

LAW
ON VOLUNTARY PENSION FUNDS
AND PENSION SCHEMES

(RS Official Gazette, Nos 85/2005 and 31/2011)

(consolidated)¹

I. BASIC PROVISIONS

Subject matter

Article 1

This Law lays down:

- 1) organisation and management of voluntary pension funds;
- 2) establishment, activity and operations of voluntary pension fund management companies;
- 3) activities and responsibilities of custody banks, within the meaning of this Law;
- 4) competence of the National Bank of Serbia in the supervision of operation of voluntary pension fund management companies;
- 5) other issues significant for functioning of voluntary pension funds.

Principles of voluntary pension funds

Article 2

The principles of voluntary pension funds shall be:

- 1) voluntary membership;
- 2) investment risk sharing;
- 3) member equality;
- 4) operational transparency;
- 5) fund pooling.

¹ The consolidated text is based on the Law on Voluntary Pension Funds and Pension Schemes published in the RS Official Gazette, Nos 85/2005 and 31/2011.

Meaning of terms

Article 3

Certain terms used in this Law have the following meanings:

1) *voluntary pension fund management company* – a company that organises and manages voluntary pension funds, in line with law (hereinafter: management company);

1a) *management* – director, board of directors and/or executive board of the management company or another company;

2) *voluntary pension fund* – a collective investment vehicle established to collect and invest pension contributions into different types of assets with a view to generating returns and reducing investment risk;

3) *custody bank* – a bank which maintains the fund's account and renders other custody services for the voluntary pension fund, and which, in respect of assets of the voluntary pension fund, acts exclusively upon orders of the management company that are in conformity with law and the fund's prospectus;

4) *voluntary pension fund member* – a domestic and foreign natural person that joins the voluntary pension fund, either directly or through a pension scheme organiser;

5) *investment unit* – a pro rata accounting share in total net assets of the voluntary pension fund;

6) *employer* – an employer within the meaning of the law governing labour relations;

7) *contributor* – a domestic and foreign legal and natural person that pays pension contributions for the account of a voluntary pension fund member, and which may be an employer, third party or fund member, in conformity with provisions hereof;

8) *pension contribution* – funds credited to the voluntary pension fund by the contributor;

9) *scheduled payment* – payment of pooled funds from accounts of voluntary pension fund members, in accordance with a special contract;

10) *pension scheme* – a contract in favour of third parties, which is integral to the voluntary pension fund, concluded between the employer, association of employers, professional association or trade union (hereinafter: organiser) and management company, based on which the scheme organiser undertakes to pay pension contributions in favour of its employees or members, while the management company invests the funds pooled;

11) *stake* – non-qualified, qualified and significant stake;

11a) *non-qualified stake* is acquired when one person has a direct or indirect right or possibility to exercise less than 10% of voting rights in a legal entity, and/or who directly or indirectly owns less than 10% of that legal entity's capital, and/or has no possibility to effectively exert influence on the management of that legal entity or its business policy;

11b) *qualified stake* is acquired when a person has:

- direct or indirect right or possibility to exercise at least 10% of voting rights in a legal entity, and/or directly or indirectly owns at least 10% of that legal entity's capital,

- the possibility to effectively exert influence on the management of the legal entity or its business policy;

11c) *significant stake* is acquired when a person has:

- direct or indirect right or possibility to exercise at least 20% of voting rights in a legal entity, and/or directly or indirectly owns at least 20% of that legal entity's capital,

- the possibility to effectively exert significant influence on the management of the legal entity or its business policy;

12) *related parties* – legal entities interrelated through management, capital or otherwise with a view to achieving common business objectives, in such a way that the operations or results of operations of one such party may have a significant effect on operations and results of operations of another party. Within the meaning hereof, related parties also mean parties related:

- as family members,

- in such a way that one party or parties deemed to constitute related parties subject hereto participate in another party, jointly, directly or indirectly,

- in such a way that the same party, or parties, deemed to constitute related parties subject hereto, hold a stake in both parties,

- in the manner prescribed for related parties by the law governing the legal status of companies,

- as members of the management or supervisory board, and family members of such parties;

12a) while evaluating the stake in capital and/or participation in management, related parties within the meaning hereof shall be deemed to be one person;

13) within the meaning hereof, *family members* are:

- spouses or persons living in cohabitation,

- descendants and antecedents in the direct line without limitations,
- relatives up to the third degree of kinship, in the indirect line, including relations by marriage,
- adopter and adoptees, and adoptees' descendants,
- foster parent and foster children, and foster children's descendants;

14) *market recognised legal entity* – a legal entity quoted on stock exchanges in OECD member countries, or awarded a rating by credit rating agencies, or ranked at least BBB- according to the latest Standard and Poor's and Fitch-IBCA rating, or at least Baa3 according to the latest Moody's rating.

II. MANAGEMENT COMPANY

Legal form

Article 4

A management company shall be established exclusively as a closed joint-stock company.

