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LAW
on financial leasing

Chapter I
BASIC PROVISIONS

Scope
Article 1

The present Law regulates financial leasing operations, financial leasing contracts, the rights and obligations of parties to financial leasing, the requirements for performing financial leasing operations, the oversight of lessors and the Financial Leasing Register.

Financial Leasing Operation

Article 2

A financial leasing operation is a financial brokerage activity performed by the lessor where the lessor, while retaining ownership over the leased asset, transfers onto the lessee the right to hold and use the leased asset for the agreed lease term, along with all risks and benefits associated with ownership, in return for the lease fee paid by the lessee, provided that at least one of the following requirements are met:

- 1) the leased asset is specified by the lessee;
- 2) the ownership over the leased asset is transferred from the lessor to the lessee by the end of the lease term and upon payment of the total agreed amount of the lease fee;
- 3) the lessee has contracted the right to the option of buying out the leased asset upon payment of the total amount of the lease fee stipulated by the lease contract;
- 4) the lessee shall be entitled to extend the lease term;
- 5) the lease term shall be consistent with the period of depreciation of the entirety or of the most essential portion of the leased asset.

Article 3 (Deleted)

Leased Asset

Article 4

The leased asset shall be a non-consumable movable asset (equipment, plant, vehicle and similar) as well as an immovable asset that can be owned in the sense of the Law governing property relations.

Notifying the Supplier

Article 5

The lessor shall be required to notify the supplier of the leased asset that the leased asset is acquired for the purpose of executing the leasing contract, and to indicate the person who has the status of a lessee under the terms of that contract.

The notification specified in paragraph 1 of this Article shall be made by the date of stipulation of a delivery contract, at the latest.

Leasing Contract and Delivery Contract

Article 6

The leasing contract shall be a contract entered into by and between the lessor and the lessee by which the lessor commits himself to transfer onto the lessee the right to hold and use the leased asset, for the agreed lease term, during which the lessee shall enjoy all benefits and bear all risks associated with the right of ownership and shall pay a stipulated lease fee to the lessor for the above, within the stipulated time limits.

The leasing contract shall contain the purchasing value of the leased asset, the total amount of the lease fee to be paid by the lessee, the amount of individual installments, their structure and payment terms, the lease term, the place, deadline, manner and terms of delivery of the leased asset, the manner and terms of transfer of ownership over the leased asset, and the manner and terms of extension of the lease term.

The National Bank of Serbia may prescribe other elements of the leasing contract as well as the manner of presentation of the elements of the contract.

The leasing contract shall be stipulated in writing.

Any contract that is not titled as a leasing contract but has the nature of a leasing contract associated with a financial leasing operation in the sense of the present Law, or foresees the rights and obligations of the parties thereto foreseen

by present Law as the rights and obligations of the parties to a leasing contract, shall be deemed to be a simulated contract.

The delivery contract shall be deemed to be any contract entered into by and between the supplier of the leased asset and the lessor under which the lessor acquires ownership over the leased asset specified by the lessee, for the purpose of handing over the leased asset to the lessee under the financial leasing contract.

The supplier of the leased asset shall be selected by the lessee but it may also be selected by the lessor.

The lessor acquires ownership over the leased asset on the basis of the delivery contract stipulated, and upon the delivery of the leased asset in accordance with the said contract.

The delivery contract shall contain: detailed specification of delivered asset, the place, manner and term of delivery, the notification to the effect that the delivered asset is acquired for the purpose of executing a leasing contract, and the particulars of the person acquiring the capacity of lessee under that contract.

The lessee shall approve the delivery contract in the part referring to the specification of the leased asset, the price, the place, the term and the manner of delivery of the asset, by signing the delivery contract.

The delivery contract shall be concluded in writing.

Lease fee

Article 7

The lease fee is a fee paid by the lessee to the lessor for the use of the leased asset (hereinafter: lease fee).

The lease fee shall be specified based on the amount the lessor paid for acquiring ownership over the leased asset, increased by interest and other costs which the lessee is required to pay to the lessor, pursuant to the leasing contract.

Application

Article 8

Provisions of the Law governing companies shall apply accordingly to the lessors, unless otherwise specified by the present Law.

Provisions of the law governing contracts and torts shall apply to contractual obligation relations between the parties to the financial leasing operation, unless otherwise specified by the present Law.

Pursuant to its competences stipulated by the present Law, the National Bank of Serbia issues final decisions on the rights, obligations and legal interests of legal and natural persons foreseen by the present Law.

Provisions of the law governing general administrative procedure shall apply to the procedure of issuance of the decisions referred to in paragraph 3 of this Article, unless otherwise specified by the present Law.

The court may not decide on administrative matter in an administrative procedure instigated against the final decision referred to in paragraph 3 of this Article.

Chapter II

PARTIES TO FINANCIAL LEASING OPERATIONS

Defining the Parties

Article 9

The parties to financial leasing operations are the lessor, the lessee and the supplier of the leased asset.

The Concept and Activity of the Lessor

Article 10

The lessor is a limited liability company or a joint-stock company with the registered office in the Republic of Serbia licensed by National Bank of Serbia for performing financial leasing operations, pursuant to the present Law.

The Lessor shall perform financial leasing operations as its core activity, in the sense of the regulations governing classification of business activities.

In addition to the activity referred to in paragraph 2 of this Article, the lessor may also perform the activity of renting returned leased assets as well as the activities typically performed along with the activity of financial leasing (providing the service of training to the lessee in connection with the use of the leased asset, services of assembling, disassembling and servicing the leased asset, supplying spare parts, and similar).

The lessor may, for a fee, dispose of the leased assets returned to its possession upon expiry of the leasing contract, i.e., rental agreement.

The lessor may not extend cash loans.

Financial leasing operations may be performed only by business companies that meet the requirements listed in paragraph 1 of this Article.

Founding and Share Capital

Article 10a

The lessor shall secure the founding capital from its own assets which may be monetary or non-monetary.

Non-monetary assets referred to in paragraph 1 of this Article may be assets and rights which are consistent with the activity of the lessor.

For the performance of financial leasing operations involving movable assets, the monetary share of the lessor's founding capital may not be below the dinar (RSD) equivalent of EUR 500,000 at the official median exchange rate on the date of payment.

For the performance of financial leasing operations involving immovable assets, the monetary share of the lessor's founding capital may not be below the dinar (RSD) equivalent of EUR 5,000,000 at the official median exchange rate on the date of payment.

The lessor's own assets, referred to in paragraph 1 herein, are assets not originating from loans or credits.

The lessor shall ensure, in the course of its business activity, that the monetary share of the capital does not fall below the amount specified in paragraphs 3 and 4 of this Article, calculated at official median exchange rate of the dinar on the day of accounting.

