

Foreign Investor's Guide

How to invest in the Serbian financial market

This foreign investor's guide provides potential and existing non-resident investors with an overview of what is possible when structuring an investment in the Serbian financial markets. The information covered is not exhaustive and unless otherwise indicated, is based on the relevant legislation and conditions existing at April 2023. This guide aims to contribute to the development of Serbia's relations with investors as well as international business organizations by providing a concise document to help them with their investment decisions.

The financial market in Serbia is regulated predominantly by the [Law on the capital markets](#)¹. The Securities commission controls participants involved in the trading process, including the Belgrade Stock Exchange (BSE), Central Securities Depository (CSD), commercial banks, brokerage companies as well as the public enterprises whose shares are traded on the stock exchange – in the operations they conduct on the securities market in compliance with the law. All listed participants in the financial market also have their own regulations in accordance with the mentioned Law. Types of securities traded in Serbia in which foreign investors can invest include: equity (issued in local currency), corporate and municipal bonds, and T-bonds (debt securities can be issued in local currency but also can be euro-indexed or in euro). There are no minimum lot sizes in the market, however, fractional shares are not allowed. Turnaround trade is possible. A lot is still being done to improve the operational methods to make foreign investment flow more simply and quickly.

Pre-trade activities

Representation	Non-resident legal entities and individuals need a tax representative, an individual with a Serbian residence, who will obtain a tax identification number (PIB) at the Tax administration of the Republic of Serbia on their behalf, in accordance with the governing regulation .
Central Securities Depository and Clearing House (CSD)	A cash and securities account at the CSD must be opened. This is carried out by a local CSD member (broker or dealer companies or banks) on behalf of non-resident investors. Relevant laws can also be found on the website.
Arrangement with a Local Broker	To trade on the BSE non-resident investors should enrol with a local brokerage house/bank, a list of which can be found at the Belgrade stock exchange . The activities and rights of brokers are defined by Law .
Custody bank	Non-resident investors can choose to enrol with a local custody bank , in which case the balance of securities is recorded in the aggregate custody account. The aggregate custody account is kept by the custody bank in its name and for the account of legal holders. If non-resident investors choose not to enrol with a local custody bank, a local CSD member will open a proprietary securities account for them, in accordance with the Operating Rules of CSD .
Official period to open a securities account with CSD	1 day

¹ In December 2021, the new Law on the Capital Market was adopted and it has been applied since January 2023. The aim of this law is to lay the foundations for the development of the capital market in Serbia, greater transparency and responsibility in business, the creation and development of financial instruments that are offered on the capital market, offering additional sources of financing to companies in Serbia and thus creating a more attractive market for both domestic and foreign investors.

Available investment types

Dinar T-bills

Description	Short-term securities issued by the Republic of Serbia. Securities are usually denominated in RSD, with nominal value of RSD 10,000.00.
Primary market	Securities are issued in an auction, which can be a single or multiple price one. So far, the Public Debt Administration (PDA), an organizational unit within the Serbian Ministry of finance, has used only the single price auction method. Auctions are carried out according to the pre-announced auction calendar , using a special trading platform of the PDA. Only licensed participants can directly participate in auctions, while all other interested parties can submit their bids through a licensed participant of their choice. Minimum amount that can be purchased in an auction is 5 securities, whilst the maximum amount is set at 30% of the issue volume. PDA publishes the auction results and statistics on its web page and via its trading platform. Overview of issued government securities is available on the National Bank of Serbia (NBS) website. Private placements of securities are also allowed.
Secondary market	There is no platform for secondary trading. Trades are conducted OTC, with post-trade information available on the NBS and PDA websites.
Maturity	3m, 6m, 53w and 18m.
Coupon	Zero-coupon, pure discount instruments.
Trading expenses	CSD charges apply both for primary and secondary market transactions. Bank and broker charges also apply.
Reopening	No.
Settlement	In the primary auction trades can be settled between T+0 and T+3 – in accordance with the Act of T-bills issuance. Trades on secondary market (OTC) can be settled anywhere between T+0 and T+3.
Eligibility for transactions with the NBS	Eligible for the NBS repo purchase/sale of securities , and daylight and overnight liquidity loans .
Foreign ownership restrictions	Yes. Non-residents can only purchase securities on the primary market with maturities longer than 1y.