Provisions of the law governing companies shall apply to management companies, unless otherwise stipulated herein.

A management company may be established by domestic and foreign natural and legal persons.

Natural persons may hold only unqualified stakes.

A stake of over 50% in capital, and/or voting rights in a management company must be held by a legal entity engaged in banking, insurance or pension fund activities, or by a person holding in the said person a stake of more than 50% in capital and/or voting rights.

If no person individually holds a stake of more than 50% in capital, and/or voting rights in a management company, persons referred to in paragraph 5 hereof must be major shareholders who jointly hold a stake of more than 50% in capital, and/or voting rights of a management company.

A domestic legal entity in majority state or social ownership, or its related party, may not be the founder of a management company.

Notwithstanding paragraph 7 hereof, banks and insurance companies in majority state or social ownership may be the founders of a management company.

Legal and natural persons may be shareholders of one management company only.

Activity of management company

Article 5

A management company shall organise and manage voluntary pension funds in such a way that it does not place its interests or interests of its founders and/or related parties above the interests of members of these funds, in accordance with good business practice and diligence of a prudent businessman, and in the best interest of members of such funds.

The activity of a management company may also be performed by a branch of a foreign management company licensed by a competent authority to perform such activity, upon the expiry of five years after the Republic of Serbia's accession to the World Trade Organization.

A management company may organise and manage several voluntary pension funds.

A management company shall manage a voluntary pension fund, make investment decisions, make scheduled payments, perform administrative and marketing activities, and other activities, in conformity with this Law.

A management company may entrust the performance of administrative and marketing activities to other persons, whereby the responsibility of the management company is not waived.

A management company may only engage in the activity referred to in paragraph 1 hereof.

Use of business name

Article 6

The business name of a management company must contain the words 'voluntary pension fund management company' or the abbreviation 'v.p.f.m.c' or 'vpfmc'.

A legal entity that has not obtained a management company operating licence may not use in its legal transactions the name 'voluntary pension fund management company' or another similar name.

Level of share capital

Article 7

The pecuniary portion of share capital of the management company at the time of founding shall amount to at least EUR 1,000,000 (one million euros) in the dinar equivalent, at the middle exchange rate of the National Bank of Serbia on the payment date.

The pecuniary portion of share capital shall be credited in full to the temporary account with a bank prior to the entry of the management company in the business entities register.

The pecuniary portion of share capital of the management company may not originate from loans or credits, nor may it be encumbered in any other way.

In its operations, the management company shall ensure that the company's capital never falls below the dinar equivalent of EUR 1,000,000 (one million euros).

The National Bank of Serbia shall prescribe in more detail the structure and manner of calculating the capital referred to in paragraph 4 hereof.

Organisational and technical capacity

Article 8

The management company shall permanently employ at least one portfolio manager and one certified internal auditor.

The management company shall observe minimum requirements regarding the organisational and technical capacity, as prescribed by the National Bank of Serbia.

Provisions of the law governing the securities market shall accordingly apply to the issue and revocation of portfolio manager licences.

Establishment of management company

Article 9

A person intending to establish a management company shall submit to the National Bank of Serbia an application for a management company operating licence (hereinafter: operating licence).

The person referred to in paragraph 1 hereof shall at the same time submit an application for a licence to organise and manage the fund (hereinafter: fund management licence).

Application for operating licence and fund management licence

Article 10

Along with the application for an operating licence, founders of the management company shall submit:

- 1) articles of association;
- 2) evidence that the pecuniary portion of share capital was credited to the temporary account with a bank, with a statement regarding the origin of funds, pursuant to Article 7, paragraph 3 hereof;

3) the list of shareholders by name, surname and address, or business name and head office, with the aggregate nominal amount of shares and the percentage of stake in the share capital of the joint-stock management company;

4) for shareholders – legal entities:

(1) certificate of register entry, or certified translation of the excerpt from the register for foreign legal entities and their owners, down to the level of natural persons and/or market recognised legal entities;

(2) transcript of shareholders from the book of shareholders, or evidence from another appropriate public register, if the shareholder is a joint-stock management company;

(3) financial statements, with the certified auditor's opinion for the past three years,

(4) tax liability returns issued by the competent administration authority, not older than six months;

(5) the list of legal entities deemed to be related parties within the meaning of this Law,

(6) evidence referred to in indent 5, sub-indent (1), (2) and (4) hereof for qualified owners and members of management;

5) for shareholders – natural persons:

(1) evidence that in the past three years such person was not a member of the management, supervisory board or vested with special authorisations in a legal entity in respect of which liquidation or bankruptcy proceedings were carried out,

(2) evidence that the person was not sentenced for criminal offences of having violated labour relations, economy, property, judiciary, public order and legal transactions, and/or having committed the violation of office, criminal offences and economic offences under the laws governing the securities market, privatisation, insurance or banking operations, or other punishable acts qualifying him/her unfit for performing such function,

(3) tax liability returns issued by the competent administration authority, not older than six months;

(4) the list of legal entities in which such person holds a stake;

6) rules of operations of the management company;

7) business plan for the first three years of operation containing a precisely defined business strategy;

8) a list of proposed members of the management company's management, with members' professional resumes, statements of acceptance of duties, and evidence of fulfilment of the conditions referred to in Article 15 hereof;

9) evidence of the fulfilment of requirements regarding the organisational and technical capacity of the management company referred to in Article 8 hereof, with the list of persons that shall perform the activities referred to in Article 8 hereof, professional resumes of those persons and evidence of them holding appropriate professional qualifications;

10) evidence of the fulfilment of conditions for risk management in the management company.