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

Bodies

Article 10b

A lessor shall have the following bodies:

- 1) General meeting;
- 2) Board of Directors;
- 3) Executive Board.

A lessor may also have other bodies.

General Meeting

Article 10v

The General Meeting shall:

- 1) adopt Lessor's business policy;
- 2) adopt the articles of association, and enact the rules of procedure and amendments to the memorandum of association and articles of association;
- 3) adopt the lessor's annual account and decide on designation and disbursement of earned profit, or coverage of losses;
- 4) decide on increase and decrease of capital;
- 5) decide on investments in and disposal of capital assets;

6) appoint and dismiss the president and members of the board of directors;

7) determine the amount of compensation payable to the members of the board of directors;

8) decide on status changes and termination of the Lessor's activity;

9) decide on the acquisition of bankruptcy or liquidation estate of the lessor in bankruptcy or liquidation procedure;

10) appoint and dismiss the external auditor.

Other rights and obligations of the general meeting may be foreseen by the Lessor's articles of association.

The general meeting may not delegate the decision-making powers listed in paragraph 1 of this Article to any other body within the Lessor.

Sessions of the general meeting shall be held at least once a year.

Provisions of the law governing business companies on convening and holding sessions of a limited liability company or joint-stock company general meeting, shall apply to lessors, accordingly, unless otherwise specified by the present Law.

Governing Bodies

Article 10g

Lessor's governing bodies shall be the board of directors and the executive board.

Lessor's governing bodies shall be held accountable for lawfulness of business activities of the Lessor.

Composition of the Board of Directors

Article 10d

The Lessor's board of directors shall consist of at least three members, including the president thereof.

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

A person independent from the lessor is any person without direct or indirect equity interest in either lessor or in a member of the group of companies the lessor belongs to.

Indirect equity interest indicates the possibility of effective exercise of ownership rights in a lessor by a person who has no direct equity interest in the lessor but uses direct equity interest that some other person has in that lessor.

A member of the Board of Directors may be employed with the lessor but only in the capacity of member of the Board of Directors.

Each member of the Board of Directors of the lessor must have a good business reputation and appropriate qualifications, prescribed by this Law and the relevant act of the National Bank of Serbia.

Authorities of the Board of Directors

Article 10

The Lessor's board of directors shall be responsible for risk management within the lessor.

The Board of Directors of the Lessor shall:

- 1) convene general meetings;
- 2) draft decision proposals for the Lessor's general meeting and shall be responsible for the implementation of the decisions;
- 3) propose the business policy to the general meeting for adoption and implementation;
- 4) appoint and dismisses the chairman and members of the Executive Board;
- 5) oversee the work of the Executive Board;
- 6) accept quarterly and annual reports by the Executive Board on business activities and submits to the general meeting the accepted annual reports for final adoption;
- 7) notify the National Bank of Serbia and other relevant authorities about identified irregularities;
- 8) adopt the organizational structure;
- 9) set the amounts up to which the Executive Board may decide in terms of investing and raising loans and decides on investing and raising loans in excess of the set amounts;
- 10) adopt the internal audit program and plan;
- 11) establish the internal controls system;
- 12) set up the risk management system;
- 13) decide on assigning tasks referred to in Article 13i paragraph 6 and Article 13j paragraph 5 of the present Law;
- 14) propose the external auditor to the general meeting and review the reports of the external and internal audits;
- 15) perform other tasks in accordance with the articles of association.

Sessions of the Board of Directors

Article 10e

The board of directors of the lessor shall hold its sessions at least once in three months.

Provisions of the law governing business companies on convening and holding sessions of the boards of directors apply accordingly to the Board of Directors of the lessor, unless otherwise specified by the present Law.

Composition of the Executive Board

Article 10ž

The executive board of the lessor shall consist of at least two members, including its chairman.

The chairman of the executive board of the lessor shall represent the lessor and act on its behalf.

For the purpose of stipulating legal operations and taking other legal actions on behalf of the lessor, the chairman of the executive board shall be required to obtain the signature of one member of the board.

Members of the lessor's executive board shall be lessor's full time employees employed for an indefinite period of time.

Members of the lessor's executive board must have adequate qualifications as prescribed by the National Bank of Serbia, in the sense of Article 13v, paragraph 3 of the present Law.

A member of the board of directors of a lessor cannot be a member of the executive board of that same lessor.

Authorities of the Executive Board

Article 10z

The lessor's executive board shall:

- 1) implement decisions issued by the general meeting and the board of directors;
- 2) ensure lawfulness of lessor's activities;
- 3) decide on investing and raising loans in the name of the lessor up to the amount set by the board of directors;
- 4) propose the general terms of the lessor's business operations, including any amendments thereto, to the board of directors;
- 5) identify and weigh the risk exposure of the lessor's activity, and implement principles and procedures of risk management approved by the board of directors;

6) implement business activity oversight procedures, regularly assess and improve them, as needed, in accordance with the lessor's business policy;

7) notify the board of directors of any activities that are not in compliance with regulations and other lessor's acts;

8) submit quarterly and annual reports on the lessor's business activity, lessor's balance sheets and income statements to the board of directors;

9) decide on issues not within the competence of the general meeting and the board of directors;

10) perform other tasks in accordance with the articles of association.

The lessor may delegate tasks referred to in paragraph 1, item 5) of this Article to another financial sector entity with registered office in the territory of the Republic of Serbia.

By delegating tasks referred to in paragraph 2 of this Article, the executive board shall not be exempted from responsibility for the lawful performance of such tasks in accordance with the present Law.

Lessee

Article 11

In terms of the present Law, the lessee shall be a legal or natural person being a party onto which the lessor transfers the right to hold and use the leased asset, for the agreed lease term and against the agreed lease fee.

Supplier of the Leased Asset

Article 12

In terms of the present Law, the supplier of the leased asset (hereinafter: supplier) shall be a legal or natural entity who transfers ownership over the leased asset onto the lessor for the purpose of delivering it to the lessee, for the latter to hold and use for the agreed lease term and against the agreed fee.

Article 13

(Deleted)

Chapter IIA

LICENSE TO PERFORM FINANCIAL LEASING OPERATIONS AND OVERSIGHT OF THE PERFORMANCE OF THESE OPERATIONS

License to Perform Financial Leasing Operations

Article 13a

At the request of the founder of the lessor, the National Bank shall issue a license for the performance of financial leasing operations.

