

# Market Profile Serbia



## Global Securities Services

January 2019

Banking that matters.





# Contents

1. OVERVIEW	4
2. REGULATION AND SUPERVISION	5
3. TRADING	6
4. CLEARING	8
5. SETTLEMENT	9
6. PAYMENT SYSTEM	11
7. SECURITIES LENDING	12
8. CORPORATE ACTIONS	13
9. PROXY VOTING	15
10. INCOME COLLECTION	17
11. TAXATION	18
12. DISCLOSURE REQUIREMENTS	20
13. ACCOUNT MANAGEMENT	21
14. DISCLAIMER	23

# 1. Overview

## 1.1. GEOPOLITICAL DATA

Time Zone:	GMT + 1
Daylight Saving Time:	YES
Currency:	Dinar (RSD)
Banking Holidays:	<a href="#">link</a>
EU Membership:	NO
Schengen Zone:	YES



## 1.2. G30 COMPLIANCE

Trade comparison by T+1 for direct market participants	YES
Trade comparison for indirect participants	NO
Central securities depository	YES
Trade netting system	NO
Delivery vs. payment	YES
Same day funds	YES
Rolling settlement T+2	YES
Securities lending and borrowing	YES
ISIN	YES

## 1.3. COUNTRY RATINGS

Rating Agency	Issuer Default Rating Foreign Currency, LT	Outlook
Fitch	BB	Stable
Moody's	Ba3	Stable
Standard & Poor's	BB	Stable

# 2. Regulation and supervision

## 2.1. REGULATORY/SUPERVISORY BODIES

Supervision of financial markets is carried out by the following institutions:

- National Bank:  
National Bank of Serbia  
Responsible for monetary stability of the Country and for control of all banks represented in Serbia.
- Securities Commission:  
Republic of Serbia Securities Commission

## 2.2. KEY MARKET REGULATIONS

Below you will find a list of the key market regulations. For a complete list with up to date information on the acts please refer to the GSS Website (<http://gss.unicreditgroup.eu>) or contact your local GSS Relationship Manager.

Regulation	Main focus
Capital Market Law	Regulates business with financial instruments, as well as the roles of CSD, SEC and BELEX
Law on Companies	Regulates the legal status of companies (establishment, management, legal forms and other relevant issues)
Law on Investments	Governs the forms of investments, investor's rights and their protection, foreign investment incentives, etc.
Law on Privatization	Stipulates the conditions and procedures for changeover of socially or state owned capital
Law on Banks	Regulates the establishing and operations of banks, the way of managing banks, control and termination of bank operations
Law on Takeovers	Regulates terms and conditions of take-over of shareholders companies, as well as rights and obligations of participants
Law on Foreign Exchange	Regulates transfer of funds between residents and non-residents, accounts of non-residents in Serbia, credit activities
Law on Payment System	Regulates payments in local currency, rights and obligations between banks and their clients
Law on Tax procedure and Tax Administration	Regulates the tax assessment process
Law on Corporate Profit tax	Regulates the taxation of legal entities
Law on Personal Income tax	Regulates the taxation of private individuals

## 2.3. SELF-REGULATORY ORGANISATIONS

A self-regulatory organization on the Serbian market is the Association of Serbian Banks.

# 3. Trading

## 3.1. COMMONLY TRADED INSTRUMENTS

Equities		Money Market instruments	
<input checked="" type="checkbox"/>	Ordinary shares	<input type="checkbox"/>	Certificate of deposits
<input checked="" type="checkbox"/>	Preferred shares	<input type="checkbox"/>	Commercial papers
<input type="checkbox"/>	Employee shares	<input checked="" type="checkbox"/>	REPO transactions
<input type="checkbox"/>	Interest bearing shares		
Government debt		Corporate debt	
<input checked="" type="checkbox"/>	Government bonds	<input checked="" type="checkbox"/>	Corporate bonds
<input checked="" type="checkbox"/>	Treasury bonds	<input type="checkbox"/>	Mortgage bonds
<input checked="" type="checkbox"/>	Treasury bills	<input type="checkbox"/>	Convertible bonds
<input checked="" type="checkbox"/>	Treasury notes	<input type="checkbox"/>	Exchangeable bonds
<input checked="" type="checkbox"/>	Municipal bonds		
Derivatives		Other instruments	
<input type="checkbox"/>	Options	<input type="checkbox"/>	Exchange traded funds
<input type="checkbox"/>	Futures	<input type="checkbox"/>	Investment funds
<input type="checkbox"/>	Warrants	<input type="checkbox"/>	Eurobonds funds
		<input type="checkbox"/>	Depository receipts
		<input type="checkbox"/>	Commodities

## 3.2 BELGRADE STOCK EXCHANGE – BELEX

<b>Legal name</b>	Belgrade Stock Exchange
<b>Website</b>	<a href="http://www.belex.rs">http://www.belex.rs</a>
<b>Ownership structure</b>	10.34% Republic of Serbia 89.66% Others
<b>Trading members</b>	A member of the Exchange may be a legal entity, investment company (a broker-dealer company or licensed bank) which meets the requirements specified by Articles 147-151 of the Law on Capital Markets and by-laws that regulate activities of the investment companies and the Rules of Business Operation of the Exchange. Following types of membership are available: Direct membership is the only type of allowed membership.
<b>Traded instruments</b>	Equities, Government bonds, Corporate bonds, Municipal bonds and International financial institution bonds.
<b>Traded method</b>	For the Prime Market, Standard Market, Smart Market and Open Market segments, the only accepted trading method is continuous trading. Single price auction method is preserved for the trading in shares on MTP segment. Trading in debt securities and other financial instruments on MTP segment is organized by the continuous trading method.

Block trading is possible for all Belgrade Stock Exchange market segments that include Prime Market, Standard Market, Smart Market, Open Market and MTP.