Along with the application for the fund management licence, founders of the management company shall also submit:

1) draft standardised contract of membership in a voluntary pension fund;

2) draft contract with a custody bank;

3) list of persons that shall be performing the functions of portfolio managers of the fund being organised, with professional resumes of each such person;

4) draft tariff code.

Additional documentation

Article 11

Within 15 days of the receipt of the duly completed application for an operating licence and the licence for managing a voluntary pension fund, the National Bank of Serbia may request other evidence of significance for deciding on such applications, which the founders of the management company shall submit within the timeline defined by the National Bank of Serbia, which shall not exceed 30 days of the receipt of its communication.

The National Bank of Serbia shall cooperate with other state authorities and institutions, to collect documents and other information of significance for deciding on the application for an operating licence.

Issue of operating licence and fund management licence

Article 12

The National Bank of Serbia shall issue an operating licence once it ascertains the validity of the application referred to in Article 10, paragraph 1 hereof and acknowledges that:

1) the origin of share capital is clear and indisputable;

2) based on information obtained, it may be concluded that founders of the management company and all related parties have good business reputation, hold appropriate professional qualifications and

have experience in managing vested funds, and that their financial position is such that it may be assumed not to have any adverse effect on operations of the management company;

- 3) the structure of related parties is such that it shall not impede efficient supervision of operations;
- 4) the proposed business name of the management company is not misleading for future fund members and other persons in legal transactions;
- 5) founders of the management company submitted verifiable data that are in accordance with acts of the National Bank of Serbia;
- 6) business activities of founders of the management company may not pose a significant risk to safe and sound management of the fund;
- 7) during the past year, an application for an operating licence and fund management license was not rejected or refused to founders of the management company;
- 8) an appropriate risk management system shall be established in the management company.

The National Bank of Serbia shall issue the fund management licence once it ascertains the validity of the application referred to in Article 10, paragraph 2 hereof and when, taking into account the proposed objectives, size and other important features of the fund, it acknowledges that:

- 1) the level of share capital of the management company ensures sustainable fund management;
- 2) the portfolio managers proposed to manage the fund hold a licence issued in conformity with the law governing the securities market;
- 3) fund members' interests shall be adequately protected.

The National Bank of Serbia shall issue the resolution on issuing the operating licence and the resolution on issuing the fund management licence at the same time, within 45 days from the day of receipt of the application, or from the day of the subsequently received documentation and information within the meaning of Article 11, paragraph 1 hereof.

The fund management licence may not be issued unless the application for the management company operating licence has been positively resolved.

If it decides to organise another voluntary pension fund, the management company shall only submit the application for the fund management licence.

After entering into the contract with a custody bank referred to in Article 63, paragraph 1 hereof, and prior to entering into the contract of membership in a voluntary pension fund, and/or pension scheme, the management company shall submit the prospectus and summary prospectus of that fund to the National Bank of Serbia, for the purpose of obtaining its approval.

The National Bank of Serbia shall prescribe more detailed conditions and manner of issuing licenses referred to in paragraphs 1 and 2 hereof.

Negative resolution

Article 13

If the National Bank of Serbia denies the application for the operating licence, it shall render a resolution in which it must specify the reasons for denying the application.

The resolution referred to in paragraph 1 hereof shall be final.

An administrative procedure may be instituted against the resolution of the National Bank of Serbia.

Approval of acquisition of qualified stake

Article 14

For any acquisition of shares of the management company based on which a person acquires, indirectly or directly, a qualified stake in the management company, the prior approval of the National Bank of Serbia shall be required.

The person that obtained the approval referred to in paragraph 1 hereof shall obtain the same approval for any further acquisition of shares of the management company in excess of 20%, 33% or 50% of voting shares or stake in capital of the management company.

The person who wishes to acquire the shares referred to in paragraphs 1 and 2 hereof, along with the application for the approval shall also submit the documentation prescribed in Article 10, paragraph 1, indents 4) and 7) hereof.

The National Bank of Serbia shall issue the approval once it determines that the conditions referred to in Article 12, paragraph 1, indents 1) – 3) and 5) – 7) hereof are fulfilled.

When a shareholder's stake in capital of the management company declines by ten percent or more, the company shall notify the National Bank of Serbia thereof.