The following supporting documents shall be enclosed with the request referred to in paragraph 1 of the present Article:

- 1) lessor's memorandum of association;
- 2) data on founders of the lessor and the amount of their participation/shares as well as data on the group of companies the founders belong to;
- 3) a certified written statement by the founder that it possesses own financial assets in the amount set in Article 10a, paragraph 3 and 4 of the present Law and that it shall transfer them to the temporary bank account, and proof of origin of those assets;
- 4) evidence on staff qualifications and technical compliance with requirements for performing financial leasing operations;
- 5) lessor's program of work covering a three-year period;
- 6) data on persons appointed as members of the board of directors, i.e., executive board, and documentation proving their business reputation and professional qualifications.

By way of exception from paragraph 2 of this Article, in case the founder of a lessor is a bank licensed by the National Bank of Serbia for performing financial leasing operations, there shall be no need to submit documents stipulated in paragraph 2, item 2) and 3) of this Article.

Besides the documentation listed in paragraph 2 of this Article, the National Bank of Serbia may require from the founder of a lessor to submit additional documents as well.

In considering the request and the documents referred to in paragraph 1 and 2 of this Article, the National Bank of Serbia shall assess compliance with requirements for issuance of the license for performing financial leasing operations, the business reputation of the lessor's founder (except when the founder is a bank licensed by the National Bank of Serbia), the qualifications and business reputation of the persons nominated as members of the Board of Directors, i.e., Executive Board of the lessor.

The National Bank of Serbia shall deny the request referred to in paragraph 1 of this Article if:

- 1) the lessor's memorandum of incorporation is not duly composed;
- 2) the amount of the monetary part of the founding capital is lower than prescribed or does not originate from the founder's own resources, i.e., the founders have not submitted adequate evidence regarding the origin of the funds;
- 3) the founder's financial situation is assessed as unsatisfactory in terms of ensuring adequate support to lessor's business activity;
- 4) the structure of the group the founders belong to cannot be assessed as transparent, based on submitted data;
- 5) proposed work program is not assessed as adequate;
- 6) founder's business reputation is not positively assessed;
- 7) a person nominated as member of the Board of Directors, i.e., member of the Executive Board has neither appropriate professional qualifications nor professional qualities, i.e., adequate business reputation.

The National Bank of Serbia shall prescribe detailed requirements for issuance of a license for performing financial leasing operations, criteria for assessing business reputation and financial situation of the founder, criteria for assessing qualifications and business reputation of persons proposed for members of the lessor's board of directors or executive board. The National Bank of Serbia shall decide on the request referred to in paragraph 1 of this article within 60 days at the latest, following the day of receipt of the request.

The founders of the lessor shall file an Application for Registration with the Business Entities Register along with the decision granting them the license to perform financial leasing operations to the Serbian Business Registers Agency within 7 days following the receipt of the decision.

Should the National Bank of Serbia deny the request referred to in paragraph 1 of this Article, the applicant may not submit a new request for issuance of the license to perform financial leasing operations for a period of one full year following the day the request is denied.

The National Bank of Serbia may rescind the decision by which it issued the license for providing financial leasing operations if it finds the requirements based on which the decision was issued in the first place are no longer fulfilled.

Consent for Acquiring Equity Interests/Shares in the Lessor

Article 13b

No legal or natural person can, without the consent by the National Bank of Serbia, acquire either direct or indirect equity interests/shares in a lessor granting the owner of such equity interests/shares 10% or more managing rights in the lessor.

The National Bank of Serbia shall decide on the request for acquiring direct or indirect equity interests/shares in a lessor granting the owner of such equity interests/shares 10% or more managing rights in that lessor.

The National Bank of Serbia shall deny the request referred to in paragraph 1 of this Article if:

- 1) the financial situation of the applicant is not satisfactory in terms of securing adequate support to lessor's business activity;
- 2) the applicant or the person providing the applicant with funds for purchasing equity interest/shares does not have a good business reputation;
- 3) the structure of the group the applicant belongs to cannot be assessed as transparent, based on submitted data;
- 4) the source of funds with which the applicant intends to purchase equity interest/shares in the lessor cannot be determined.

The National Bank of Serbia shall prescribe detailed requirements for granting consent for acquiring direct or indirect equity interests/shares in a lessor enabling the acquisition of 10% or more controlling rights.

The National Bank of Serbia shall render a decision on the request referred to in paragraph 2 of this Article within 60 days at the latest, following the day of receipt of the request.

Persons who, without the consent by the National Bank of Serbia, acquired ownership over direct or indirect equity interests/shares granting them 10% or more controlling rights in the lessor, the National Bank of Serbia shall issue a decision ordering them to dispose of such ownership within the time limit set in the decision and shall prohibit him from exercising voting rights and influence upon management and business policy of the lessor.

If the National Bank of Serbia, by a decision, denies the request referred to in paragraph 2 of this Article, the applicant cannot submit a new application for granting consent for acquiring ownership of equity interests/shares in the lessor for a period of one year following the day on which the original application was denied.

The lessor shall submit the application for registration of the ownership of equity interest/share in the Register of Business Entities along with the decision granting him consent for acquiring the equity interest/shares in the lessor to the Serbian Business Registers Agency within 7 days from the day of receipt of the decision.

Consent for Appointing Members of the Board of Directors and Executive Board

Article 13v

The lessor shall submit a request to the National Bank of Serbia for granting consent for appointing members of the board of directors and executive board of the lessor.

Along with the request referred to in paragraph 1 of this Article, the lessor shall submit the documentation proving that the person for whom the request for granting consent is submitted:

1) possesses the required professional qualifications;

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

3) has no prior criminal convictions that would render him unfit for membership of the board of directors or executive board and that no injunction, i.e., security measure prohibiting the performance of a function, activity, profession or occupation has been imposed against him.

The National Bank of Serbia shall prescribe detailed requirements, referred to in paragraph 2 of this Article, the manner in which these shall be proven and the manner in which the consent referred to in paragraph 1 of this Article shall be granted.

The National Bank of Serbia shall deny the request referred to in paragraph 1 of this Article in the following cases:

1) if the candidate does not meet the requirements with respect to professional qualifications and prescribed work experience in a managerial position referred to in paragraph 2 of this Article;

2) if, on the day of instigating a bankruptcy procedure, or revoking a license or within six months prior to that day, the candidate was authorized for representation, i.e., if he was member of the managing and/or supervising body of a business company the core activity of which was financial brokerage in the sense of regulations governing classification of business activities and against which a bankruptcy procedure was instigated or its license was revoked - if less than three years have passed from the date of revocation to the date of submission of the request;

3) if the candidate has been irrevocably convicted for a criminal offence to an unconditional prison term or for a criminal violation of rights associated with labor, property, economy, constitutional order and security of the Republic of Serbia, state authorities, justice system, legal procedures and official duty, i.e., for other punishable act rendering him unfit for performing the function.

The National Bank of Serbia shall render a decision on the request referred to in paragraph 1 of this article within 30 days at the latest, following the day of receipt of the request.