<b>Settlement agent</b>	Central Securities Depository and Clearing House (CSD)
<b>Clearing agent</b>	Central Securities Depository and Clearing House (CSD)
<b>Trading hours</b>	Equity market from 09:00 to 14:00 Bond market from 09:00 to 14:00
<b>Settlement cycle</b>	T+2 Equity market T+2 Bond market

### 3.3 OTC TRADING

OTC trading is allowed only for debt securities (government bonds, T-bonds, T-notes, T-bills, corporate bonds) and equities of private companies; OTC trading and settlement is not allowed for equities of public companies. OTC market deadline for debt securities is 15:30 CET and 14:00 CET for equities. Settlement cycle is negotiable from T+0 to T+2. Transfer of securities and cash is done via the CSD and NBS RTGS system.

# 4. Clearing

## 4.1 CENTRAL SECURITIES DEPOSITORY AND CLEARING HOUSE - CSD

<b>Legal name</b>	Central Depository and Clearing Company
<b>Website</b>	<a href="http://www.crhov.rs">http://www.crhov.rs</a>
<b>Ownership structure</b>	100% Republic of Serbia
<b>Clearing members</b>	Brokers, broker-dealers and banks Following types of membership are available: Direct clearing members
<b>Scope of services</b>	<p>The functions of the CSD include:</p> <ul style="list-style-type: none"><li>• Record keeping of the Central Register of Securities, including record keeping on issuers' accounts balances, owners accounts balances and CSD members accounts, including the registry of securities related to third-party rights;</li><li>• Safekeeping of securities;</li><li>• Record keeping of the owners of securities (shareholders' books);</li><li>• Transfer and cross-entry of securities on the accounts of the CSD and securities owners;</li><li>• Settlement and clearing of all credits and debits arising from the deals concluded on-exchange and off-exchange;</li><li>• Settlement and clearing of all credits and debits for each CSD member and its clients, determining outstanding claims and liabilities for the CSD members and their clients, following the settlement of mutual claims and liabilities within two days from a concluded deal (T+2) with the subsequent transfer of securities upon effected payments;</li><li>• Operations arising out of rights and benefits from securities ownership, in line with the current legal regulations of such rights;</li></ul> <p>Other services related to trading with securities and ownership rights.</p>
<b>Risk model</b>	<p>CSD membership is regulated by the Capital Market Law and CSD by-laws. The CSD maintains participants' quality by restrictive membership policy, allowing only certain member categories to become CSD members.</p> <p>Each member has to contribute EUR 40,000 to the CSD Guarantee Fund and deposit a promissory note in the amount of RSD 5,000,000 (app. EUR 40,000). The local CSD guarantees settlement of on-exchange transactions by operating a settlement Guarantee Fund and activating the so called "extraordinary procedures" (buy-in, sell-out). Only if all settlement protection mechanisms fail, settlement can then be cancelled with the consent of all transaction participants.</p>



# 5. Settlement

## 5.1. CENTRAL SECURITIES DEPOSITORY AND CLEARING HOUSE - CSD

<b>Legal name</b>	Central Securities Depository and Clearing House
<b>17f-7 eligibility</b>	Yes
<b>Website</b>	<a href="http://www.crhov.rs">http://www.crhov.rs</a>
<b>Ownership structure</b>	100% Republic of Serbia
<b>Scope of services</b>	<p>The functions of the CSD include:</p> <ul style="list-style-type: none"><li>• Record keeping of the Central Register of Securities, including record keeping on issuers' accounts balances, owners accounts balances and CSD members accounts, including the registry of securities related to third-party rights;</li><li>• Safekeeping of securities;</li><li>• Record keeping of the owners of securities (shareholders' books);</li><li>• Transfer and cross-entry of securities on the accounts of the CSD and securities owners;</li><li>• Settlement and clearing of all credits and debits arising from the deals concluded on-exchange and off-exchange;</li><li>• Settlement and clearing of all credits and debits for each CSD member and its clients, determining outstanding claims and liabilities for the CSD members and their clients, following the settlement of mutual claims and liabilities within two days from a concluded deal (T+2) with the subsequent transfer of securities upon effected payments;</li><li>• Operations arising out of rights and benefits from securities ownership, in line with the current legal regulations of such rights;</li></ul> <p>Other services related to trading with securities and ownership rights.</p>
<b>Accounts held</b>	<ul style="list-style-type: none"><li>• Omnibus account in the name of the nominee (e.g. global custodian);</li><li>• Individual account for each beneficiary;</li></ul> <p>Combination of omnibus and segregate (beneficiary) accounts</p>
<b>Eligible instruments</b>	Equities, Government bonds (RSD and EUR denominated), T-bills, Corporate bonds, Municipal bonds and International financial institution bonds.
<b>Level of dematerialisation</b>	All Serbian securities are dematerialized.
<b>Stock Exchange Settlement</b>	<p>Standard T+2 settlement cycles for equities and bonds. Possibility of shorter settlement cycles (T+0, T+1) upon request and with the consent of the counterparty.</p> <p>CSD uploads all on-exchange executed trades by 14:45 CET on a daily basis. CSD members are provided with trade details on T+0 by 15:15 CET via the CSD electronic platform.</p> <p>CSD members are obliged to provide cash and securities coverage on settlement day (SD) no later than 11:00 CET.</p> <p>Securities transfers are concluded and irrevocable and final on SD by 11:00 CET for equities and bonds.</p> <p>Funds transfers are made as debits and credits on CSD members' balances and CSD special clearing accounts.</p> <p>CSD settlement is concluded on SD by 14:00 CET with simultaneous DVP of cash and securities. Settlement of RSD denominated securities is executed by 12:00 CET and of EUR denominated government securities by 14:00 CET.</p>

## OTC Settlement

- Off-exchange Trade Settlement (RVP/DVP):
  - OTC trade and settlement is allowed only for debt securities (government bonds, corporate bonds and T-Bills). OTC trade and settlement is not allowed for equities listed on Belex.
  - For OTC trades of government debt securities the market deadline is 15:30 CET.
  - Settlement cycle is negotiable from T+0 to T+2. Transfer of securities and cash is done via the CSD and NBS RTGS systems.
- Free of Payment Transfers:
  - Free of Payment (FOP) transfer of a client's portfolio is allowed by the CSD only in case no change of beneficial ownership occurs and the related proof is submitted.
  - If the above stated criteria are met, securities can be moved from omnibus to segregated securities accounts and vice versa, as well from one omnibus account to another. Moving securities from one segregated account to another, opened in the names of different final beneficiaries, is not allowed as such accounts are legally considered to be proprietary accounts and transfer of securities would cause a change of ownership.

