset to the Lessee without further delay, in accordance with the terms set forth in the Lease Agreement.

The Lessee shall have the right to withhold any amounts payable to the Lessor under the Lease Agreement until the delivery obligation is performed in total conformity with the Lease Agreement.

If the Lessee terminates the agreement, he shall be entitled to recover any payments made in accordance with the Lease Agreement, reduced by the amount of the reward derived by the Lessee from the use of the Lease Asset (reasonable amount).

Use of the Lease Asset

Article 25

The Lessee shall use the Lease Asset with the diligence of a good businessman and/or a *bonus paterfamilias*.

The Lessee shall use the Lease Asset in accordance with the agreement or with the purpose of the Lease Asset.

The Lessee shall be liable for damage caused by the use of the Lease Asset contrary to the agreement or the purpose of the Lease Asset, regardless of whether the Lease Asset was used by the Lessee himself or by a person authorized by the Lessee, or any other person the Lessee allowed to use the Lease Asset.

Maintenance of the Lease Asset

Article 26

The Lessee shall maintain the Lease Asset in good condition and make all necessary repairs on the Lease Asset.

The Lessee shall be liable for any damage caused by the failure to maintain the Lease Asset in good condition.

Making of Lease Payments

Article 27

The Lessee shall make Lease Payments to the Lessor in the amounts, at the time and in the manner specified by the Lease Agreement.

Termination of Agreement Due to Default on the Lease Payment

Article 28

The Lessor shall have the right to terminate the agreement if the Lessee is late on the payment of the first instalment.

The Lessor shall have the right to terminate the agreement or to request the payment of the remainder of the Lease Payment with interest, if, after the payment of the first instalment of the Lease Payment, the Lessee is late on the payment of one or more successive instalments of the Lease Payment amounting to one fourth of the total Lease Payment.

Notwithstanding provisions of paragraphs 1 and 2 of this Article, the Lessor shall have the right to terminate the agreement in regard to all future instalments of the Lease Payment, if the Lessee did not pay one of the Lease Payment instalments, and circumstances clearly indicate that the remaining instalments shall not be paid either.

In order to terminate the agreement for reasons set forth in paragraphs 1 to 3 of this Article, the Lessor shall set an additional reasonable time period for the Lessee to perform his obligations.

If the Lessee fails to fulfil his obligations within the time period referred to in paragraph 4 of this Article, the Lease Agreement shall be terminated as a matter of law.

In the cases referred to in paragraphs 1 to 3 of this Article, the agreement shall nevertheless remain effective if the Lessee provides adequate security.

Termination of the agreement due to non-payment of the Lease Payment may be regulated otherwise in the agreement, in compliance with mandatory legislation, public order and good practices.

Effects of Termination

Article 29

The Lessor who terminates the agreement due to default on the Lease Payment for reasons set forth in Article 28 of this Law or in the Lease Agreement shall have the right to repossess the Lease Asset and claim damages for the loss sustained.

Special Procedure for Repossession of the Lease Asset

Article 30

At the proposal of the contracting parties, the court shall hold a hearing to confirm, in the form of minutes, that the parties have agreed that the Lessor shall have the right to repossess the Lease Asset in the event of default on the Lease Payment by the Lessee at the time specified in the agreement.

The minutes of the agreement of the parties referred to in paragraph 1 of this Article, signed by the parties, shall have the effect of a court settlement.

The Lessor may request that the court decide on the removal of the Lease Asset from the Lessee or from the person in possession of the Lease Asset, and its delivery to the Lessor, if the Lessee failed to meet his obligation to make the Lease Payment on time in accordance with the agreement and to voluntarily return the Lease Asset to the Lessor.

Along with the request referred to in paragraph 3 of this Article, signed minutes of the agreement of the parties referred to in paragraph 1 of this Article shall also be submitted.

The court shall render a decision on the request referred to in paragraph 3 of this Article within three days from the day of submission of the request.