Any decision on the appointment of a member of the board of directors or of the executive board of the lessor rendered without consent by the National Bank of Serbia shall be deemed null and void.

The lessor shall submit a decision on the appointment members of the board of directors or of the executive board to the National Bank of Serbia within 7 days from the date of rendering the decision.

The lessor shall notify the National Bank of Serbia on the dismissal or resignation of a member of the board of directors or executive board within seven days from the dismissal or resignation, stating the underlying reasons.

By way of exception to paragraph 1 of this Article, in its decision granting the request for issuance of the license for performing financial leasing operations, referred to in Article 13a herein, the National Bank of Serbia shall also grant its consent for the appointment of the first members of the lessor's board of directors.

Obligation of Notifying the National Bank of Serbia

Article 13g

The lessor shall submit to the National Bank of Serbia:

1) annual financial statements along with the report of the certified external auditor – within 120 days following the end of the calendar year for which the statements are due for submission;

2) notification on the status and other changes which are due for registration with the Business Entities Register – within ten working days from the day of emergence of the change;

3) other data prescribed by the present Law and by-laws, enacted based on the present law - within the prescribed time limits;

4) other data as may be requested by the National Bank of Serbia, within the time limit specified in the request by the National Bank of Serbia.

The National Bank of Serbia prescribes the content and form of reports as well as the manner of submission thereof and time limits referred to in paragraph 1, point 3) and 4) of this Article.

External Auditor

Article 13d

The lessor shall engage an external auditor to audit its annual financial statements.

The external auditor referred to in paragraph 1 of this Article shall be an auditor who meets the requirements for auditing large entities stipulated by the law governing accounting and auditing.

An external auditor may audit up to five subsequent annual financial statements prepared by the same lessor.

An external auditor may not audit financial statements of a lessor and provide consulting services to the latter in the course of the same year, and neither can he perform an audit in the fiscal year in which he provided consulting services to that lessor.

If the audit is performed by an external auditor who does not meet the requirements listed in paragraph 2 of this Article, i.e., if the audit is performed contrary to the provisions of the present Law and other relevant by-laws, the National Bank of Serbia shall not accept the resulting audit report.

Reserve Funds

Article 13

The National Bank of Serbia may prescribe the grounds imposing upon the lessor the obligation to keep reserve funds on a special bank account.

In the regulation referred to in paragraph 1 of this Article, the National Bank of Serbia shall also prescribe the manner of determining the basis for calculating the amount of the reserve funds, the rate for the calculation of the reserve funds, time limits for calculating and allocating such funds, as well as the manner and deadlines for submitting reports to the National Bank of Serbia on calculated and allocated reserve funds.

Reserve funds referred to in paragraph 1 of this Article may not be subject to forced collection.

Minimum Requirements for the Stipulation of the Leasing Contract

Article 13e

If the subject of the leasing contract is an immovable asset, the lessor may not demand a down payment from a lessee who is a physical person.

In the case referred to in paragraph 1 of this Article, the leasing contract shall contain a clause to the effect that the ownership over the leased asset shall be transferred to the lessee with the expiry of the term of the leasing contract and upon payment of the total agreed amount of the lease fee.

The National Bank of Serbia shall prescribe the minimum requirements based on which the lessor can conclude a leasing contract pursuant to the present Law as well as the manner of presenting the lease fee and other costs arising from the conclusion of the leasing contract.

Supervision over Lessor's Business Activity

Article 13ž

The National Bank of Serbia shall supervise the lessor's business activity.

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

- 1) by way of indirect supervision, through reports, other documentation and data the lessor submits to the National Bank of Serbia, pursuant to relevant regulations or upon request by the National Bank of Serbia, as well as based on the data the National Bank of Serbia has at its disposal;

- 2) by way of direct supervision, by performing inspections of the lessor's business records and other documentation.

If, unlawful activities and irregularities are detected in the course of an inspection, the National Bank of Serbia shall impose one of the following measures on the lessor:

- 1) issuing a written reprimand;
- 2) issuing an injunction letter;
- 3) issuing an order for eliminating identified irregularities;
- 4) revoking the license for performing financial leasing operations.

The National Bank shall impose the measures listed in paragraph 3 of the present Law in the form of a decision.

In the decision referred to in paragraph 4 of this Article, the National Bank may also impose a fine upon the lessor and the responsible person in the lessor.

The fine referred to in paragraph 5 of this Article shall be neither lower than 3% nor higher than 20% of the minimum amount of the monetary part of the founding capital set forth in Article 10a, paragraph 3 and 4 of the present Law.

The fine referred to in paragraph 5 of this Article imposed upon a member of the board of directors or Executive Board of the lessor shall be neither lower than the salary paid to that person in the previous month nor higher than the sum of salaries paid to that person in the previous six months.

The National Bank of Serbia shall prescribe detailed conditions and procedures for carrying out an inspection of the lessor's activity and for imposing the measures foreseen herein.

Revoking the License for Performing Financial Leasing Operations

Article 13z

The National Bank of Serbia shall revoke the license for performing financial leasing operations:

- 1) if the license was issued based on false and incorrect data submitted by the founder of the lessor.
- 2) if the lessor no longer meets the licensing requirements;
- 3) if the lessor fails to allow inspection of its business activity;
- 4) if it is found that the monetary part of the lessor's capital is below the amount set by the present Law.

The National Bank of Serbia may issue a decision to revoke the license for performing financial leasing operations:

- 1) if the lessor fails to submit prescribed reports, documentation and other data on its business activity in the prescribed manner and within the prescribed time limits;
- 2) if, within the given time limit, the lessor fails to implement measures imposed on it by decision of the National Bank of Serbia.

The National Bank of Serbia shall deliver the decision referred to in paragraph 1 and 2 of this Article to both the lessor and the Business Entities Register.

Immediately after revoking a lessor's license to perform financial leasing operations, the National Bank of Serbia shall issue a decision that conditions are met for opening a bankruptcy or liquidation procedure, pursuant to the law, which shall be delivered to the competent court and the Deposit Insurance Agency established by a special law (hereinafter: Deposit Insurance Agency).

The decision on fulfillment of conditions for instigating a bankruptcy procedure against the lessor shall be issued only when the obligations of that lessor exceed the value of its assets.

On the day of issuance of the decision on revoking the lessor's license to perform financial leasing operations, the National Bank of Serbia shall simultaneously impose a measure prohibiting the lessor from disposing of its assets until the opening of the bankruptcy/liquidation procedure.

As of the day the decision referred to in paragraph 1 and 2 of this Article is entered in the Business Entities Register, the lessor whose license for performing financial leasing operations has been revoked cannot enter into new leasing contracts, however, rights and obligations from the leasing contracts concluded until the day of registration of the decision shall remain unchanged.