The provision relating to additional documentation referred to in Article 11, paragraph 1 hereof, as well as the provision defining the timeline for deciding on the application referred to in Article 12, paragraph 3 hereof, shall apply to the application for the approval referred to in paragraph 3 hereof. If a person acquires the shares referred to in paragraphs 1 and 2 hereof without the prior approval of the National Bank of Serbia, the National Bank of Serbia shall render a resolution ordering the alienation of such ownership, and/or the person shall be forbidden to exercise its voting rights based on the shares acquired in such manner.

The resolution on annulment of the voting right referred to in paragraph 7 hereof shall be delivered by the National Bank of Serbia to the said person and to the register in charge of integrated record keeping of securities in accordance with the law governing the securities market.

If the person fails to act in accordance with the resolution of the National Bank of Serbia referred to in paragraph 8 hereof, the acquisition of shares shall be void.

Decisions rendered by bodies of the management company with votes of the shareholder without the approval referred to in this Article – shall be void.

Management company bodies

Article 15

Provisions of the law governing companies shall apply accordingly to bodies of the management company, unless otherwise provided herein.

With respect to a person proposed as a member of the management company's management, the evidence referred to in Article 10, paragraph 1, indents 5) and 8) hereof shall be submitted to the National Bank of Serbia.

A member of the management company's management may not be a person that:

- 1) is a member of management or an employee of another management company;
- 2) is a member of management or an employee of the custody bank with which the management company concluded a contract;
- 3) is a functionary, appointed or nominated person, or civil servant;
- 4) is a related party of the persons referred to in indents 1) and 2) hereof.

Members of the management company's management must have university degrees, while at least one half of members of the management must have at least three years' working experience in complex financial and economic operations related to securities in the country and abroad, acquired while working:

- 1) in a broker-dealer company;
- 2) on the securities or financial derivatives stock exchange;
- 3) in a bank;
- 4) in an investment or pension fund management company;

- 5) in an insurance company;
- 6) in a central bank, or another state authority or institution;
- 7) in a legal entity commissioned to engage in securities-related operations for the account of the government.

**Issuing approval of selected member of
management company's management**

Article 16

The National Bank of Serbia shall give its approval of the proposed members of the management company's management.

The National Bank of Serbia shall render a resolution on issuing the approval of the selected member of the management company's management once it ascertains that the conditions referred to in Article 15 hereof have been met, and when it estimates that the proposed members hold adequate professional qualifications and such business reputation that they shall efficiently perform their activities in the management company, and that their selection shall ensure adequate protection of interests of voluntary pension fund members.

When deciding on the approval referred to in paragraph 1 hereof, the National Bank of Serbia may, if necessary, request from the proposed members of management to attend the interview in person.

When deciding on the approval referred to in paragraph 1 hereof, the National Bank of Serbia may request other evidence to support rendering of the resolution referred to in paragraph 2 hereof.

Concurrently with deciding on the application referred to in Article 10, paragraph 1 hereof, the National Bank of Serbia shall also decide on the approval of the proposed members of the management company's management.

The National Bank of Serbia shall prescribe more detailed conditions and the manner of issuing the approvals referred to in paragraph 1 hereof.

**Withdrawal of approval of the selected member
of the management company's management**

Article 17

The National Bank of Serbia shall withdraw its approval of a member of the management company's management, once it ascertains that:

- 1) the decision was rendered based on false and incorrect data;

- 2) such person no longer meets the conditions referred to in Articles 15 and 16 hereof;
- 3) such person violated the provisions of this Law and other law under which the National Bank of Serbia is responsible for performing supervision, rules of business ethics, rules of conscientious business and risk management rules, or gravely jeopardised the interests of voluntary pension fund members in another way;
- 4) such person was deprived of business capacity by a final resolution.

As of the day of delivery of the resolution whereby the approval of its appointment was withdrawn, the management member shall no longer perform any function in the management company.

The management company's management shall convene a meeting of the company's management as soon as possible, by no later than 15 days following the day of delivery of the resolution referred to in paragraph 2 hereof, at which it shall propose a new member of management.

Business secret

Article 18

Members of the management company's management, employees of the management company and related parties of such company shall keep as business secret, and may not disclose information on:

- 1) the voluntary pension fund or fund management company which could create a misleading picture of the company's or fund's operations;
- 2) future activities and business plans of the management company, except in cases envisaged by law;
- 3) balance and turnover in accounts of the voluntary pension fund and its members;
- 4) other data significant for operations of the voluntary pension fund, which they acquired in the course of performing management company operations.

Notwithstanding paragraph 1 hereof, data may be communicated and presented for consideration to third parties only during the supervision of operations, based on an order of the court, competent administration authority, or pursuant to law.

Entry in the register

Article 19

Within 30 days following the receipt of the resolution on issuing the operating licence and of the resolution on issuing the fund management licence, and the issuing of approval of the selected

members of management, the management company shall submit an application for registration in conformity with the law governing the registration of business entities.