The delivering party should submit a no-change-of-beneficial-ownership (NCBO) statement as proof prior to FOP delivery of securities to another account. An NCBO statement template is available for UniCredit Bank Serbia clients.

## Settlement Protection

There are three major settlement protection mechanisms:

- Serbian market is a mandatory settlement market for on-exchange trades;
- Settlement of a trade order requires prior positioning of cash and securities;

Cash deposits and securities settlement risks are managed by the CSD Guarantee Fund (EUR 40,000 per CSD member and deposited promissory notes for each member in the amount of RSD 5,000,00 (app. EUR 40,000) and buy-in / sell-out procedures that would be activated in the event of participants' lack of securities and / or cash.

## Investor Protection

- Recovery of Securities

Securities are held in the CSD in the name of the account holder on segregated (proprietary, beneficiary) and / or omnibus accounts and are clearly segregated from the custodian's assets. In case of a custodian's bankruptcy, client portfolios on securities accounts will not become part of the bankruptcy estate, thus the insolvency would not have any effect on them.

The Investor Protection Fund is formed for the purpose of protection of investors whose assets are exposed to risks of bankruptcy or insolvency of a credit institution (i.e. Sub-Custodian) and other companies providing investment and supplemental services. The limit of coverage provided by the Fund is set at EUR 20,000. The Fund does not cover losses of the investors which are (i) credit institutions, (ii) insurance companies, (iii) institutions of collective investment, (iv) investment and voluntary pension funds, (v) fund management companies for management of such funds and (vi) the Republic of Serbia and other countries, autonomous provinces and local autonomous units, national and regional bodies, National Bank of Serbia and other countries' central banks, national and international institutions.

- Recovery of Cash

In case of a custodian's bankruptcy, liquidation or restructuring, cash deposits are included in the bankruptcy estate and are claimed according to the priority list defined by the regulations. There is no insurance fund available on the market for cash deposits, except for a state-guaranteed amount of up to EUR 50,000 for foreign currency deposits - this guarantee however does not apply to non-resident investors.

## Identified Risk

None

# 6. Payment System

## 6.1. GENERAL INFORMATION

The daily cash clearing in Serbia generally takes place in one of two systems: Clearing or RTGS.

- Clearing**  
 The Clearing System is an automated multilateral net settlement system organized by NBS. It is used to process low value non-urgent credit transfers and direct debits denominated in RSD. The maximum value threshold for processing transfers via Clearing is set at RSD 300,000. Participants link to the Clearing System via NBS or SWIFT network. The System operates between 08:30 and 21:00 CET, Monday to Friday. Payments are submitted between 09:00 and 18:00 CET, but for same day settlement the market deadline is set at 15:00 CET. Banks usually set earlier cut off times for their customers. Transfers are processed in three daily batches: between 10:30 and 11:00 CET, between 12:30 and 13:00 CET, and between 14:45 and 15:00 CET. Final net settlement is conducted after each session via the RTGS system.
- RTGS**  
 Operated by NBS, this system is used for large value and urgent domestic payments denominated in RSD. In addition, RTGS settles net balances from the Clearing system and the Cheque Clearing House. Each transfer greater than RSD 300,000 or marked as urgent would clear via RTGS. All transfers executed by the CSD and transfers of CSD members related to settlement of obligations arising from securities trading are processed via RTGS as well. Payments in RTGS are processed and settled in real-time with immediate finality. The settlement affects the participants' accounts held at NBS, which accordingly debits and credits the relevant settlement accounts. Payments are submitted between 09:00 and 18:00 CET. Banks would set earlier cut-off times for their customers. RTGS participants link to it via SWIFTNet FIN Y-Copy service using SWIFT message formats.
- The Cheque Clearing House (UBS-KIB)**  
 System used for electronic processing of all RSD denominated cheques in Serbia.
- Cross-border systems**  
 Cross-border payments can be executed by using the banks' branch networks, correspondent banking networks or banking alliances. All Serbian banks have established direct SWIFT connections, thus cross border transfers are processed in SWIFT format via the banks' SWIFT based correspondent banking arrangements.

## 6.2. LIMITATIONS, DEADLINES, CUT-OFF TIMES

FX DEADLINES FOR SAME DAY VALUE TRANSACTIONS		
Currency	Market deadline	UCB deadline
EUR/RSD	15:30	14:00
USD/RSD	15:00	14:00
GBP/RSD	11:00	10:00
CHF/RSD	11:00	10:00
CASH DEADLINES FOR SAME DAY VALUE TRANSACTIONS (MT2XX)		
Currency	Market deadline	UCB deadline
RSD	17:00	14:00
EUR	15:30	14:00
USD	15:00	14:00
GBP	11:00	10:00
CHF	11:00	10:00
CASH DEADLINES FOR SAME DAY VALUE TRANSACTIONS (MT1XX)		
Currency	Market deadline	UCB deadline
RSD	17:00	14:00
EUR	15:30	14:00
USD	15:00	14:00
GBP	11:00	10:00
CHF	11:00	10:00

Notes: Market deadlines for non-RSD currencies are set based on our correspondent banks' deadlines.

RSD cash accounts of non-resident banks can be overdrawn up to two working days.

# 7. Securities Lending

## 7.1. SECURITIES LENDING

Securities lending is allowed by law and it is regulated by Operating Rules of the CSD. Transfer of securities is conducted on FOP basis and requires presentation of a certified loan contract. Securities lending is rarely practiced on the Serbian market.

## 7.2. SHORT SELLING

Short selling is not allowed on the Serbian market.