Legal operations concluded in the period between the issuance of the decision on revoking the license and opening a bankruptcy/liquidation procedure on behalf of the lessor whose license for performing financial leasing operations has been revoked shall be deemed to be null and void.

Risk Monitoring and Measurement, Risk Management, Internal Control System and Responsibilities

Article 13i

The lessor shall establish and implement a system of internal controls in such a way to enable a continuous identification, measurement and assessment of risks which may adversely affect its business activity.

The risks referred to in paragraph 1 of this Article are, in particular:

1) credit risk – a risk of adverse impact on the lessor's financial performance and capital due to the lessee's inability to meet its financial obligations;

2) operational risk – a risk of adverse impact on the lessor's financial result and capital caused by deliberate or negligent oversight in the work of lessor's own employees, inadequate internal procedures and processes, inadequate management of IT and other lessor's systems or by the emergence of unforeseeable external events;

3) liquidity risk - a risk of adverse effects on the lessor's financial result and capital caused by its inability to meet its financial obligations;

4) compliance risk – a risk emerging as a consequence of the lessor's failure to act in compliance with the laws, by-laws, internal acts and procedures for

the prevention of money laundering and financing terrorism as well as with the rules of profession, good business practices and lessors' business ethics;

5) market risk – a risk of adverse effects on the lessor's financial performance and capital caused by changes in interest rates, foreign exchange rates and other market-related risks;

6) risk exposure (concentration) - a risk of adverse effects on the lessor's financial performance and capital caused by inadequate diversification of debtors, or by purchasing less merchantable assets.

In its acts, the lessor shall prescribe procedures for identification and assessment of risks as well as for risk management, in compliance with applicable regulations, standards and rules of profession.

The acts referred to in paragraph 3 of this Article shall contain:

- 1) procedures for risk identification, measurement and assessment;
- 2) procedures for risk management;
- 3) procedures ensuring control and consistent application of all internal procedures foreseen by the lessor in connection with risk management;
- 4) procedures for regular notification of competent authorities and the National Bank of Serbia about risk management.

The National Bank of Serbia may prescribe detailed criteria for identification, measurement and assessment of risk exposure of lessors, including the method of calculating individual indicators of a lessor's business activity with respect to risk management and constraints associated with such risks.

The lessor may devolve the tasks of risk identification, measurement, assessment and management to another financial sector entity with registered office in the Republic of Serbia.

A financial sector entity in the sense of paragraph 6 herein shall be understood to be an entity as defined by the law governing banking.

Devolving the tasks referred to in paragraph 6 of this Article, shall not exempt the board of directors from accountability for the lawful performance of these tasks in compliance with this Law.

Internal Audit

Article 13j

Internal audit activities shall be conducted within each lessor.

Internal audit activities shall include, in particular:

- 1) assessing adequacy and reliability of the lessor's internal controls system;
- 2) proposing conditions under which the risks shall be appropriately identified and controlled;

- 3) detecting weaknesses in the work of the lessor and its employees;
- 4) controlling the accuracy of the reports on risk management policies and internal control systems submitted to the National Bank of Serbia.

The lessor shall ensure that internal audits are performed with the task to test, assess and monitor adequacy and efficiency of the internal control system, in compliance with this Law.

The National Bank of Serbia may prescribe detailed requirements for and manner of conducting internal audits.

The lessor may devolve the internal audit tasks to another person from the financial sector whose registered office is in the territory of the Republic of Serbia.

A financial sector entity in the sense of paragraph 5 of this Article shall be understood to be an entity as defined by the law governing banking.

Devolving the tasks referred to in paragraph 5 of this Article, shall not exempt the board of directors from accountability for the lawful performance of these tasks, in compliance with this Law.

Bankruptcy and Liquidation of the Lessor

Article 13k

The Deposit Insurance Agency shall perform the activities of bankruptcy or liquidation administrator in the lessor, in compliance with the law.

In the procedure of bankruptcy/liquidation of the lessor, immovable assets that are the subject of any leasing contracts shall be excluded from the bankruptcy/liquidation estate.

Provisions of the law governing bankruptcy and liquidation of insurance companies shall apply accordingly to the bankruptcy/liquidation procedure of a lessor unless otherwise specified by the present Law.

Provisions of the law governing bankruptcy of business companies shall apply in the bankruptcy procedure against the lessor with respect to the order of satisfying creditors' claims.

With the consent of the National Bank of Serbia, a voluntary liquidation procedure shall be instigated against the lessor whose general meeting passed a decision on wind-up of that entity. Provisions of the law governing voluntary liquidation of insurance companies shall apply accordingly to voluntary liquidation of lessors.

CHAPTER III

RIGHTS AND OBLIGATIONS OF THE LESSOR

Obligation of Procuring the Leased Asset

Article 14

The lessor shall be bound to procure, according to the specification of the lessee, the leased asset from the supplier designated by the lessee.

The lessor cannot encumber with a mortgage the leased immovable asset.

Protection in Case of Bankruptcy of the Lessee

Article 15

In case of bankruptcy of the lessee, the lessor shall be entitled to exclusion of the leased asset (right of exemption) from the bankrupt's estate, in accordance with the Law governing the bankruptcy proceedings.

The lessee and the court responsible for carrying out the bankruptcy proceedings shall be bound to notify the lessor on the institution of bankruptcy proceedings without delay.

Exclusion of Liability for Substantive Defects

Article 16

Unless otherwise stipulated by contract, the supplier shall be liable to the lessee for substantive defects of the leased asset.

Exclusion of Liability for Damage Caused by the Leased Asset

Article 17

The lessor shall not be liable to the lessee for damage caused by the leased asset, except where the lessee has suffered damage for relying on the professional qualifications of the lessor, or where the lessor has participated in the choice of supplier or in making the specification for the leased asset, unless otherwise stipulated by contract.

Liability for Defects in Terms of Law

Article 18

A Lessor shall be held liable if a third party has rights relating to the leased asset that exclude, reduce or restrict the unhindered possession thereof by the lessee, who was neither informed nor gave his consent to lease an asset encumbered by such a right.

Notifying the Lessor

Article 19

Should a third party hold any right, referred to in Article 18 of this Law, relating to the leased asset, the lessee shall be bound to notify accordingly the lessor, and request that he disencumber, within a reasonable term, the leased asset from any such right or pretension of the third party.

A lessee who, while failing to notify the lessor, has initiated and lost the litigation with the third party referred to in paragraph 1 of the present Article, may refer, as far as defects in terms of law are concerned, to the liability of the lessor, unless the lessor proves that he had at his disposal the means apt to deny the third party's claim.