Within seven days following the receipt of the resolution on entry in the register of business entities, the management company shall submit to the National Bank of Serbia the certificate of entry in the register.

The management company may not perform the activity of organising and managing the voluntary pension fund prior to the entry of this activity in the business entities registers.

Operating licence in the event of merger by acquisition

Article 20

The management company (acquiring company) may assume only the entire capital of another management company (company ceasing to exist by acquisition).

Prior to submitting an application for entry of the change in the business entities register, the acquiring company shall submit to the National Bank of Serbia an application for a merger licence.

The acquiring company shall assume the operations relating to the organisation and management of voluntary pension funds of the company ceasing to exist by acquisition.

The acquiring company may merge with its fund the voluntary pension fund that was managed by the company ceasing to exist by acquisition, or it may manage such voluntary pension fund separately.

The application referred to in paragraph 2 hereof shall contain:

- 1) financial statements of the acquiring company and the company ceasing to exist by acquisition, along with the external auditor's report;
- 2) a report demonstrating the viability of merger;
- 3) a plan which specifies in detail the intention related to voluntary pension funds and pension schemes of the company ceasing to exist by acquisition.

The provisions of the law governing companies shall apply to the merger by acquisition of management companies.

The acquiring company shall compile financial statements with the data on the financial position as of the date of entry of change in the business entities register and with the data on business operations in the current year for the company and the funds it manages, and shall submit such statements to the National Bank of Serbia along with the reports of an external auditor, within 60 days of the date of entry.

The National Bank of Serbia shall regulate in more detail the conditions and manner of acquisition of voluntary pension funds.

Merger of voluntary pension funds

Article 20a

A management company may merge several voluntary pension funds that it manages.

Merger of voluntary pension funds may be conducted in the form of merger by acquisition or merger by organisation.

By merger by acquisition a voluntary pension fund shall cease to exist without dissolution while transferring to another voluntary pension fund all its assets and liabilities.

By merger by organisation, two or more voluntary pension funds shall cease to exist without dissolution and shall transfer all their assets and liabilities to a new voluntary pension fund.

The National Bank of Serbia shall issue an approval of the merger of voluntary pension funds and shall regulate in more detail the conditions and manner of such merger.

Management company acts

Article 21

Acts of the management company shall be the articles of association, rules of operations, business plan and other acts.

The rules of operations of the management company shall regulate:

- 1) operations performed by the management company, conditions and manner of performing these operations;
- 2) mutual relations of the management company and fund members;
- 3) criteria for forming an investment portfolio of the fund and investment policy aimed at increasing the value of fund assets;
- 4) manner of notifying voluntary pension fund members on:
 - (1) amendments to investment policy,
 - (2) value of assets of the voluntary pension fund and value of investment units,
 - (3) special investment risks,

- (4) amendments to the tariff code,
- (5) other important issues;
- 5) manner and conditions under which members of bodies and employees in the management company may invest their funds in the voluntary pension fund managed by that company;
- 6) administrative and accounting procedures;
- 7) control and safety measures for data processing and safekeeping;
- 8) internal controls system;
- 9) measures for preventing the conflict of interest and measures for preventing the use of assets managed for own account;
- 10) measures for preventing the abuse of privileged information;
- 11) other issues significant for company's operations.

Amendments and supplements to management company acts

Article 22

The management company shall notify the National Bank of Serbia of any amendments and supplements to acts referred to in Article 21, paragraph 1 hereof, in accordance with the act of the National Bank of Serbia governing the manner of submission of such acts.

The management company shall notify the National Bank of Serbia of any amendments and supplements to its rules of operations at least 30 days prior to their implementation.

When submitting the notification referred to in paragraph 2 hereof, the management company shall indicate whether amendments and supplements to the rules of operations shall be submitted to all members of the voluntary pension fund, and/or to the contributors to whom such amendments and supplements apply.

The management company shall submit amendments and supplements to the rules of operations to persons referred to in paragraph 3 hereof when such amendments are made in the parts prescribed under Article 21, paragraph 2, indents 2) – 4) hereof, and/or if amendments and supplements may affect the member's understanding of the fund and rendering of an appropriate decision on membership.

The National Bank of Serbia may require from the management company to amend or supplement its rules of operations, once it ascertains that they fail to protect the interest of fund members to a sufficient degree.

The management company shall publish the amendments and supplements to the rules of operations on its website and notice board, by no later than 30 days prior to the start of their implementation.

The National Bank of Serbia may require from the management company to deliver any amendments and supplements to the rules of operations to all voluntary pension fund members, and/or contributors to whom such amendments and supplements apply, if it ascertains that will be in their best interest, by no later than 20 days prior to the start of their implementation.

Fees charged by management company

Article 23

Fund members shall be liable for payment of the fee for services rendered by the management company and the fee for the transfer of a fund member's account, subject to the tariff code of the management company.