# 8. Corporate actions

## 8.1. COMMON CORPORATE ACTION EVENTS

Mandatory events		Voluntary events	
<input checked="" type="checkbox"/>	dividend, cash	<input type="checkbox"/>	exercise of rights
<input checked="" type="checkbox"/>	dividend, stock	<input checked="" type="checkbox"/>	capital increase
<input type="checkbox"/>	dividend, option	<input checked="" type="checkbox"/>	issue, priority
<input checked="" type="checkbox"/>	interest payment	<input type="checkbox"/>	exchange offer
<input checked="" type="checkbox"/>	issue, bonus	<input checked="" type="checkbox"/>	tender offer
<input type="checkbox"/>	issue, rights	<input checked="" type="checkbox"/>	repurchase offer
<input checked="" type="checkbox"/>	maturity final	<input checked="" type="checkbox"/>	shareholders meeting
<input checked="" type="checkbox"/>	redemption, partial		
<input type="checkbox"/>	redemption, early		
<input checked="" type="checkbox"/>	spin-off		
<input checked="" type="checkbox"/>	merger		
<input checked="" type="checkbox"/>	split		
<input checked="" type="checkbox"/>	split, reverse		
<input checked="" type="checkbox"/>	bankruptcy		
<input checked="" type="checkbox"/>	liquidation		
<input checked="" type="checkbox"/>	squeeze out		
<input checked="" type="checkbox"/>	pari-passu		
<input checked="" type="checkbox"/>	face value change		
<input checked="" type="checkbox"/>	fractional payment		

## 8.2. DATING CONVENTIONS

Please be advised that the Serbian Market does not recognize ex-date concept. All entitlements or other rights (e.g. voting) are based exclusively as of record date settled positions.

## 8.3. SOURCES OF C/A INFORMATION

There is no centralized source of corporate actions information. In order to obtain this information from the market, various sources have to be consulted, including daily newspapers issued across the market and websites of Belgrade Stock Exchange, Business Register Agency, CSD and issuers.

In line with the Law on Companies, issuers are obliged to announce Shareholder Meeting/Capital increase/Priority issue/Repurchase offer by posting the announcement on the websites of Belgrade Stock Exchange, CSD, Serbian Business Register Agency and their own website. The company may in addition send the event notification to all shareholders in hard copy via postal mail and publish it in at least one top-selling daily newspaper with nationwide distribution in the Republic of Serbia.

Upon receiving approval by the Securities Commission, the bidder is obliged to immediately announce takeover bid (Tender Offer) in at least one newspaper issued across the entire country and optionally on its website. The CSD announces previously approved Tender Offer event on its website also.

The issuers are required to announce draft agreement or draft division plan on company's status change (e.g. Merger or Spin-off) by posting the announcement on the company's website and the Serbian Business Register Agency website no later than one month before the date of the shareholders meeting at which the decision on the status change is to be made.

#### **8.4. LOCAL C/A SPECIFICS**

Corporate actions (C/A) legislative procedures are not precisely defined in the applicable laws, i.e. the Capital Market Law and the Law on Companies, treating only certain aspects of C/A. Lack of strict regulations (e.g. lack of a centralized source of C/A announcements) transfers part of the decisions related to the organization and execution of C/A to the issuers, bringing differences in market practice for the same type of event (e.g. subscriptions of shares, priority issues, shareholders meetings etc.).

The Power of Attorney (PoA) is the most commonly requested document needed for participation in certain types of voluntary events. It is event specific and with form usually determined by the issuer itself, containing all the necessary details prescribed by the applicable law. Non-resident investors often face the requirement to deliver notarized and apostilled PoA in order to participate. Rarely, additional documentation (e.g. up-to-date Specimen Signature List, Certificate of Tax Residence, Certificate of Registration) might be also required by the issuer, depending on the type of event.

In accordance with the Capital Market Law, the public offer of securities shall not start prior to issuing of the prospectus. The deadline to initiate subscription and payment of securities shall start within 15 days following the day of the receipt of the Securities Commission's approval for prospectus publication. The offer period should not last more than three months starting from the day stated in the prospectus. If so determined by the prospectus and requested by the issuer, the Securities Commission may grant the extension of the deadline for subscription and payment of securities to additional 45 days. The issuer is obliged to submit an application to the CSD regarding the transfer of securities on the accounts of legal holders within five working days from the day of completion of the public offer. The CSD shall perform entry and transfer of securities to legal holders within three working days from the day of receiving a proper application. Within three days following the receipt of the information from the CSD the issuer submits to the Belgrade Stock Exchange the request for admission of securities trading on the Regulated Market or the MTP.

When crossing above 25% of the voting shares in a local company or a bank (control threshold), investors are obliged to announce an unconditional takeover bid to all the remaining shareholders. In such case, an investor is required to immediately publish a notice of intent and file it with the regulated market or MTP, CSD, Securities Commission and the target company. In the case of an investor holding already more than 25% of the voting shares in the target company, the investor is obliged to make a takeover bid if (independently or as part of a group), it increases its amount of voting shares with more than 10% (additional threshold). Exceptionally, the investor is obliged to make a takeover bid if (independently or as part of a group), it increases its amount of voting shares with additional less than 10%, however, the total holdings following the acquisition account for more than 75% (final threshold) of the voting shares of the target company. The investor is not obliged to publish a takeover bid in case it holds at least 75% of the voting shares, which were obtained in accordance with the Law. Within 15 business days following the date the obligation to make a takeover bid has been incurred, the bidder shall submit an application for approval to the Securities Commission, in order to make the takeover bid. Upon the receipt of the application, the Securities Commission shall issue the decision within ten business days following the day of the receipt of the duly submitted application, and notify the CSD. An investor shall not be required to make a takeover bid if no more than 25% of the voting shares of the company are acquired. However, if an investor intends to make a takeover bid, it may do so only under the conditions stipulated by the Law on Takeovers. The Tender offer lasts from 21 to 45 days. In case any competing bids for the takeover are published, the offer period of the initial bid shall be extended until the expiry of the offer period of the competing bids, but validity period of all bids may not exceed 70 days. The deadline for payment of tendered shares is two working days from the day of offer expiry.

Repurchase (Buy-back) offer lasts for at least 15 days. The issuer may acquire maximum 10% of the total issued shares.

Squeeze out, Buy-back, Stock split and Liquidation events previously need to be approved by the shareholders assembly.

# 9. Proxy voting

## 9.1. GENERAL CHARACTERISTICS

The organization of shareholders meetings is arranged by the Law on Companies, providing to a certain extent the legal frame for convening and conducting the meeting.

