

Pursuant to Article 4, item 3) and Article 14, paragraph 1, item 11) of the Law on the National Bank of Serbia (RS Official Gazette, Nos 72/2003, 55/2004, 85/2005 – other law, 44/2010, 76/2012, 106/2012, 14/2015, 40/2015 – CC decision and 44/2018) and Article 13j, paragraph 5 of the Law on Financial Leasing (RS Official Gazette, Nos 55/2003, 61/2005, 31/2011 and 99/2011 – other laws), the Executive Board of the National Bank of Serbia hereby issues the following

D E C I S I O N

ON TEMPORARY MEASURES FOR FINANCIAL LESSORS TO ENABLE ADEQUATE CREDIT RISK MANAGEMENT AMID COVID-19 PANDEMIC

1. This Decision sets out the measures and activities which a lessor is required to apply for the purpose of adequate credit risk management in the conditions of the COVID-19 pandemic, by offering facilities for the repayment of liabilities to lessees.

2 At a lessee's request, a lessor shall approve to a lessee (natural person, farmer, entrepreneur and company) a facility for the repayment of liabilities in accordance with this Decision (hereinafter: facility), if all of the following conditions have been met:

- a lessee is unable to settle its liabilities to the lessor and/or may face difficulties in settling these liabilities due to the COVID-19 pandemic;
- as at 29 February 2020 and in the 12-month period before that date, a lessee was not more than 90 days past due on its liabilities to such lessor under the lease agreement.

Within the meaning of paragraph 1, indent one of this Section, it shall be deemed that a lessee which is a natural person is unable to settle its liabilities to a lessor and/or may have difficulties in settling these liabilities, if one of the following conditions has been met:

- as at the date of entry into force of this Decision and/or as at 28 February 2021, a lessee is more than 30 days past due on any obligation to the lessor under the lease agreement;
- as at the date of submitting the application referred to in Section 4 of this Decision, a lessee has the status of an unemployed person;
- in the past three months, a lessee earned an average net monthly income from wage or pension which is lower than the average wage in the Republic of Serbia according to the latest data issued by the competent authority;
- in the past three months, a lessee earned an average net monthly income which is not higher than 120,000 dinars and is 10 or more percent lower

than the income earned before 15 March 2020, while total monthly loan liabilities of a lessee exceed 40% of the lessee's average net monthly income in the past three months;

- based on a reasoned application of a lessee, a lessor has, in line with its internal acts, assessed that there are other facts and circumstances which have, due to the COVID-19 pandemic, led to a worsening of the lessee's financial position and its ability to regularly settle its liabilities to the lessor.

Within the meaning of paragraph 1, indent one of this Section, it shall be deemed that a lessee which is a farmer, entrepreneur or company is unable to settle its liabilities to a lessor and/or may have difficulties in settling these liabilities, if one of the following conditions has been met:

- as at the date of entry into force of this Decision and/or as at 28 February 2021, a lessee is more than 30 days past due on any obligation under the lease agreement;

- in the period before the day of submitting the application referred to in Section 4 of this Decision, a lessee recorded a decline in operating income and/or turnover by at least 15% in 2020 relative to the same period of 2019;

- a lessee's operations were suspended for at least 30 successive days due to the COVID-19 pandemic;

- based on a reasoned application of a lessee, a lessor has, in line with its internal acts, assessed that there are other facts and circumstances which have, due to the COVID-19 pandemic, led to a worsening of the lessee's financial position and its ability to settle its liabilities to the lessor.

Within the meaning of paragraph 2, indent four of this Section, total monthly loan liabilities of a lessee shall mean the sum of these liabilities under loans – including loans under transaction accounts (transaction account overdrafts) and credit card liabilities (monthly liabilities out of the total credit approved on the card) – activated warranties in respect of loans and liabilities under financial lease agreements. In accordance with its acts, a lessor may also include other liabilities of a lessee in total monthly loan liabilities.

3. Within the meaning of this Decision, a facility shall mean the rescheduling of a lessee's liabilities.

The terms of repayment of liabilities agreed under this facility may not be less favourable for a lessee than the originally and/or previously agreed terms.

The rescheduling of liabilities under a lease agreement is a change of terms under such agreement where a lessee is allowed a grace period in the repayment of all its liabilities to a lessor under such agreement in the duration

of six months, during which a lessor shall not collect claims in respect of principal, but shall calculate the regular (contractual) interest, while the repayment period of such lease agreement shall be extended in such manner that the amount of the annuity (monthly liabilities of the lessee) after the expiry of the grace period and until the end of the new repayment period of the lease agreement is not higher than the amount in the period before the facility was applied.

If a lessee is approved a facility under this Decision, the delay in the settlement of such lessee's liabilities to a lessor under the lease agreement which is rescheduled shall be deemed to stop running as of the day of submission of the application referred to in Section 4 of this Decision, and the lessee's delay in respect of the lessor shall be determined according to a new agreed repayment schedule.

The facility and/or the rescheduling referred to in this Section may be agreed in such manner that the interest calculated for the duration of the grace period is collected either during such period or after its expiry, depending on the facility model chosen by the lessee in the application referred to in Section 4 of this Decision.