The fee for services rendered by the management company shall consist of:

1) fees charged at the time of payment of pension contributions, calculated as the percentage of the value of payments made, determined by the management company and shall apply as of the start of implementation of the act of the National Bank of Serbia referred to in indent 2) hereof;

2) fund management fees, calculated at the rate of at most 1.25% per year of the value of assets of the voluntary pension fund and applied as of 1 January in a year following the year in which the act of the National Bank of Serbia came into effect by which the Bank established that the net value of assets based on annual financial statements of all voluntary pension funds equals 0.75% in aggregate or more than the last estimated value of gross domestic product, published by the competent authority of the Republic. The fee referred to in paragraph 2, indent 2) hereof shall be calculated on a daily basis, and charged per month.

The basis for the calculation of the fee referred to in paragraph 2, indent 2) hereof shall be the net value of voluntary pension fund assets, while that value on a certain day shall mean the net value of fund assets referred to in Article 46 hereof which does not include the amount of payments and liabilities for membership accrued on that day.

The expenses charged to voluntary pension fund assets shall be the expenses relating to the purchase, sale and transfer of securities in which fund assets are invested, such as the costs of services of the Central Securities Depository and Clearing House, costs of the market organiser and tax liabilities, as well as the costs of the current maintenance of real estate in which fund assets are invested, ensuring the satisfactory maintenance of such real estate, in accordance with the law governing investment and current maintenance of real estate.

The expenses not defined in this Article shall be charged to assets of the management company.

The management company shall charge for the transfer of a voluntary pension fund member's account to the fund organised and managed by another management company in the amount of real transfer costs.

Notwithstanding paragraph 1 hereof, the fee referred to in paragraph 2, indent 1) hereof shall be paid by the pension scheme organiser based on the contract of pension scheme management.

The National Bank of Serbia shall regulate in more detail the manner of calculation of fees.

Change of business name and head office

Article 24

Prior to submitting the application for entry of the change of business name and head office in the business entities register, the management company shall notify the National Bank of Serbia of such change.

Liability of management company and its management

Article 25

The management company shall be liable to voluntary pension fund members for any damage incurred by its failure to meet, delay in meeting or partial meeting of its obligations related to fund management, unless such failure, delay or partial meeting of obligations was occasioned by causes that the management company could not foresee, avoid or eliminate.

The management company shall indemnify any damages incurred by its failure to meet, delay in meeting or partial meeting of its obligations.

The management company shall establish the internal controls system at all levels; such system shall include appropriate procedures, actions and activities that the management company's management shall organise in a way that suits the nature, complexity and risk of business activity, for the purpose of the ongoing management of risks that may adversely affect the achievement of set objectives, as well as in order to prevent irregularities and illegal practices in operation of the management company.

The management company's management shall be responsible for the establishment, ongoing monitoring and upgrade of the risk management system of the management company and the voluntary pension fund.

The National Bank of Serbia shall prescribe minimum requirements for the establishment of the internal controls system and shall set the rules for the management of risks referred to in paragraphs 3 and 4 hereof.

Limitations to management company operation

Article 26

The management company may not directly hold a stake in capital and management of other legal entities.

The management company may not exert a substantial influence on management of another legal entity through related entities or otherwise.

The management company may not be a lender, nor assume obligations under a surety contract.

Books of accounts and reporting to management company

Article 27

The management company's books of accounts shall be maintained and its financial statements compiled in conformity with the law governing accounting and audit, and in compliance with a regulation of the National Bank of Serbia.

The regulation of the National Bank of Serbia referred to in paragraph 1 hereof shall regulate in more detail:

- 1) charts of accounts and content of accounts in charts of accounts for management companies and voluntary pension funds;
- 2) content and template of financial statement forms for management companies;
- 3) content of financial statements for voluntary pension funds presented within financial statements of management companies.

The management company shall maintain the books of accounts and compile financial statements for the voluntary pension fund that it manages separately from its own.

In the books of accounts and financial statements, the management company shall separately present data for each fund that it manages.

The management company shall ensure external audit of financial statements.

The management company shall submit to the National Bank of Serbia, as follows:

- 1) annual financial statements for the company, within which it shall separately present the financial statement of the voluntary pension fund that it manages, with the external auditor's report, until 31 March of the current year for the preceding year;

2) (deleted);

3) monthly reports for the voluntary pension fund and the management company, until the tenth day of the month for the preceding month, which shall contain data on:

(1) securities constituting assets of the voluntary pension fund that were traded, by type of security and the issuer;

(2) real estate constituting fund assets that were traded, by type and location,

(3) balance of money deposits constituting assets of the voluntary pension fund, by financial organisation with which such deposits are held,

(4) dates of transactions and prices at which securities transactions were effected,

(5) brokerage fees, custody bank fees and other transaction costs,

(6) value of assets of the voluntary pension fund and the number of subscribed investment units by individual value, as of the last business day in the month for which the report is submitted,

(7) number of voluntary pension fund members, as of the last business day in the month for which the report is submitted,

(8) other data at the request of the National Bank of Serbia.