A lessee shall be entitled to refer to the liability of lessor, as far as defects in terms of law A lessee shall be entitled to hold a lessor accountable for legal irregularities related to the leased asset even if he has recognized the valid right of the third party without notifying the lessor and without litigation.

Where in the case specified in paragraph 3 herein the lessee has paid a certain amount to the third party in order for the latter to waive his right, the lessor may be exempted from liability if he refunds the lessee the amount paid, and compensate him for the damage suffered.

Sanctions in Case of Legal Defects

Article 20

Should a lessor fail to proceed as requested by the lessee in terms of Article 19, paragraph 1 of this Law, where the leased asset is seized from the lessee, the leasing contract shall be repudiated, unless otherwise stipulated by contract.

Should the lessor fail to proceed as requested by the lessee in terms of Article 19, paragraph 1 of the present Law, where the unhindered possession of the lessee is reduced or restricted, the lessee may repudiate the contract if, the purpose of contract cannot be effected because of that, or he may request the proportional reduction of the lease fee.

In the case specified in paragraphs 1 and 2 of this Article, the lessee shall be entitled to compensation of the damages suffered.

Where the lessee was aware, when stipulating the leasing contract, that the leased asset may be taken away, or that its unhindered possession may be reduced or restricted, if it comes to that, he shall not be entitled to compensation of damages.

Contractual Limitation or Exclusion of Liability of the Lessor

Article 21

The liability of a lessor for legal defects relating to the leased asset may not be limited or excluded by contract.

Transfer of Ownership over the Leased Asset

Article 22

The lessor may transfer ownership over the leased asset to a third party lessor in the sense of this Law.

In case of transfer of ownership over leased asset, referred to in paragraph 1 of this Law, the third party shall take the place of the lessor, so that the rights and obligations under the leasing contract shall take effect between himself and the lessee.

In the case referred to in paragraph 1 herein, the third party may not request the delivery of the leased asset from the lessee before expiration of the lease term.

The transfer of over the leased asset to a third party may be excluded by contract or may be stipulated otherwise.

Chapter IV

RIGHTS AND OBLIGATIONS OF THE LESSEE

Take-over of the Leased Asset

Article 23

A lessee shall be bound to take over the leased asset in the manner and at the time and location as stipulated by contract.

Rescission of Contract due to Non-Delivery

Article 24

If a supplier fails to deliver the leased asset to the lessee, if he is late in delivering it, or if the leased asset has a substantive defect, the lessee, in accordance with the law governing contracts and torts, may deny the delivery or rescind the leasing contract, and shall be entitled to compensation of damage.

In the event specified in paragraph 1 herein, the lessor may keep the contract valid if he delivers the leased asset to the lessee without delay, under the terms stipulated by the leasing contract.

Until the fulfillment of the obligation of delivery fully in accordance with the leasing contract, the lessee shall be entitled to discontinue the payment of fee that

he would otherwise be obliged to pay to the lessor under the lease.

A lessee who has rescinded the contract shall be entitled to a refund of the fee that he already paid under the leasing contract, reduced by the amount of the compensation for the benefit realized by the lessee from the leased asset (reasonable amount).

Use of the Leased Asset

Article 25

A lessee shall use the leased asset with due diligence, i.e. the diligence of bonus pater familias.

The lessee shall be bound to use the leased asset in accordance with the contract or the purpose of the leased asset.

The lessee shall be liable for damage caused by using the leased asset contrary to the contract or purpose of the leased asset, regardless of whether the leased asset has been used by him, by a person working on his order, or by another person that he enabled to use the leased asset.

Maintenance of the Leased Asset

Article 26

A lessee shall be bound to keep the leased asset in good working order and to make necessary repairs of the leased asset.

The lessee shall be liable for any damages caused by his failure to maintain the leased asset in good working order.

Payment of Lease Fee

Article 27

A lessee shall be bound to pay to the lessor a lease fee in the amounts, within the terms, and in the way stipulated by the leasing contract.

Rescission of Contract for Failure to Pay the Lease Fee

Article 28

A lessor may rescind the contract if the lessee fails to pay the first installment on time.

If after the payment of the first installment the lessee fails to pay on time one or several consecutive installments whose total amount accounts for one quarter of the entire fee, the lessor may rescind the contract, or request the lessee to pay the remaining fee, including interest.

By way of exception to the provisions specified in paragraphs 1 and 2 of this

Article, if the lessee fail to pay one installment, the lessor may rescind the contract as far as all future obligations of payment are concerned, when it is evident that, based on the given circumstances, they too would not be fulfilled.

The lessor intending to rescind the contract for reasons specified in paragraphs 1 to 3 herein, shall be required to grant the lessee an appropriate subsequent term for the fulfillment of the obligation.

Should the lessee fail to fulfill the obligation within the term referred to in paragraph 4 herein, the leasing contract shall be repudiated on the ground of the Law itself.

In the events specified in paragraphs 1 through 3 of the present Article, the lessee may keep the contract valid after providing a corresponding security.

Rescission of contract due to failure of payment of the lease fee may be regulated by contract in another way, within the limits of enforcement regulations, the public order, and good practices.

Effects of Rescission

Article 29

A lessor that rescinds the contract due to failure of payment of the lease fee for reasons specified in Article 28 of the present Law, or in the leasing contract, shall be entitled to the return of the leased asset, as well as to compensation for damages suffered.

Special Procedure for Acquiring Possession over the Leased Asset

Article 30

At the proposal of the contracting parties, the court of law shall determine the date of hearing at which it shall find, on the record, that the contracting parties have come to agreement that, in case of failure to pay the lease fee in due course on the part of the lessee in accordance with the contract, the lessor shall be entitled to take over the possession of the leased asset.

The signed record of the agreement between the contracting parties, referred to in paragraph 1 of this Article, shall have the force of official court settlement.

Should the lessee fail to fulfill the obligation of payment of the lease fee on maturity in accordance with the contract, and should he fail to voluntarily hand over to the lessor the leased asset, the lessor may file a request with the court for rendering a decision on seizure of the leased asset from the lessee, or from a person actually in possession of the leased asset, and on handing over the possession of that subject to the lessor.

The signed record relating to agreement of the contracting parties specified in paragraph 1 of this Article shall be enclosed with the request referred to in paragraph 3 of this Article.

The court shall be bound to decide on the request referred to in paragraph 3 of the present Article within three days from the day of submission of the request.

The procedure of seizing the leased asset shall be conducted within three days from the day of rendering the decision granting the request referred to in paragraph 3 of this Article.

The decision on seizure of the leased asset from the lessee or the person in possession of the leased asset may be appealed by the lessee, within three days from the receipt of the decision, provided that he can claim that he has fulfilled the obligation of payment, by substantiating the claim by written evidence.