The procedure of repossession of the Lease Asset shall be completed within three

days from the day of rendering of the decision granting the request from paragraph 3 of this Article.

Against the decision on the removal of the Lease Asset from the Lessee or the person in possession of the Lease Asset, the Lessee may file an objection stating that the payment has been made and supported by written evidence, within three days from the receipt of such decision.

The objection from paragraph 7 of this Law shall not stay the execution of the decision.

The court shall decide on the objection referred to in paragraph 7 of this Article, in accordance with the law governing the enforcement procedure.

The provisions of the law governing the enforcement procedure shall apply to the procedure of repossession of the Lease Asset, unless otherwise prescribed by this Law.

Damages

Article 31

Damages for the loss suffered due to default on the Lease Payment shall be computed so as to place the Lessor in the same position it would have been in had the Lessee performed its obligations in accordance with the agreement.

The agreement may set forth the manner in which the damages are to be computed provided they do not exceed the amount determined under paragraph 1 of this Article.

Risk of Accidental Destruction of or Damage to the Lease Asset

Article 32

The Lessee shall bear the risk of accidental destruction of or damage to the Lease Asset.

The risk shall pass to the Lessee at the time of acceptance of the Lease Asset, unless otherwise provided in the agreement.

Obligation to Return the Lease Asset

Article 33

After the expiry of the agreement, the Lessee shall return the Lease Asset intact with all parts and attachments to the Lessor or the person specified by the Lessor, unless the Lessee, under the agreement, has the right to buy the Lease Asset or to extend the Lease Agreement.

The Lessee shall not be liable for the wear and tear of the Lease Asset due to its

regular use or for any modifications of the Lease Asset agreed with the Lessor.

Insurance Obligation

Article 34

The Lessee shall have the obligation to insure the Lease Asset from risks specified in the agreement, unless otherwise provided in the agreement.

Transfer of the Lease Asset to a Third Party for Utilisation

Article 35

Subject to the Lessor's written consent, the Lessee may transfer the Lease Asset, or parts thereof, to a third party for utilisation.

The Lessor may terminate the agreement and claim damages if the Lessee has transferred the Lease Asset to a third party for utilisation, without the Lessor's written consent.

The special procedure for repossession of the Lease Asset referred to in Article 30 of this Law may also apply in case of termination of the agreement referred to in paragraph 2 of this Article.

The transfer of the Lease Asset to a third party for utilisation shall not release the Lessee from his obligations to the Lessor under the Lease Agreement.

The transfer of the Lease Asset to a third party for utilisation may be excluded by the agreement or stipulated otherwise therein.

CHAPTER V

RIGHTS AND OBLIGATIONS OF THE SUPPLIER

Delivery of the Lease Asset

Article 36

The Supplier shall deliver the Lease Asset to the Lessee in good condition with all parts and attachments, at the time, place and in the manner specified in the Supply Agreement, unless the Lease Agreement sets forth that the Lessor shall deliver the Lease Asset.

Modifications of the Agreement

Article 37

If the Lessee has approved the contents of the agreement concluded between the Lessor and the Supplier, under which the Lessor has acquired the right of ownership of the Lease Asset, subsequent modifications to such agreement shall not affect the Lessee, unless the Lessee has consented to such modifications.

Supplier's Liability to the Lessee

Article 38

If the Supplier fails to deliver the Lease Asset to the Lessee, delivers the Lease Asset late or the Lease Asset has material defects, the Lessee shall have the same rights in respect of the Supplier as he would have had under the law governing contracts and torts as a party to the agreement with the Supplier.

Notwithstanding provisions of paragraph 1 of this Article, the Lessee shall not have the right to terminate or annul the agreement concluded between the Lessor and the Supplier, without the Lessor's consent, nor shall he have the right to request price reduction.

The Supplier may not be liable both to the Lessor and the Lessee in respect of the same damages.

Joint and Several Liability of the Lessor and the Supplier

Article 39

If the Supplier was chosen by the Lessor, the Lessor and the Supplier shall be jointly and severally liable to the Lessee if the Lease Asset is not delivered to the Lessee, if it is delivered late, or it has material defects.