The management company shall permanently store the documentation and data recorded on electronic media that relate to voluntary pension fund members.

Upon request of the National Bank of Serbia, the management company shall submit other reports, information and data.

External audit of financial statements

Article 27a

The management company shall notify the National Bank of Serbia of the appointment of the external auditor within seven days of the appointment and shall also submit data based on which the appointment decision was rendered.

Within 15 days of the receipt of the notification referred to in paragraph 1 hereof, the National Bank of Serbia may request the management company to replace the external auditor if based on the accuracy and objectivity of his/her previously submitted reports and other available information, the National Bank of Serbia assesses that there is no sufficient level of certainty that the performed audit will be in accordance with the law governing the audit of financial statements and the international auditing standards.

The external auditor may perform no more than three successive audits of annual financial statements for the same management company and voluntary pension fund.

Within the same year, the external auditor may not perform audit of financial statements for the management company or voluntary pension fund and provide other services to the management company, or perform audit for the business year in which he/she provided such services to the management company.

The National Bank of Serbia shall define the contents of the external audit report and the conditions for conducting external audit.

After the National Bank of Serbia has established that the audit of financial statements of the management company or voluntary pension fund was not conducted in accordance with the law governing the audit of financial statements and the international auditing standards, it shall request the management company to engage another external auditor within the term specified by the National Bank of Serbia, who will conduct a repeat audit at the expense of the management company.

The external auditor shall inform the management company's management and the National Bank of Serbia, as soon as it learns of any fact that represents:

- 1) the violation of laws and acts of the National Bank of Serbia;
- 2) a materially significant change of the financial result presented in unaudited annual financial statements;
- 3) the violation of internal procedures or acts of the management company;
- 4) a circumstance that may result in a material loss for the management company or that may jeopardise the continuity of its operations.

The notification referred to in paragraph 7 hereof shall not be deemed the violation of secrecy of the management company's data or confidential information, and the external auditor shall not be held liable.

The National Bank of Serbia may prescribe more detailed conditions and the manner of issuing the notification referred to in paragraph 7 hereof.

The National Bank of Serbia may request external auditors to provide additional clarifications in respect of audit they conducted.

When irregularities in operation of the management company are identified in the external audit report, the management company shall eliminate such irregularities and notify the National Bank of Serbia thereof.

If the management company fails to eliminate the irregularities referred to in paragraph 11 hereof, the National Bank of Serbia shall take measures against such company, as prescribed by law.

The management company shall submit to the National Bank of Serbia a written notification of termination of the contract with the external auditor, with the statement of grounds for termination, by no later than 15 days from termination of the contract.

III. VOLUNTARY PENSION FUNDS

Voluntary pension fund

Article 28

The voluntary pension fund shall be organised for the purpose of pooling funds from the payment of pension contributions by contributors, and investing such funds with the aim of increasing the value of fund assets.

The voluntary pension fund shall be managed by the management company, in conformity with this Law.

The voluntary pension fund is a special kind of fund, and constitutes a separate asset, without a legal entity status.

Assets of voluntary pension fund

Article 29

Voluntary pension fund assets shall be owned by fund members, in proportion with their share in fund assets.

Assets of the voluntary pension fund shall be separate from assets of the management company.

Assets of the voluntary pension fund shall be maintained in an account with the custody bank.

Assets of the voluntary pension fund may not be subject to enforced collection, pledge, mortgage, may not be included in liquidation or bankruptcy estate of the management company, custody bank or other persons, nor used in order to settle obligations of a voluntary pension fund member and other persons to third parties.

Notwithstanding paragraph 4 hereof, assets of a voluntary pension fund member may be used as a security instrument for obligations of the voluntary pension fund member towards the Republic of Serbia and banks in relation to the purchase of the first apartment, in accordance with the Government's act.

The voting right carried by shares constituting assets of the voluntary pension fund shall be exercised by the management company which organises and manages such fund.

Investment principles and investment policy

Article 30

Assets of the voluntary pension fund shall be invested with a view to increasing the total return in favour of voluntary pension fund members, in line with the following principles:

- 1) principle of security of voluntary pension fund assets – the voluntary pension fund portfolio shall contain securities of issuers with high credit rating;
- 2) principle of portfolio diversification – the voluntary pension fund portfolio shall contain securities that differ by type, issuer, and other elements;
- 3) principle of maintaining adequate liquidity – the voluntary pension fund portfolio shall contain securities that may be bought and sold quickly and efficiently at relatively uniform and stable prices.

The rules of operations of the management company shall set out the investment policy of the voluntary pension fund.

The investment policy shall define:

- 1) the manner of implementing the principles referred to in paragraph 1 hereof;
- 2) minimum and maximum portion of voluntary pension fund assets that may be invested in specific securities and real estate;
- 3) maximum portion of voluntary pension fund assets that may be invested in money deposits;
- 4) management company bodies that render decisions on investment and the procedure for rendering such decisions;
- 5) manner of amending the investment policy.