The appeal specified in paragraph 7 herein shall not postpone enforcement.

The court of law shall decide on the appeal referred to in paragraph 7 of this Article in accordance with the Law governing the execution procedure.

Unless otherwise specified by this Law, the procedure applicable to acquiring possession over the leased asset shall be subject to the Law governing the enforcement procedure.

Indemnity

Article 31

Compensation of damage caused by the lessee's failure to pay the lease fee should bring the lessor into a position in which he would have been had the lessee fulfilled his obligation in accordance with the contract.

The calculation of the amount of the compensation may be stipulated by contract, provided that it does not exceed the amount that would have been determined based on paragraph 1 of this Article.

Risk of Accidental Loss of or Damage to the Leased Asset

Article 32

Risk of accidental loss of or damage to the leased asset shall be borne by the lessee.

Unless otherwise stipulated by contract, the risk shall be transferred onto the lessee at the moment of taking over the leased asset.

Returning the Leased Asset

Article 33

After the termination of the contract, the lessee shall be bound to return the undamaged leased asset to the lessor, or the person designated by the lessor, together with accessories, unless the lessee is entitled by the contract to buy out the leased asset, or to extend the validity of contract.

The lessee shall not be liable for the wear and tear of the leased asset as a consequence of its regular use, or alterations thereto that were effected in agreement with the lessor.

Duty to Insure

Article 34

Unless otherwise stipulated by contract, the lessee shall be required to insure the leased asset against risks provided for by the contract.

Handing over the Leased Asset to Another for Use

Article 35

After obtaining a written consent from the lessor, the lessee may hand over the leased asset, in its entirety or in parts, to a third party for use.

The lessor may rescind the contract and may request indemnity, if the lessee has handed over the leased asset to a third party for use, without his written consent.

The special procedure for acquiring possession over the leased asset referred to in Article 30 of the present Law may be applied also in case of rescission of contract specified in paragraph 2 of this Article.

Handing over of the leased asset to a third party for use shall not exempt the lessee from the obligation assumed by the leasing contract towards the lessor.

The handing over of the leased asset to a third party for use may be excluded by contract, or may be stipulated otherwise.

Chapter V

RIGHTS AND DUTIES OF SUPPLIER

Delivery of the Leased Asset

Article 36

Unless stipulated by the leasing contract that the leased asset be delivered by the lessor, the supplier shall be bound to deliver the leased asset to the lessee in good working order, together with accessories, in the manner and at the time and place stipulated by the delivery contract.

Amendments to the Contract

Article 37

Where the lessee has agreed with the contents of the contract entered into between the lessor and the supplier, on the grounds of which the lessor has acquired ownership over the leased asset, subsequent changes to that contract shall have no effect upon the lessee, unless he has accepted them

Liability of Supplier Towards the Lessee

Article 38

If the supplier fails to deliver the leased asset to the lessee, if he fails to deliver it on time, or if the leased asset has a substantive defect, the lessee shall exercise rights with respect to the supplier that, according to the Law governing contracts and torts, he would otherwise have as a party to a contract with the supplier.

By way of exception to paragraph 1 of the present Article, the lessee shall not be entitled, without the consent of the lessor, to rescind or cancel the contract concluded between the lessor and the supplier, which shall also apply to the right to claim a price reduction.

The supplier shall not be liable for one and the same damage to the lessor and the lessee.

Joint and Several Liability of Lessor and Supplier

Article 39

If the lessor has chosen the supplier, he shall be jointly and severally liable to the lessee if the leased asset is not delivered to the lessee, if it is not delivered on time, or if the leased asset has a substantive defect.

Chapter VI

TERMINATION OF LEASING CONTRACT

Expiry of Term

Article 40

The lease shall be terminated with the expiry of term stipulated for the validity of contract.

Loss of Leased Asset due to Force Majeure

Article 41

The lease shall be terminated should the leased asset be destroyed in the

event of Force Majeure.

Right to Buyout or Extension of the Contract

Article 42

A leased asset shall not become the property of the lessee with expiry of the stipulated lease term.

The leasing contract may grant the lessee the right to buy out the leased asset, after the expiry of the stipulated lease term, at the price stipulated by the contract, or the right to extend the validity of the lease (right of option).

The lessee shall be required to notify the lessor of his decision to buy out the leased asset, or to extend the validity of the lease, within one month at the latest prior to the expiry of the stipulated lease term.

Chapter VIA

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

Article 42a

When entering into a leasing or delivery contract as well as in the period of validity of rights and obligations arising from those contracts, the lessor shall take actions and measures to prevent and uncover money laundering and financing terrorism, as prescribed by the provisions of the law governing prevention of money laundering and terrorist financing.

The National Bank of Serbia may prescribe detailed requirements and manners in which the lessor shall establish and check identity of its clients and take other actions in the capacity of obligors under the law governing prevention of money laundering and financing terrorism.

Chapter VII

FINANCIAL LEASING REGISTER

Concept

Article 43

The Financial Leasing Register shall be a public register for registering data on leasing contracts concluded between natural and legal entities, in accordance with the present Law.

The Financial Leasing Register (hereinafter: Register) shall be an integral electronic database, based upon the centralized database established for

safekeeping all the data entered into the Register.

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

The central database shall be accessible through local Register units for the purpose of registration in the Register and data search.

Competence for Keeping the Register

Art. 44 and 44a*

(Ceased to be valid)

Accessibility of Register

Article 45

The Register shall be accessible to all persons, regardless of location from which they access the Register for the purpose of registering a leasing contract or searching the database.

Transparency

Article 46

Data entered and kept in the Register shall be accessible to the general public.

At the request of an interested party, the agency keeping the Register shall issue a certified extract of registered data or an extract confirming that the Register does not contain any data on financial leasing relating to a specific asset.

Fee

Article 47*

(ceased to be valid)

Effects of Entering Data in the Register upon Third Parties

Article 48

It shall be considered that third parties are acquainted with the existence of a leasing contract on the ground of its registration in the Register.

No one may claim that they were not aware of data related to financial leasing that are registered with the Register in accordance with this Law.

Data entered in the Register shall not qualify as evidence of ownership and other rights over the leased asset, or of the validity of any legal operation.

Obligation to Register

Article 49

The lessor shall be required to submit a request for the registration of a leasing contract within seven days from the date of delivery of the leased asset, and a request for change or registered data on a financial leasing contract, as well as for strike-off of data from the Register, within seven days from the date on which a circumstance causing such change and/or strike-off of data has occurred.

The request specified in paragraph 1 of this Article may also be submitted by the lessee, if so stipulated by the financial leasing contract.