In line with the Law on Companies, the Serbian market recognizes the following types of meetings:

- Ordinary Shareholders Meeting;
- Extraordinary Shareholders Meeting.

In both cases, the Law on Companies sets the record date in the future, 10 calendar days before the meeting date.

Special document requirements:

- All types of shareholder meetings require either physical presence of the shareholder or its appointed proxy or submission of the form for voting in absence. The mandatory document to submit is the Power of Attorney or form for voting in absence. The PoA can be meeting specific or permanent (with unlimited or time-limited validity, for the specific company). Another mandatory document is the voting instruction, provided within the given deadlines via standard SWIFT format messages or in a written manner (for SWIFT non-user clients), as per the custodians' Rules of Operations.
- Non-resident investors have to submit the signed, notarized and apostilled PoA to the custodian within the given deadlines (usually five business days before the meeting date or two business days before the market deadline), as the issuers' deadlines are commonly (but not necessarily) three business days prior to the meeting date (frequently determined by the issuers' Articles of Association). Failing to submit the PoA on time results in the shareholders' / the proxies' inability to cast the votes. On rare occasions additional documentation might be required from the issuer.

## 9.2. ANNOUNCEMENT

The Law on Companies determines the timeframe for announcement. For Ordinary sessions, the announcement is 30 days before the meeting date and for extraordinary sessions, it is 21 days. The announcement is posted on the company's website, the Belgrade Stock Exchange web-site and Serbian Business Register Agency website. Alternatively, the Company may send the event notification to all shareholders in hard copy via postal mail, instead of posting the notification on the Serbian Business Register Agency website. The issuer is obliged to announce meeting results on its website within three days after the meeting was held.

## 9.3. VOTING PROCESS

Quorum requirements are 50%+1 vote or 51%, depending on the issuer, while for repeated sessions mandatory minimum presence is 1/3 of total issued votes (approx. 33.33%). Quorum details are usually available when the meeting is announced. If a meeting is postponed due to lack of quorum, then all decisions (including divided payments) are also postponed. For a repeated session of previously cancelled meeting, issued PoA is usually valid (but needs to be confirmed with the issuer, to be on the safe side).

Shareholders (acting alone or jointly) owning at least 5% of shares are allowed to propose new agenda points and/or different decisions to be made to the initial agenda points.

The exercising of voting rights may be facilitated by voting in absence (via the prescribed, event specific form) or by physical attendance of the shareholder or its elected local Proxy (via the PoA). If voting by direct presence at the meeting, the shareholder or Proxy must submit the PoA within the given deadlines. Votes are most commonly cast by a simple show of hands, but voting cards are also an option. The actual process is determined by the issuer. After voting for each agenda point, results for the specific agenda point are communicated to the attendees by the Shareholder Meeting Chairman or a member of the Voting Committee. The issuer is obliged to announce meeting results on its website within three days after the meeting was held.

All participants with different securities account types have equal rights during the assembly. There are only the following limitations in respect to the type of voting practiced:

- Omnibus account holders can vote split (different votes for same agenda point) and partial (voting with part of the total holding on a nominee account) at the same time;
- Segregated account holders can neither vote split, nor partial (as segregated accounts are viewed as proprietary accounts of the beneficial owners).

Shareholders who vote to dissent or abstain on specific agenda point (e.g. disposal of high value assets, status change, legal change etc.) trigger the right (“dissenting shareholder right”) to be reimbursed for their shares, if the relevant point is adopted. Shareholders who did not attend the meeting also have the right to be reimbursed for their shares, if the relevant point is adopted. If elected to be reimbursed the investor has to submit the specific buyback request form to the issuer within 15 days following the meeting date, when such a decision was adopted. The issuer is obliged to pay off the dissenting shareholder within 60 calendar days starting from the deadline for submission of the buyback form. Upon settlement of transaction, the sales proceeds need to be reported to the designated tax office via local tax representative for the purpose of determining potential capital gains. Deadline for reporting is 30 calendar days starting from the settlement date of security delivery.



# 10. Income collection

## 10.1. DIVIDEND PAYMENTS

Dividend payments are executed upon adoption of the decision on the allocation of the issuer's profits from the previous business year or from the period for which the interim dividend is to be paid. The decision is reached at the regular shareholders' meeting or in case of interim dividend by the board of directors, if such possibility is determined in company's statute or by assembly. The dividends are paid either in cash or stocks. The main characteristic of the process is a lack of established market practice, which produces variation in actual payments. Since the dividend payments market procedures are vaguely described in the applicable laws, there is no unified approach.

The Law on Companies determines the record date (commonly called the "dividend day") by setting the date in the past or rarely in the future. Record dates are frequently set approximately 10 days before the related shareholders' meeting and sometimes the actual meeting date is decided to be the record date for dividend payment. While the record date is almost always announced, the actual payment date is rarely defined. By the Law on Companies, once the decision on cash dividend payment has been adopted, dividend has to be paid within a period of 6 months. Some issuers determine dividend payments in their internal procedures or in their Articles of Association or other operational documents, publically unavailable. In such cases, the payment date is defined as a certain period after the meeting, by when the payment must be executed (e.g. 60 days or 90 days). In rare cases issuers determine and announce the pay date on the market.

**Announcements** In line with the Law on Companies, the issuers are obliged to inform shareholders on decision of dividend payment within 15 days of its adoption by the same announcement rules as for shareholders meetings. Nevertheless, dividend payments are rarely announced separately from the shareholders meeting decisions, where the allocation of profits is adopted.

**Dating Conventions** The entitlement is determined based on the settled position as of the record date. The ex-date concept is not recognized on the market as Serbia is considered to be a settled-position market. Therefore, no ex-date can apply nor can an ex-date represent grounds for market claims on non-receipt of dividends.

**Payment Execution** The CSD provides the issuer with a list of shareholders as of the record date and that official register is used by the issuers as a basis to which investors dividend amounts should be distributed.