CHAPTER VI

CESSATION OF THE LEASE AGREEMENT

Expiry of the Lease Period

Article 40

The Lease Agreement shall cease after the expiry of the time period for which it was concluded.

Destruction of the Lease Asset Due to *Force Majeure*

Article 41

The Lease Agreement shall cease to exist if the Lease Asset is destroyed due to a case of *force majeure*.

Option to Purchase or Extend the Term of the Agreement

Article 42

The Lessee shall not acquire the right of ownership of the Lease Asset after the expiry of the time period for which the Lease Agreement was concluded.

The Lease Agreement may specify the Lessee's right to buy the Lease Asset at the price determined by the agreement, or to extend the Lease Agreement (option rights), after the expiry of the time period for which the agreement was concluded.

The Lessee shall inform the Lessor of his decision to buy the Lease Asset or to extend the Lease Agreement, at least one month before the expiry of the time period for which the agreement was concluded.

CHAPTER VIA

APPLICATION OF THE LAW GOVERNING PREVENTION OF MONEY LAUNDERING AND TERRORISM FINANCING

Article 42a

At the time of conclusion of the Lease Agreement and the Supply Agreement, as well as during the effectiveness of the rights and obligations arising therefrom, the Lessor shall implement actions and measures to prevent and detect money laundering and terrorism financing, laid down in the provisions of the law governing the prevention of money laundering and terrorism financing.

The National Bank of Serbia may prescribe detailed terms and conditions and the manner in which the Lessor determines and verifies the identity of a party and takes other measures in the capacity of the obligor from the law governing the prevention of money laundering and terrorism financing.

CHAPTER VII

REGISTER OF FINANCIAL LEASES

Definition

Article 43

The Register of Financial Leases is a public register wherein, in accordance with the provisions of this Law, data on Lease Agreements concluded between natural and

legal persons are recorded.

The Register of Financial Leases (hereinafter: the Register) is an integrated electronic database, which draws on a central database where all data entered in the Register are stored.

The local units of the Register shall be established in the territory of the Republic of Serbia.

The central database shall be accessible via local units of the Register, for the purposes of entry in and search of the Register.

Competence for Maintaining the Register

Articles 44 and 44a *(repealed)*

Accessibility of the Register

Article 45

The Register shall be accessible to all persons regardless of the place and territory of access to the Register, for the purpose of entering Lease Agreements in the Register, or for the purpose of search.

Transparency

Article 46

The data recorded and kept in the Register shall be public.

The organization maintaining the Register shall, at the request of an interested party, issue a certified statement of data kept in the Register, and a statement confirming that the Register does not contain data on financial leasing on a specified item.

Fee

Article 47 *(repealed)*

Effects of Entry of Data in the Register on Third Parties

Article 48

Third parties shall be deemed aware of the existence of the Lease Agreement that is recorded in the Register.

No person shall be entitled to invoke the circumstance that he is not aware of data on

financial leasing that are entered in the Register in accordance with this Law.

The data recorded in the Register shall not be used as evidence of the right of ownership or any other rights to the Lease Asset or of validity of any legal transaction.

Registration Obligation

Article 49

The Lessor shall submit an application for entry of the financial lease agreement within seven days from the day of delivery of the Lease Asset, and an application for entry of amendments and supplements to the data on the financial lease agreement, and for deletion of data from the Register, within seven days from the moment of occurrence of facts which conditioned such amendments and supplements and/or deletion of data.

The application from paragraph 1 of this Article may also be submitted by the Lessee, if so specified by the financial lease agreement.

The Lessor shall be held liable for any damage caused to a third party acting in good faith due to non-compliance with the recording obligation from paragraph 1 of this Article, as will, jointly and severally, be the Lessee, if the financial lease agreement specifies that the Lessee may also submit an application for entry in the Register.

