

SEE Markets Roadshow SERBIA

Luxembourg, April 29th & 30th, 2014

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Serbia - The Market Structure

OVERSIGHT

Securities Commission

National Bank of Serbia

TRADING

Belgrade Stock Exchange

OTC

CLEARING & CSD

Central Securities Register, Depository and Clearing

CASH

National Bank of Serbia

Commerical Banks

Foreign Investors' Trading:

Equities: 72.28%

Bonds: 25.04%

Total: 69.66%

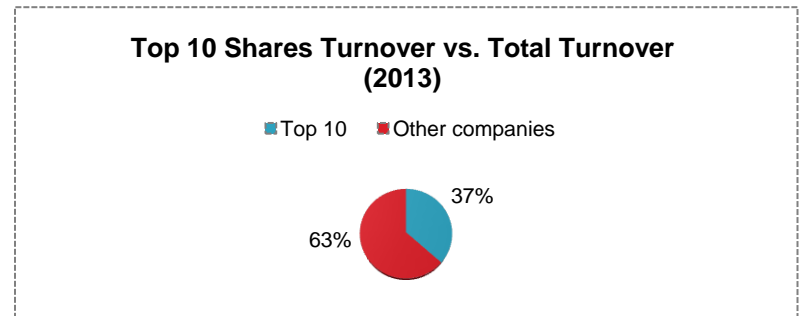
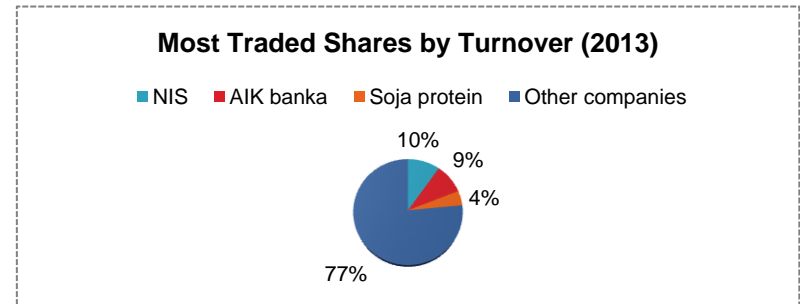
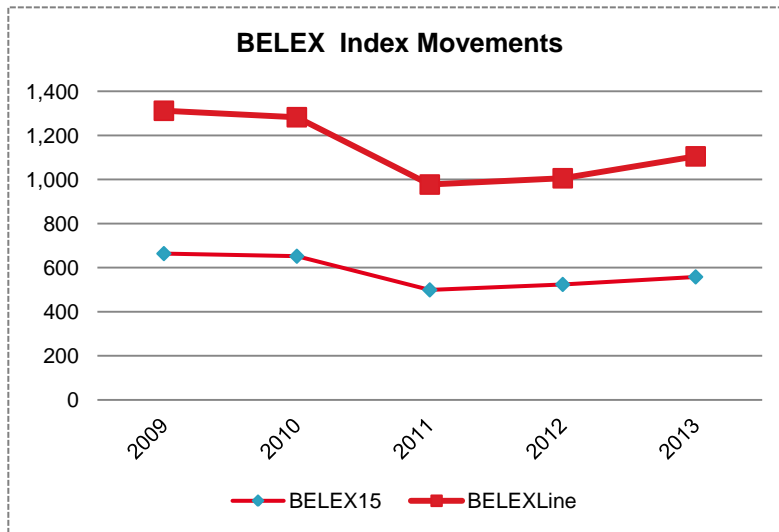
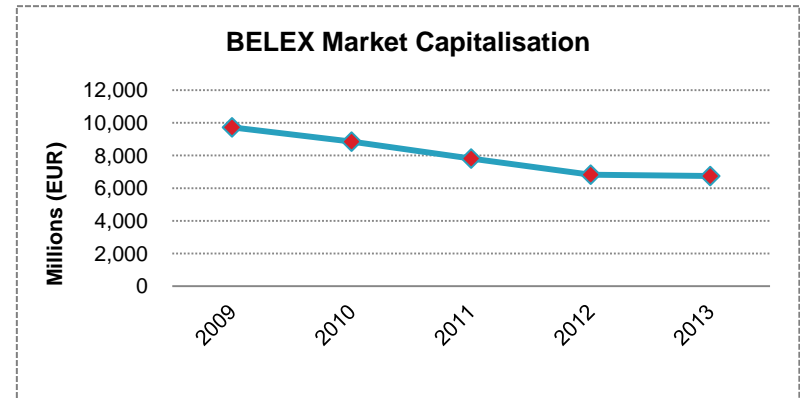
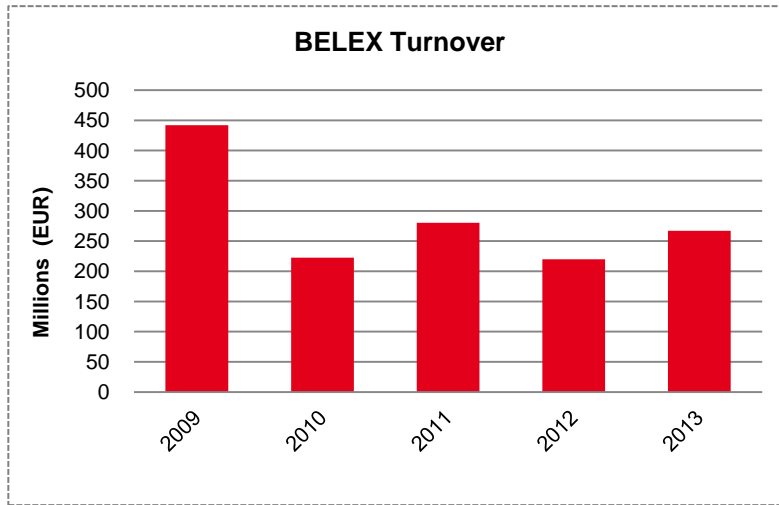
Key Market Data:

BELEX Cap EUR 6,740 mn

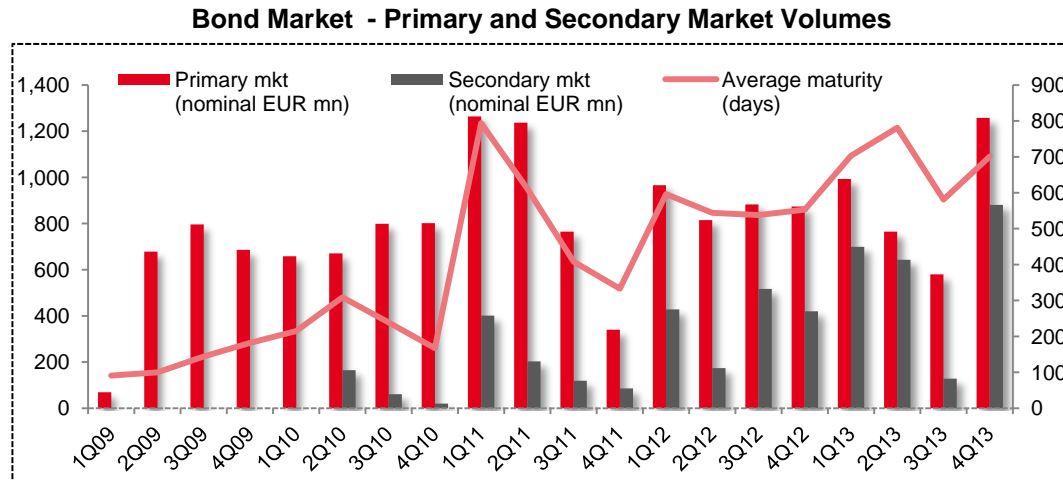
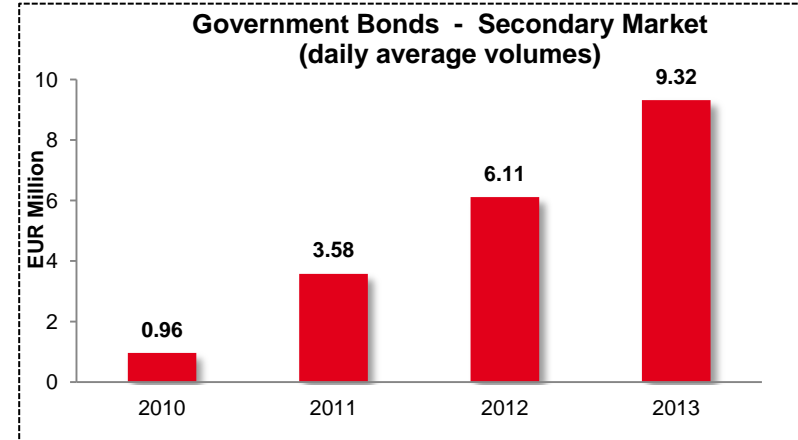
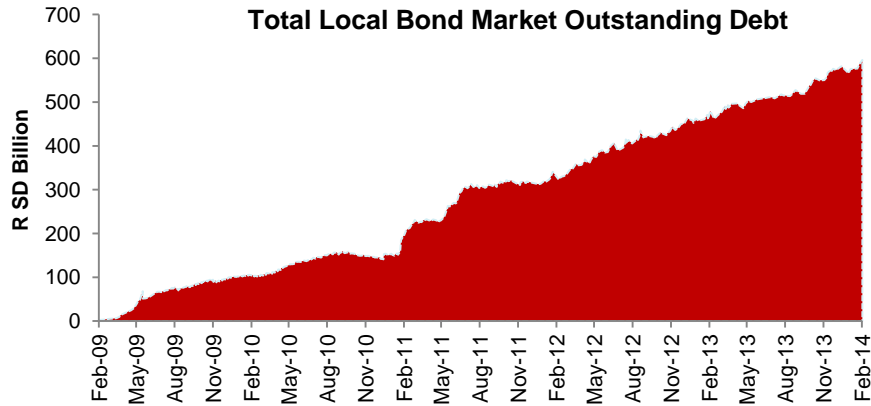
BELEX Trading EUR 267 m p.a.