Dividend types:

- Cash dividend - With a determined gross amount per share, record date, applicable withholding tax as per DTT; payments can be executed via the CSD or by direct bank to bank cash transfer; payment type decision is up to the issuer;
- Stock dividend - In the form of a bonus issue, with determined record date and ratio and sometimes with cash fractions following the bonus issue; stock dividend payments are executed exclusively via the CSD;

Fractions - Bonus issue residues which are multiplied with the equity face value, deducted for withholding tax and paid as net cash.

## 10.2. INTEREST & MATURITY PAYMENTS

Most common interest and maturity payments derive from government-issued debt securities, while corporate debt securities are rare on the market. Government issued securities are tax exempted, while corporate debt securities are subject to withholding tax.

**Announcements** Interest (coupon) and maturity payments for government T-notes and T-bills are not announced publically, as other C/A events are. Interest/coupon and maturity dates are set on initial public offer.

**Dating Conventions** Ex-date is not applicable. All entitlements are based exclusively on settled positions.

**Payment Execution** The coupon or maturity payment is executed via the CSD.

# 11. Taxation

## 11.1. WITHHOLDING TAX

Withholding taxation is applied at source, upon execution of the following mandatory corporate events:

- Cash dividend
- Interest (or coupon) payment

The tax is accrued and paid at source by the income payer.

<b>Tax Rates</b>	<b>Type of income</b>	<b>Tax rate</b>
	Interest - Institutional Investors	20%; 25%*
	Dividend - Institutional Investors	20%
	Interest - Private Investors	15%
	Dividend - Private Investors	15%

\*A rate of 25% is applicable for residents from jurisdictions with a Preferential Tax System. For the most up-to-date list of those jurisdictions please contact your local Relationship Manager.

**Relief at Source** Relief at Source (RAS) is available to non-residents whose domicile country of residence has a Double Taxation Treaty (DTT) in place with Serbia. RAS is available only if non-residents annually submit the Certificate of Tax Residency (COTR).

**Tax Reliefs** Withholding Tax Reliefs are only facilitated as RAS. Debt securities issued by the Republic of Serbia, autonomous provinces, municipalities and the National Bank of Serbia are not subject to withholding taxation.

## 11.2. CAPITAL GAINS TAX

Sale proceeds are to be reported to the local tax authority within 30 calendar days from the settlement date via the local tax representative. Debt securities issued by the Republic of Serbia, autonomous provinces, municipalities and the National Bank of Serbia are not subject to capital gains tax.

Capital gains/loss calculation procedure is not completely defined by the regulator. In that respect, it is up to the investor to match the delivery of securities with the appropriate purchase details.

If these details are not provided to the tax authorities, calculation is done per the applicable regulations: for securities traded on the regulated market it is the lowest market price within the one year period prior to the sale of the securities; for securities not traded on the regulated market the assumed purchase price is the nominal value; for securities acquired by the initial bid or increase in the initial bid, the purchase price shall be the market price prevailing at the regulated market on the day of entry or, if not available, the nominal value of securities on the date of entry bid.

Upon receiving the bill from the tax authorities (resolution on the amount of tax to be paid on behalf of the client), the investor has 15 calendar days to execute the payment.

Amendments to the tax report are potentially possible before a tax bill is issued.

Market tax practices and procedures may vary and are subject to change without prior notice.

**Tax Rates** 20% standard tax rate for legal entities, 15% standard tax for private investors.

**Relief at Source** Capital gains tax process does not recognize relief at source, as the tax deduction is not performed at source, but after the tax assessment process with the designated tax office.

**Tax Reliefs** Tax relief/exemption is available to non-residents whose domicile country of residence has a Double Taxation Treaty (DTT) in place with Serbia. Tax relief/exemption is available only if non-residents annually submit the Certificate of Tax Residency (COTR).

### **11.3. STAMP DUTY**

Stamp Duty Tax does not exist in Serbian market.

Tax Rates N/A

Tax Reliefs N/A

### **11.4. OTHER TAXES**

No other taxes are applicable for non-resident investors.

### **11.5. TAX RECLAIM PROCESS**

The tax reclaim process is not regulated on the Serbian market. Tax reclaims based on miscalculated withholding tax or capital gains tax do not have a prescribed market procedure and are dealt with on a case by case basis. The tax reclaim process is time-consuming and with uncertain outcome. Tax claims in the form of an amendment of the initial capital gains tax report is potentially possible before the tax bill is issued. Please note that tax reclaims are not triggered automatically, but have to be instructed to the local tax representative by the investor.

### **11.6. DOUBLE TAXATION TREATIES**

Due to the amount of data, for the most up to date DTTs please refer to our website: <http://qss.unicreditgroup.eu>  
DTTs are listed in the /DOCUMENTS section.

# 12. Disclosure requirements

## 12.1. OBLIGATIONS FOR ISSUERS

Public companies are to submit to the Securities Commission, regulated market (the Stock Exchange) or MTF, depending on which platform that share is trading, its annual financial statements and audit reports not later than four months upon closing of the fiscal year. Public companies are also obliged to publish annual financial statements and audit reports. Semi-annual financial statements are to be disclosed to the Securities Commission and Stock Exchange not later than two months upon closing of the first six months of the current year, but only for those public companies whose shares are traded on the regulated market (the Stock Exchange). Additionally, public companies whose shares are traded on the listing of a regulated market (the Stock Exchange) are obliged to submit to the Securities Commission and Stock Exchange a quarterly statement no later than 45 days after the end of each of the first three quarters of the given financial year.

## 12.2. OBLIGATIONS FOR INVESTORS

The legal provisions for disclosure requirements are the same for both resident and non-resident investors. According to the Capital Market Law all shareholders who cross the thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of a company's common voting shares must report this limit crossing within four trading days upon the investor becomes aware of the trade to the issuer, Securities Commission, regulated market or MTF, depending on which platform that share is trading.

An addition to the above requirement, the Law on Banks states that before reaching the limits of 5%, 20%, 33% and 50% of a local bank's voting rights (applies to open joint stock banks), the investor is obliged to submit an application for approval of the acquisition from the National Bank of Serbia (NBS).

Foreign investors are required to obtain Government approval before investing in the military and armament industry or into any other area of the economy designated by the state as a restricted zone (such as national parks, etc.).