The application for entry of annotation of dispute for the protection of rights and interests relating to the object of financial leasing or the financial lease agreement may be submitted by any interested person.

Data Contained in the Register

Article 50

The register shall contain:

- 1) data on the Lessor and the Lessee, and data on the Supplier, but only if requested by the applicant;
- 2) data specifying the Lease Asset in detail;
- 3) data on the financial lease agreement (reference number assigned by the Lessor, date of conclusion and duration);
- 4) data on any disputes regarding the Lease Asset and the financial lease agreement;
- 5) data on termination of the financial lease agreement;
- 6) other data in compliance with the law.

If parties to a financial leasing transaction are domestic natural persons, the data from paragraph 1, item 1 of this Article shall refer to such person's name, surname, personal ID

number and place of permanent residence, while if they are foreign natural persons, the data from paragraph 1, item 1 of this Article shall refer to the name, surname, passport number and country of issuance.

If parties to a financial leasing transaction are domestic legal entities, the data from paragraph 1, item 1 of this Article shall refer to the business name and registration number, while if they are foreign legal entities, the data from paragraph 1, item 1 of this Article shall refer to the business name, reference number in the foreign register of business entities, name of the register and name of the domicile country.

All changes in data from paragraph 1 of this Article shall be entered in the Register.

Records shall be kept of data from paragraph 1 of this Article which have been deleted from the Register.

(Subheading deleted.)

Article 51

The documentation on the basis of which entry in the Register was made shall be integral to the Register until it is translated to electronic form.

After the documentation from paragraph 1 of this Article is translated to electronic form and entered in the Register, such documentation shall be kept in accordance with regulations on archive materials.

Procedure of Entry in the Register

Article 51a

The procedure of entry in the Register shall be initiated by submitting an application for registration (hereinafter: application).

The application shall be submitted using the prescribed form which includes data specified in Article 50 of the Law.

The following documents shall be submitted along with the application:

- 1) documentation based on which entry in the register is requested (agreement, annex to the agreement, court decision, etc.);
- 2) evidence of payment of fee for entry in the register.

The application shall be submitted in the official language and script of the Republic of Serbia.

Should any documents supporting the application be submitted in a foreign language, the applicant shall be required to submit a certified translation of such documents.

Article 51b

The Registrar shall verify whether:

- 1) the signatory of the application is authorized for its submission;
- 2) the application contains all necessary data;
- 3) all the necessary documents are submitted along with the application, in compliance with the law;
- 4) data specified in the application are identical to those in the documentation submitted therewith;
- 5) evidence of payment of fee for entry in the register has been submitted.

The Registrar shall not verify the accuracy of data and the authenticity of documents submitted along with the application.

Article 51c

The Registrar shall decide on the application by issuing a decision or a conclusion.

A decision shall be issued to approve the entry in or deletion from the Register of data, if this is requested in the application.

A conclusion shall be issued to reject an application if it has not been submitted in compliance with this Law.

Along with the conclusion rejecting the application, the Registrar shall be required to return the original documentation submitted in writing to the applicant.

Article 51d

A complaint may be lodged against the decision and conclusion from Article 51c of this Law, within 15 days from the day of receipt of the decision, unless otherwise provided by law.

The complaint shall be lodged through the Agency to the minister in charge of economy.

Article 51e

The provisions of the law on the general administrative procedure shall accordingly apply to issues relating to the procedure of entry in the register which are not specifically regulated by this Law.

Article 51f

Data entered in the Register shall at the same time be published on the Agency's website.

(Articles 51a to 51f shall cease to be valid on 1 October 2013.)

CHAPTER VIIA

PENALTY PROVISIONS

A fine from 300,000 to 3,000,000 dinars shall be pronounced for a criminal offence to:

1) a legal person, if it engages in financial leasing and does not meet the requirements from Article 10 of this Law (Article 10);

2) legal or natural person that acquired direct or indirect ownership of stakes/shares of the Lessor that provide 10% or more of voting rights without the consent of the National Bank of Serbia (Article 13b, paragraph 1).