Outstanding T-sec. EUR 5,266 mn

Serbia - Market Trends on Belgrade Stock Exchange



Serbia - Market Trends - Government Bonds



Serbia - Major Market Issues

- **Short term investments prohibited for non-resident investors**
 - **Account opening requirements for beneficiary securities accounts**
 - **Settlement process**
 - No real STP process in place in the market
 - Pre-funding requirement
 - Mandatory settlement of on-exchange transactions
 - Settlement protection instruments (Guarantee Fund, buy-in/sell-out)
 - **Corporate actions**
 - Various sources of information
 - Law on companies and capital market law tackle only major aspects of the corporate actions event cycle
 - No fixed pay dates for income
 - Ex-date concept not recognized by the market
 - **Taxation**
 - Mandatory appointment of local tax attorney
 - Importance of timely submission of Certificate of Residence since there is no guarantee that tax reclaim will be successful
 - Omnibus accounts taxed at account holder level
 - Reporting of securities sales for CGT purposes within 30 calendar days from the settlement date no matter the tax status of the security or the investor
 - **Cash management**
 - Overdrafts restricted to non-resident banks and local currency funds, tenure up to 2 business days
 - Repatriation of funds
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Serbia – Latest market development, changes in the past 24 months

Changes in the market infrastructure

■ BELEX

- Delisting of companies & re-structuring of the market

■ CSD

- Securities lending and repo transactions

Changes in the regulatory and tax environment

■ Regulatory

- Capital market law
- Companies law

■ Tax environment

- Increased scope of persons acting as local tax attorneys for non-residents
- Hike in tax rates for private investors
- Distinction between long-term and short-term holdings for private investors
- Identification of tax havens
- Extended CGT reporting period

Impacts on clients

- Only companies interested to be traded on-exchange and communicate with investors will remain thus increased transparency of business activities is expected in the future

- securities lending has been introduced as a FOP transaction; repo transactions can now be conducted with all instruments

Impacts on clients

- Easier to recognize regulatory framework (MiFID)
- Increased shareholders' protection

- Investors can now appoint legal persons as local tax attorneys
- 15% WHT and CGT is to be paid vs. 10% in the past
- Private investors disposing securities after 10+ years will not pay CGT
- Legal entities residing in tax havens (51 countries) shall pay 25% WHT on interest, instead of 20%
- More time for preparation of tax report

Serbia – Expected changes in the next 24 months

Expected changes in the regulatory environment

- Regulations impacting activities with securities are expected to change as the result of Ministry of Finance initiative to harmonize local regulation
 - Capital market law
 - Takeover law
 - Companies law
 - Investment funds law

Impacts on clients

- Improved market processes are expected as the result of regulation harmonization

Serbia – The major challenges

Major challenges in the coming 12 months

- Harmonization of laws
- Market tax procedure
- Simplification of market corporate actions procedures
- CSD fees

Lobbying activity

- UniCredit was a working group member appointed by the Ministry of Finance
- Simplification of tax procedure
- Proposals for unified and simplified issuers' approach
- Maximum cap on coupon administration CSD fee was proposed