The lessor shall be liable for damages caused to a third party acting in good faith, due to failure to fulfill the obligation to register specified in paragraph 1 of this Article, and the lessee shall be liable jointly and severally with the lessor, if the financial leasing contract stipulates that lessee, too, may submit the request for registration in the Register.

The request for registering an annotation of a dispute for the purpose of protecting rights and interest, relating to the leased asset or financial leasing contract, may be submitted by any interested person.

Data Included in the Register

Article 50

The Register shall include:

- 1) data on the lessor and the lessee, and data relating to delivered leased assets only if so demanded by the applicant;
- 2) data more closely specifying the leased asset;
- 3) data on the financial leasing contract (number assigned by the lessor, date of stipulation and period of validity);
- 4) data on any litigation in relation to the leased asset and the financial leasing contract;
- 5) data on the termination of the leasing contract
- 6) other data stipulated by the law.

If a party to a financial leasing operation is a domestic natural person, the data specified in paragraph 1, item 1 of this Article shall refer to the name, surname, unique personal identification number and the place of residence of such person, and if the party in a financial leasing operation is a foreign natural person, the data specified in paragraph 1, item 1 of the present Article shall refer to the name, surname, passport number and country of issuance.

If the party in a financial leasing operation is a domestic legal person, the data specified in paragraph 1, item 1 of the present Article shall refer to the business name and registration number, and if the party in a financial leasing

operation is a foreign legal person, the data specified in paragraph 1, item 1 of the present Article shall refer to the business name, designation under which it is entered in the foreign Register of business entities, the title of such Register and the country where the foreign legal person has its registered office.

All changes of data specified in paragraph 1 of this Article shall also be entered into the Register.

The Register shall keep records on data specified in paragraph 1 of this Article that are deleted from the Register.

Article 51

The supporting registration documents shall be an integral part of the Register until they are converted into electronic format.

After the conversion of the documents specified in paragraph 1 of this Article into electronic format and their entry into the Register, these documents shall be kept safe, in conformity with regulations governing archival materials.

Art. 51a-51 **

(Ceased to be valid)

Chapter VIIA

PENAL PROVISIONS

Commercial Offences

Article 51e

A fine of from RSD 300,000 to 3,000,000 shall be imposed:

- 1) on a legal entity engaged in financial leasing operations without meeting the requirements specified in Article 10, of the Present law (Article 10);
- 2) on a legal or physical entity that acquired equity interests/shares in the lessor granting him 10% or more managing rights (Article 13b paragraph 1), without the consent of the National Bank of Serbia.

A fine ranging from RSD 20,000 to 200,000 shall also be imposed on the responsible person in the legal entity for the commercial offence specified in paragraph 1 of this Article.

For the criminal offence referred to in paragraph 1 of this Article, the court may, in addition to the fine, impose a protective measure prohibiting the legal entity from performing its business activity for a period of time ranging from 6 months to 10 years.

Violations

Article 51ž

A fine ranging from RSD 100,000 to 1,000,000 shall be imposed on a lessor:

1) if it fails to submit to the National Bank of Serbia the documentation referred to in Article 13g and Article 13 paragraph 2 of the present Law, in the prescribed manner and within set term (Article 13g and Article 13 paragraph 2);

2) if it fails to assign reserve funds in compliance with the regulation passed by the National Bank of Serbia as referred to in Article 13 paragraph 1 of the present Law (Article 13 paragraph 1);

3) if it fails to submit to the Agency the documentation foreseen in Article 13a paragraph 9, Article 13b, paragraph 8 and Article 49, paragraph 1 of the present Law within the term (Article 13a paragraph 9, Article 13b, paragraph 8 and Article 49, paragraph 1).

A fine ranging from RSD 10,000 to 50,000 shall also be imposed on the responsible person in the lessor for the violation specified in paragraph 1 of this Article.

Chapter VIII

TRANSITIONAL AND FINAL PROVISIONS

Article 52

Leasing contracts concluded prior to 1 January 2004 shall be entered in the Register from the date of commencement of the application of Articles 43-51 of the present Law, and until 31 January 2004, at the latest.

The present Law shall come into force on the eighth day from the date of its publication in the Official Gazette of the Republic of Serbia, while the provisions of Articles 43-51 of the present Law shall apply from 1 January 2004.

Independent Articles of the Law on Amendments to the Law on Financial Leasing

(RS Official Gazette No. 61/2005)

Article 12[s1]

Business companies, lessors, established before the date of effectiveness of this Law shall be required to harmonize their business activity with the provisions of this Law within six months following the date of its coming into force.

Business companies, lessors, established before the date of effectiveness of this Law that have failed to harmonize their business activity with the provisions of this Law within the term specified in paragraph 1 of the this Article, shall cease

their activity following a liquidation procedure conducted at the expense of the liquidated entity. This procedure shall be instituted, ex officio, by the Serbian Business Registers Agency, and such companies shall be deleted from the Business Entities Register.

Article 13[s1]

Leasing contracts concluded before the date of effectiveness of this Law shall remain valid until the expiry of validity of obligations stipulated under these contracts.

Article 14[s1]

This Law shall come into force on the eighth day following the date of publication in the Official Gazette of the Republic of Serbia.

Independent articles of the Law on Amendments to the Law on Financial Leasing

(RS Official Gazette No. 31/2011)

Article 27[s2]

The National Bank of Serbia shall pass the regulations referred to in Art. 11, 12, 13, 14 and 18 of the present Law, within six months from the date of entry into force of this Law.

Article 28[s2]

Lessors licensed to perform financial leasing operations by the National Bank of Serbia in accordance with the Law on financial leasing (RS Official Gazette, No. 55/03 and 61/05), shall harmonize their business activity with the provisions of this Law within one year from the date of entry into force of this Law.

The harmonization referred to in paragraph 1 of this Article implies the obligation on the part of the lessor to:

- 1) pay up the balance of the founding capital as determined in Article 9 of this Law (newly proposed Article 10a);
- 2) harmonize the memorandum of association with provisions of Article 9 of this Law (newly proposed Article 10b) and form the bodies prescribed therein;
- 3) obtain consents from the National Bank of Serbia prescribed by Article 13 of the present Law (newly proposed Article 13v).

If the lessor referred to in paragraph 1 of this Article fails to harmonize its business activity with the provisions of the present law within the term set in

paragraph 1 of this Article, the National Bank of Serbia shall issue a decision to revoke that lessor's license to perform financial leasing operations.

Article 29[s2]

Regulations passed based on the Law on financial leasing (RS Official Gazette No. 55/03 and 61/05) shall apply until the regulations passed on the basis of the present Law become applicable, unless they are in contravention of this Law.

Article 30[s2]

This Law shall come into force on the eighth day from the date of its publication in the Official Gazette of the Republic of Serbia.