Dinar T- bonds

Description	Medium and long-term securities issued by the Republic of Serbia denominated in RSD, with a nominal value of RSD 10,000.00.
Primary market	Securities are issued in an auction, which can be a single or multiple price one. So far, the Public Debt Administration (PDA), an organizational unit within the Serbian Ministry of finance, has used only the single price auction method. Auctions are carried out according to the pre-announced auction calendar , using a special trading platform of the PDA. Only licensed participants can directly participate in auctions, while all other interested parties can submit their bids through a licensed participant of their choice. Minimum amount that can be purchased in an auction is 5 securities, whilst the maximum amount is set at 30% of the issue volume. PDA publishes the auction results and statistics on its web page and via its trading platform. Overview of issued government securities is available on the NBS website. Private placements of securities are also allowed.
Secondary market	Trades are conducted OTC and on the stock exchange . Post-trade information is available on the NBS and PDA websites. There is a Bloomberg E-bond platform, but it is not exclusive.

Maturity	2y, 3y, 5y, 7y, 10y and 12y.
Floating coupon rate	2y amortizing T-bonds (floating coupon rate = reference interest rate of the NBS + fixed spread) the first issuance in August 2012.
Fixed coupon rate	2y, 3y, 5y, 7y, 10y and 12y T-bonds carry coupon , annual or semi-annual payment.
Trading expenses	CSD charges apply both for primary and secondary market transactions. If secondary trading takes place on the stock exchange it charges a commission. Bank and broker charges also apply.
Reopening	Yes.
Settlement	In the primary auction, trades can be settled between T+0 and T+3 – in accordance with the Act of T-bills issuance. Settlement for maturities longer than 12-month is set at T+2. Trades on secondary market can be settled anywhere between T+0 and T+3.
Eligibility for transactions with the NBS	Eligible for the NBS repo purchase/sale of securities , and daylight and overnight liquidity loans .
Foreign ownership restrictions	No. Participation in auctions is possible for both resident and non-resident legal entities and individuals (via a licensed participant). Non-residents can purchase a T-bond on OTC secondary market which matures within e.g. a month, if it was originally issued with a maturity longer than 1y, and there are no restrictions for secondary trades conducted on the stock exchange. Also, restriction does not apply to reopening's if the originally maturity is longer than 1y.

Euro denominated T-bills and T-bonds

Description	Medium and long-term securities issued by the Republic of Serbia, denominated in EUR. Nominal value of securities issued in an auction is EUR 1,000.
Primary market	Auctions are carried out according to the pre-announced auction calendar , using a special trading platform of the Public Debt Administration (PDA). Only licensed participants can directly participate in auctions, while all other interested parties can submit their bids through a licensed participant of their choice. Minimum amount that can be purchased in an auction is 5 securities, whilst the maximum amount is set at 30% of the issue volume. PDA publishes the auction results and statistics on its web page and via its trading platform. Overview of issued government securities is available on the NBS website. Private placements of securities are also allowed.
Secondary market	Trades are conducted OTC and on the stock exchange . Post-trade information is available on the NBS and PDA websites. There is no platform for secondary trading.
Maturity	53w, 18m, 2y, 3y, 4y, 5y, 7y, 10y, 12y, 15y, 20y and 25y.
Floating coupon rate	3y and 4y amortizing T-bonds (floating coupon rate = 6M EURIBOR + fixed spread) the first issuance in August 2022.
Fixed coupon rate	2y, 3y, 5y, 7y, 10y, 12y, 15y, 20y, 25y T-bonds carry a coupon , annual or semi-annual payment. All other issues are zero-coupon instruments.
Reopening	Yes.
Trading expenses	CSD charges apply both for primary and secondary market transactions. If secondary trading takes place on the stock exchange it charges a commission. Bank and broker charges also apply.
Settlement	In the primary auction, trades can be settled between T+0 and T+3 – in accordance with the Act of T-bills issuance. Settlement for maturities longer than 12-month is set at T+2. Trades on secondary market can be settled anywhere between T+0 and T+3.
Foreign ownership restrictions	No. Participation in auctions is possible for both resident and non-resident legal entities and individuals (via a licensed participant). Non-residents can purchase a T-bond on OTC secondary market which matures within e.g. a month, if it was originally issued with a maturity longer than 1y, and there are no restrictions for secondary trades conducted on the stock exchange. Also, restriction does not apply to reopening's if originally maturity is longer than 1y.