The responsible person in the legal entity shall also be fined from 20,000 to 200,000 dinars for the commercial offence referred to in paragraph 1 of this Article.

For the commercial offence referred to in paragraph 1 of this Article, the court may, in addition to the fine, also pronounce a security measure prohibiting the legal entity to perform the activity in the period from six months to ten years.

Article 51h

The Lessor shall be fined from 100,000 to 1,000,000 dinars for an offence if:

1) it does not submit to the National Bank of Serbia the documentation from Article 13d and Article 13f, paragraph 2 of this Law in the prescribed manner and within the prescribed timelines (Article 13d and Article 13f, paragraph 2);

2) it does not allocate reserves in compliance with the regulation of the National Bank of Serbia referred to in Article 13f, paragraph 1 of this Law (Article 13f, paragraph 1);

3) it does not submit to the Agency the documentation referred to in Article 13a, paragraph 9, Article 13b, paragraph 8 and Article 49, paragraph 1 of this Law within the prescribed timelines (Article 13a, paragraph 9, Article 13b, paragraph 8 and Article 49, paragraph 1).

For the activities referred to in paragraph 1 of this Article, the responsible person in the Lessor shall also be fined for an offence from 10,000 to 50,000 dinars.

CHAPTER VIII

FINAL AND TRANSITIONAL PROVISION

Article 52

The Lease Agreements concluded before 1 January 2004 shall be entered in the Register from the date of the start of application of Articles 43 to 51 of this Law, but by 31 January 2014 at the latest.

This Law shall come into force on 4 June 2003, while the provisions of Articles 43 to 51 of this Law shall be applied as of 1 January 2004.

Separate Articles of the Law on Amendments and Supplements to the Law on Financial Leasing

(RS Official Gazette, No 61/2005)

Article 12

Lessor companies established prior to the entry into force of this Law shall bring their operations in compliance with the provisions of this Law within six months following the date of entry into force of this Law.

If lessor companies established prior to the entry into force of this Law fail to bring their operations in compliance with the provisions of this Law within the time period specified in paragraph 1 of this Article, they shall cease to operate following the completion of liquidation proceedings charged to the subject of liquidation, initiated *ex officio* by the Business Registers Agency, and shall be deleted from the register of business entities.

Article 13

The lease agreements concluded prior to the entry into force of this Law shall remain in force for the duration of obligations under such agreements.

Article 14

This Law shall enter into force on 26 July 2005.

Separate Articles of the Law on Amendments and Supplements to the Law on Financial Leasing

(RS Official Gazette, No 31/2011)

Article 27

The National Bank of Serbia shall adopt the regulations referred to in Articles 11, 12, 13, 14 and 18 of this Law within six months from the effective date of this Law.

Article 28

Lessors licensed by the National Bank of Serbia to engage in financial leasing, in compliance with the Law on Financial Leasing (RS Official Gazette, Nos 55/2003 and 61/2005) shall align their business activities with the provisions of this Law within one year following the date of entry into force of this Law.

The alignment referred to in paragraph 1 hereof shall include the Lessor's obligation to:

1) pay the lacking amount of the initial capital specified in Article 9 of this Law (the newly proposed Article 10a);

2) align the Articles of Association with the provisions of Article 9 of this Law (the newly proposed Article 10b) and establish the bodies prescribed by that Article;

3) obtain the consents of the National Bank of Serbia referred to in Article 13 of this Law (the newly proposed Article 13c).

If the Lessor from paragraph 1 of this Article fails to align its business activities with the provisions of this Law within the timeline from paragraph 1 of this Article, the National Bank of Serbia shall render a decision revoking the Lessor's license to engage in financial leasing.

Article 29

The regulations adopted on the basis of the Law on Financial Leasing (RS Official Gazette, Nos 55/2003 and 61/2005) shall apply until the start of application of regulations adopted on the basis of this Law, if they are not in conflict with this Law.

Article 30

This Law shall enter into force on 17 May 2011.