According to the Law on Foreign Exchange, non-EU non-residents are not allowed to invest in short-term securities (with maturity period of less than or equal to one year, as counted from the issue date).

## 12.3. VIOLATION CONSEQUENCES

The Capital Market Law regulates issues of violation in the sense that investors (legal entities) are to pay a penalty amounting between RSD 500,000 and 3,000,000 in case they do not disclose information about breaching a certain threshold within a specific time frame. Temporary suspension of voting rights is practiced by the Securities Commission until required disclosures are being made.

# 13. Account management

## 13.1. COMMON ACCOUNT STRUCTURES

The most common account structure in Serbia is a segregated account structure. However, omnibus account structures are widely used among local custody banks in order to meet the requirements of their clients.

### SEGREGATED ACCOUNTS

Segregated (proprietary) accounts are opened in the name of individual clients. This account structure clearly shows the beneficial owner. It is the most favorable account structure regarding presentation of the beneficial owner of securities to the Serbian Tax Authority in order to apply the correct tax rate based on a DTT.

### NOMINEE/OMNIBUS ACCOUNTS

Omnibus accounts are opened in the name of the nominee (e.g. global custodian). It is also a widely used structure in the Serbian market. However, it is difficult to prove to the Tax Authority who the beneficial owner of the securities is. Generally, the Serbian Tax Authority would determine tax rates regarding the residence of the account holder and it would not take into account who the actual beneficial owner of the securities is.

## 13.2. KYC/AML REQUIREMENTS

AML is enacted pursuant to the Law on Prevention of Money Laundering and Terrorist Financing (Official Gazette of RS No. 19/2018) and the Rulebook on Methodology for Implementing Requirements in Compliance with the Law on the Prevention of Money Laundering and Terrorism Financing (Official Gazette of RS No. 7/2010 and 41/2011).

Actions and measures for preventing and discovering money laundering and terrorist financing include the following:

- Getting in-depth knowledge on the client (party) and monitoring its business operations;
- Submitting information, data and documents to the Anti-Money Laundering Administration;
- Determining a person responsible for the fulfilment of the obligations defined by the Law (hereinafter referred to as: the Responsible Person) and its Deputy, as well as providing conditions for their work;
- Regular professional education, training and improvement of the employees;
- Providing regular internal control of the fulfilment of the obligations defined by the Law;
- Preparing a list of indicators for the recognition of persons and transactions who are suspected of money laundering or terrorist financing;
- Keeping records, protection and keeping of data from such records;
- Undertaking other actions and measures defined by the Law.

The KYC Procedure regulates the manner of client identification, determination of its acceptability, client account and transaction supervision, risk management and training program for the employees in this field.



# 14. Disclaimer

This publication is presented to you by:  
Corporate & Investment Banking  
UniCredit Bank Serbia JSC  
Rajiceva 27-29  
11000 Belgrade  
Serbia ("UniCredit")

The information in this publication is based on carefully selected sources believed to be reliable, however the information contained in this document has not been independently verified. Except in the case of fraudulent misrepresentation, no representation or warranty (express or implied) is made by UniCredit or by any of its officers, employees, affiliates or agents as to the accuracy, completeness or sufficiency of this document and no responsibility or liability is accepted by such persons for any loss whatsoever arising from or in connection with use of or reliance on this document and such liability is expressly disclaimed. Any opinions herein reflect our judgement at the date hereof and are subject to change without notice. UniCredit is under no obligation to keep current the information contained in this publication. Any reports provided herein are provided for general information purposes only and cannot substitute the obtaining of independent financial, legal and tax advice. Receivers of this publication should obtain the advice of their banker/broker/advisors about any investments/product/activity concerned prior to evaluating them. Recipients of this document are solely responsible for making their own independent appraisal of and investigations into the products, investments and transactions herein referred to. UniCredit is not responsible for providing legal, tax, accounting, or other specialist advice and recipients of this document should make its own arrangements accordingly. Nothing in this publication is intended to create contractual obligations, nor can it be construed as an offer, solicitation or recommendation for the purchase or sale of any security or investment whatsoever.

Distribution of this document or information contained in this document to any person other than an original recipient (or to such recipient's advisors) is prohibited. Reproduction of this document, in whole or in part, or disclosure of any of its contents, without prior written consent of UniCredit, is prohibited. This document should be read in its entirety, it remains the property of UniCredit and on request must be returned and any copies destroyed.

This document shall not create any form of fiduciary or adviser/client relationship and UniCredit may only be regarded by you as acting on your behalf as following the execution of an engagement letter on mutually satisfactory terms.

UniCredit is a member of the UniCredit Group of companies ("UniCredit Group"). Any member of the UniCredit Group, together with their directors, officers and employees may have traded for their own account as principal, underwritten an issue or have a long or short position in any instrument mentioned in this material or related instrument.

Any projection, forecast, estimate or other "forward-looking" statement in this document is for illustrative purposes only and is not a reliable indicator of future performance. Actual events or conditions may differ materially from assumptions and some risks and uncertainties may not have been taken into account. The document may include information related to past performance or simulated past performance. Past performance or simulated past performance is not a reliable indicator of future performance. No representation or warranty is made, and no liability is accepted, by UniCredit or by any of its officers, employees, affiliates or agents in respect of the achievability or reasonableness of any forward-looking statements contained in this document.

This publication is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation.

UniCredit may be solicited in the course of its involvement in the transaction contemplated herein, by other investment clients to provide other services. Furthermore, UniCredit may allocate securities to its own proprietary book or to any member of UniCredit Group. This represents a potential conflict of interest. UniCredit has internal arrangements designed to ensure that it will give unbiased and full advice to its clients including valuation and pricing of a securities issue and has internal systems, controls and procedures to identify and to manage potential conflicts of interest.

If this presentation has been sent to you in electronic form, you are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither UniCredit nor any of its holding companies, subsidiaries, associated undertakings or controlling persons, respective directors, officers, partners, employees, advisors, agents and/or representatives accept any liability or responsibility whatsoever in respect of any difference between the document sent to you in electronic format and the original version prepared by UniCredit. This publication is a financial promotion within the scope of the rules of Consob.