If it has been agreed that the interest calculated during the grace period is collected after the expiry of such grace period, in accordance with paragraph 5 of this Section, interest may be accrued to debt, and it shall be distributed evenly over the repayment period referred to in paragraph 3 of this Section, of which the lessor is required to inform the lessee before the agreement is concluded and/or the application of the grace period begins.

The facility shall apply to a lessee's liabilities in respect of interest calculated during the suspension of repayment of liabilities (moratorium), within the meaning of the regulation on temporary measures for lessors to preserve financial system stability, in such manner that such interest shall be collected after the expiry of the grace period, continue to be distributed evenly over the lease repayment period and shall not be accrued to the remainder of the debt.

4. Within five business days from the day of entry into force of this Decision, a lessor shall post a notification on the home page of its internet presentation and in its business premises stating that lessees which, due to the COVID-19 pandemic, are unable to settle their liabilities to the lessor and/or have difficulties in settling these liabilities may submit an application to the lessor to approve the facility in accordance with this Decision.

To all its lessees which, as at 30 November 2020 and/or as at 28 February 2021, were more than 30 days past due on any obligation under the

lease agreement, a lessor shall also submit an individual notification referred to in paragraph 1 of this Section, if the conditions referred to in Section 2, paragraph 1, indent two of this Decision have been met.

A lessor shall submit the notification referred to in paragraph 2 of this Section by 31 December 2020 and/or by 31 March 2021.

The notification referred to in paragraphs 1 and 2 of this Section shall contain clear, precise and complete information relating to:

- the possibility to submit the application for the facility (hereinafter: application), with the specification of conditions for its approval;
- the facility for the repayment of liabilities to which the application may refer, with a conspicuous note that the lessee has the possibility to choose among the offered facility models (by choosing whether it will pay the interest calculated for the duration of the grace period during this period or after its expiry);
- the manner of submitting the application;
- a representative example of the amount of liabilities under a specific lease agreement before and after the facility is applied, containing all elements based on which it is possible to determine the conditions under which the facility is applied and the possible manners of repayment of the liabilities calculated in the grace period (during the grace period or after its expiry).

A lessee may submit an application to a lessor on such lessor's business premises, electronically or by mail, not later than 30 April 2021.

A lessor shall decide on the lessee's application and notify the lessee thereof within 30 days from the day of receiving the application.

5. In its internal acts, a lessor shall regulate:

- the manner of determining the fulfilment of the conditions referred to in Section 2, paragraph 2, indent five and/or in Section 2, paragraph 3, indent four of this Decision;
- authorisations and responsibilities of the bodies and employees of a lessor in the process of implementing the measures and activities referred to in this Decision;
- the system for monitoring and reporting on the measures and activities referred to in this Decision and the results of their application;
- the procedure of communication with lessees within the meaning of this Decision.

6. A lessor shall submit to the National Bank of Serbia a report on the measures and activities taken in order to approve the facilities and their results.

A lessor shall submit the report referred to in paragraph 1 of this Section on form *Monthly Report on Repayment Facilities*, which is printed as Annex 1 along with this Decision and is integral to it.

A lessor shall submit the report referred to in paragraph 1 of this Section by no later than the 20th day of the month with balance as at the last calendar day of the prior month.

A lessor shall submit the first report referred to in paragraph 1 of this Section by 20 January 2021, with balance as at 31 December 2020.

A lessor shall submit the report referred to in paragraph 1 of this Section until and including the balance as at 30 April 2021, by 20 May 2021.

By way of exception, a lessor shall submit the report referred to in paragraph 1 of this Section in the section relating to monitoring of the treatment of claims on lessees after the end of application of the facility, until and including the balance as at 31 March 2022, by 20 April 2022 at the latest.

7. A lessor may not charge any fees for taking measures and activities in accordance with this Decision or in compensation for any costs it may sustain in relation to these measures and activities, including lessee application processing costs, other than the costs necessary for the approval of the claims which are not determined by the lessor (e.g. credit bureau and register of leases).

8. A lessor's claims on lessees to which facilities were approved shall retain the same regulatory treatment which they had on the date of entry into force of this Decision.

The regulatory treatment referred to in paragraph 1 of this Section shall be applied to the claims referred to in that paragraph even in the period after the facility is approved, for as long as the conditions for this are met within the meaning of regulations of the National Bank of Serbia.

The approval of facilities to lessees under this Decision does not necessarily mean that there has been a significant increase in credit risk.

Lessors' proceeding in accordance with the provisions of this Decision shall not be considered as the introduction of a new product within the meaning

of the decision regulating lessors' management of risks which occur in respect of introduction of new products/services.

9. A lessor shall harmonise its internal acts with the provisions of this Decision by 31 December 2020 and submit them to the National Bank of Serbia immediately after their adoption.

10. This Decision shall apply to liabilities under lease agreements approved to the lessee before the entry into force of this Decision.

11. This Decision shall enter into force on the day following its publication in the RS Official Gazette.

NBS EB No 128
14 December 2020

B e l g r a d e

Chairperson of the
Executive Board of the
National Bank of Serbia
G o v e r n o r
of the National Bank of Serbia

Dr Jorgovanka Tabaković, sign.