Stocks

Currency	RSD
Market organization	Equities are traded on the BSE , which comprises the regulated market and the multilateral trading platform (MTP Belex). The regulated market is further segmented into a listing segment and non – listing segment (Open Market), according to a specific set of requirements .
Trading	Securities can be traded by: <ol style="list-style-type: none">1. Single price method (MTP Belex)2. Continuous trading method (MTP Belex, regulated market) Trading sessions are organized Monday-Friday (except public holidays), according to the trading calendar . Each trading sessions is divided into several phases . Block trades, defined as block transactions in a security, are possibly subject to certain criteria, and are concluded outside the trading session. There are fluctuation zones, defined as the maximum price deviations of a security, from a reference price (usually the previous day close price), within one trading session. For the equities traded on the regulated market listing the range is +/-20%; for the equities traded on the Open Market the range is +/- 30%, and for the equities traded on the MTP Belex the range is +/- 50%. As for the order types, there are limit and market orders, which can be entered as day, GTD (good-till-day, no longer than 90 days), and GTC (good-till-cancelled, no longer than 90 days). The tick size is RSD 1.
Trading expenses	Stock exchange charges a commission . CSD , bank and broker charges also apply.
Corporate events	According to the disclosure regulations of the Law and bylaw , public companies are obliged to disclose important announcements in the mass-media. Companies must inform shareholders about financial results, auditor's reports, plans on half-year financial results, AGM, decisions on capital increase, significant changes in company's assets, dividend pay-outs and other important changes. The corporate calendar is available on the website of the BSE.
Ownership restrictions	NBS must approve purchases exceeding 5% of local banks' shares. Acquisition of more than 25% of shares of any public company requires the announcement of a take-over bid.
Settlement	Settlement for equities can be arranged between the transacting parties. Default settlement on BSE for equities is T+3, however, subject to transacting parties' consent it can also be T+0, T+1 or T+2.
Foreign ownership restrictions	None.

Cash Payments

Settlements of cash payments in the domestic currency arising from transactions in securities are conducted through the CSD account which is opened and maintained by the NBS. Cash payments are settled according to payment instructions issued by CSD to its members. Settlements of FX transactions are conducted through the CSD FX account, which is a sub-account of the NBS foreign currency account.

Investment Funds

Open-ended investment funds subject to public offering (UCITS)

Classes	Description and Investment constraints
UCITS growth funds	Invest predominantly in equities.
UCITS income funds	Invest predominantly in fixed income instruments.
UCITS money market funds	Invest predominantly in short-term (up to 365 days) securities and in UCITS funds.
UCITS balanced funds	Invest in equities and fixed income.
UCITS general funds	Invest in assets pursuant to the investment restrictions provided for in the Law and Bylaws .

[Open-ended funds](#) (UCITS) in Serbia are regulated by the [Law on Open-Ended Investment Funds Subject to Public Offering](#) and [corresponding bylaws](#) and supervised by the Serbian SEC.

Alternative Investment funds

Classes
1. Alternative investment funds subject to public offering (open-ended or closed-ended)
2. Alternative investment funds subject to private placement (open-ended or closed-ended): <ul style="list-style-type: none">- general alternative investment funds subject to private placement;- specific types of alternative investment funds subject to private placement:<ul style="list-style-type: none">(1) private equity alternative investment funds,(2) venture capital alternative investment funds,(3) real estate alternative investment funds subject to private placement,(4) funds of funds,(5) hedge funds,(6) specialised alternative investment funds,(7) European Venture Capital Funds,(8) European Social Entrepreneurship Fund.

[Alternative Investment funds](#) in Serbia are regulated by the [Law on Alternative Investment funds](#) and [corresponding bylaws](#) and supervised by the Serbian SEC.

Post trade activities

Capital gains tax	15% with exceptions (in case Serbia has a double tax avoiding arrangement with the resident country of the investor, the investor does not pay taxes in Serbia, but in its resident country according to its laws). Government securities are fully exempt from this tax.
Double taxation agreement	Apply .
Repatriation of profits	For non-resident investors to be able to repatriate the profits, a confirmation about paid taxes (if they apply) must be issued by the Tax administration. Local tax representatives usually take care of this on behalf of non-resident investors.
Other relevant taxes	No.

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