Corporate & Investment Banking of UniCredit consists of UniCredit Bank AG, Munich, UniCredit Bank Austria AG, Vienna, UniCredit S.p.A., Rome and other members of the UniCredit. UniCredit Group and its subsidiaries are subject to regulation by the European Central Bank. In addition UniCredit Bank AG is regulated by the Federal Financial Supervisory Authority (BaFin), UniCredit Bank Austria AG is regulated by the Austrian Financial Market Authority (FMA) and UniCredit S.p.A. is regulated by both the Banca d'Italia and the Commissione Nazionale per le Società e la Borsa (CONSOB).

UniCredit S.p.A. - joint stock company - with the Registered Office in Rome: Via Alessandro Specchi, 16 - 00186 Roma, the Head Office in Milan: Piazza Gae Aulenti 3 - Tower A - 20154 Milano. Fiscal Code, VAT number and Registration number with the Company Register of Rome: 00348170101 - Registered in the Register of Banking Groups and Parent Company of the UniCredit Banking Group, with. cod. 02008.1; Cod. ABI 02008.1 - Member of the National Interbank Deposit Guarantee Fund and of the National Compensation Fund

## **Note to UK Residents:**

In the United Kingdom, this publication is being communicated on a confidential basis only to clients of Corporate & Investment Banking of UniCredit (acting through UniCredit Bank AG, London Branch) who (i) have professional experience in matters relating to investments being investment professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("FPO"); and/or (ii) are falling within Article 49(2) (a) – (d) ("high net worth companies, unincorporated associations etc.") of the FPO (or, to the extent that this publication relates to an unregulated collective scheme, to professional investors as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 and/or (iii) to whom it may be lawful to communicate it, other than private investors (all such persons being referred to as "Relevant Persons"). This publication is only directed at Relevant Persons and any investment or investment activity to which this publication relates is only available to Relevant Persons or will be engaged in only with Relevant Persons. Solicitations resulting from this publication will only be responded to if the person concerned is a Relevant Person. Other persons should not rely or act upon this publication or any of its contents.

The information provided herein (including any report set out herein) does not constitute a solicitation to buy or an offer to sell any securities. The information in this publication is based on carefully selected sources believed to be reliable but we do not make any representation as to its accuracy or completeness.

Any opinions herein reflect our judgement at the date hereof and are subject to change without notice.

We and/or any other entity of Corporate & Investment Banking of UniCredit may from time to time with respect to securities mentioned in this publication (i) take a long or short position and buy or sell such securities; (ii) act as investment bankers and/or commercial bankers for issuers of such securities; (iii) be represented on the board of any issuers of such securities; (iv) engage in "market making" of such securities; (v) have a consulting relationship with any issuer. Any investments discussed or recommended in any report provided herein may be unsuitable for investors depending on their specific investment objectives and financial position. Any information provided herein is provided for general information purposes only and cannot substitute the obtaining of independent financial advice.

UniCredit Bank AG London Branch, Moor House, 120 London Wall, London, EC2Y 5ET, is subject to regulation by the European Central Bank (ECB) and is authorised by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request.

Notwithstanding the above, if this publication relates to securities subject to the Prospectus Directive (2005) it is sent to you on the basis that you are a Qualified Investor for the purposes of the directive or any relevant implementing legislation of a European Economic Area ("EEA") Member State which has implemented the Prospectus Directive and it must not be given to any person who is not a Qualified Investor. By being in receipt of this publication you undertake that you will only offer or sell the securities described in this publication in circumstances which do not require the production of a prospectus under Article 3 of the Prospectus Directive or any relevant implementing legislation of an EEA Member State which has implemented the Prospectus Directive.

**Note to US Residents:**

The information provided herein or contained in any report provided herein is intended solely for institutional clients of Corporate & Investment Banking of UniCredit acting through UniCredit Bank AG, New York Branch and UniCredit Capital Markets LLC (together "UniCredit") in the United States, and may not be used or relied upon by any other person for any purpose. It does not constitute a solicitation to buy or an offer to sell any securities under the Securities Act of 1933, as amended, or under any other US federal or state securities laws, rules or regulations. Investments in securities discussed herein may be unsuitable for investors, depending on their specific investment objectives, risk tolerance and financial position.

In jurisdictions where UniCredit is not registered or licensed to trade in securities, commodities or other financial products, any transaction may be effected only in accordance with applicable laws and legislation, which may vary from jurisdiction to jurisdiction and may require that a transaction be made in accordance with applicable exemptions from registration or licensing requirements.

All information contained herein is based on carefully selected sources believed to be reliable, but UniCredit makes no representations as to its accuracy or completeness. Any opinions contained herein reflect UniCredit's judgement as of the original date of publication, without regard to the date on which you may receive such information, and are subject to change without notice.

UniCredit may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in any report provided herein. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them. Past performance should not be taken as an indication or guarantee of further performance, and no representation or warranty, express or implied, is made regarding future performance.

We and/or any other entity of Corporate & Investment Banking of UniCredit may from time to time, with respect to any securities discussed herein: (i) take a long or short position and buy or sell such securities; (ii) act as investment and/or commercial bankers for issuers of such securities; (iii) be represented on the board of such issuers; (iv) engage in "market-making" of such securities; and (v) act as a paid consultant or adviser to any issuer.

The information contained in any report provided herein may include forward-looking statements within the meaning of US federal securities laws that are subject to risks and uncertainties. Factors that could cause a company's actual results and financial condition to differ from its expectations include, without limitation: Political uncertainty, changes in economic conditions that adversely affect the level of demand for the company's products or services, changes in foreign exchange markets, changes in international and domestic financial markets, competitive environments and other factors relating to the foregoing. All forward-looking statements contained in this report are qualified in their entirety by this cautionary statement.

UEFA and its affiliates, member associations and sponsors (excluding UniCredit and UniCredit Bank AG) do not endorse, approve or recommend the Product and accept no liability or responsibility whatsoever in relation thereto.

**Corporate & Investment Banking**

UniCredit Bank Serbia JSC  
as of 28 January 2019







**UniCredit Bank Serbia JSC**  
Corporate & Investment Banking



**Address**  
Rajiceva 27-29  
11000 Belgrade - Serbia