Investment of voluntary pension fund assets

Article 31

Assets of the voluntary pension fund shall be invested in:

- 1) debt securities issued by the National Bank of Serbia;

2) debt securities issued by the Republic of Serbia (hereinafter: Republic), autonomous provinces and local government units in the Republic and other legal entities with the guarantee of the Republic;

3) securities issued by international financial institutions;

4) debt securities issued by foreign governments or foreign legal entities with minimum credit rating "A" awarded by Standard and Poor's, Fitch-IBCA, or Moody's credit rating agencies;

5) mortgage bonds issued in the territory of the Republic;

6) securities issued by legal entities headquartered in the Republic that are traded in the organised market in the Republic;

7) shares of foreign legal entities listed and traded on stock exchanges of EU and/or OECD member states;

8) money deposits in banks headquartered in the Republic, established subject to the law governing the operations of banks;

8a) short-term debt securities issued or guaranteed by banks headquartered in the Republic pursuant to the law governing the market of securities and other financial instruments;

8b) investment units of open investment funds managed by management companies headquartered in the Republic, and/or EU and OECD member states;

9) certificates of deposit issued by banks headquartered in the Republic;

10) certificates of deposit issued by banks headquartered in EU and/or OECD member states, based on deposited securities referred to in indents 3), 4) and 7) hereof;

11) real estate located in the territory of the Republic.

Investment in real estate may take the form of investment in land, buildings (office, residential, residential-office, outbuildings, etc), and specific parts of buildings (flats, office premises, etc.) entered in public registers of records of real estate and title to real estate, if the transfer of title to such real estate is unlimited, and if such real estate is not encumbered by the right of pledge, right of usufruct, right of use, right of residence or right of actual lien.

Voluntary pension fund assets that consist of real estate shall be entered in the registers referred to in paragraph 2 hereof as fund assets, with specification of the name of the management company, and shall be kept on the custody bank records.

The value of real estate in which assets of the voluntary pension fund are invested shall be appraised by a certified appraiser. Real estate must be insured against all risks.

Voluntary pension fund members shall not have the pre-emptive right of purchase at the time of sale of real estate.

The National Bank of Serbia shall regulate in more detail the manner and frequency of assets appraisal referred to in Article 31, paragraph 1, indent 11) hereof.

The National Bank of Serbia shall prescribe more detailed conditions and the maximum level of investment of voluntary pension fund assets referred to in paragraph 1 hereof.

The National Bank of Serbia shall prescribe conditions and manner of investing voluntary pension fund assets abroad.

Investment limitations

Article 32

The following limitations shall apply to the investment of assets referred to in Article 31 hereof:

- 1) up to 10% of voluntary pension fund assets shall be invested in securities of a single issuer or in securities of two or more issuers that are related parties, with the exception of securities issued by the Republic, or the National Bank of Serbia;
- 2) up to 5% of voluntary pension fund assets shall be invested in securities issued by the organiser of the pension scheme which joined the fund;
- 3) (deleted)

No more than 15% of ownership stake, or voting shares of a single issuer, may be acquired through investment of voluntary pension fund assets.

Article 33

Voluntary pension fund assets may not be invested in securities issued by:

- 1) the management company;
- 2) the custody bank with which the account of the voluntary pension fund is maintained;
- 3) a broker-dealer company, and/or authorised bank, which performs brokerage services in securities trade for the management company;
- 4) a shareholder of the management company;
- 5) a related party of the persons referred to in indents 1) to 4) hereof.

Article 34

Voluntary pension fund assets must be invested in conformity with investment limitations envisaged hereby, regulations of the National Bank of Serbia and the prospectus.

If the management company departs from investment limitations specified herein, from regulations of the National Bank of Serbia and from the prospectus due to the onset of circumstances that the management company could not have foreseen or influenced, the management company shall immediately notify the National Bank of Serbia thereof and, within three months of the occurrence of the said departure, bring the structure of voluntary pension fund assets in line with investment limitations.

Along with the notification referred to in paragraph 2 hereof, the management company shall submit to the National Bank of Serbia the activity plan defining the methods and dates of alignment with investment limitations, in compliance with the principles of investment of voluntary pension fund assets prescribed under this Law.

At the request of the management company, and in order to protect the interests of voluntary pension fund members, the National Bank of Serbia may extend the term referred to in paragraph 2 hereof by rendering a resolution – the term may not exceed one year from the date of departure from investment limitations.

Should the departure from investment limitations occur in cases other than those envisaged by paragraph 2 hereof, the National Bank of Serbia shall take supervision measures in conformity with this Law immediately upon learning of such departure.

Name of voluntary pension fund

Article 35

A voluntary pension fund shall have a name.

The name of the voluntary pension fund must contain the words “voluntary pension fund”, or the abbreviation ‘v.p.f.’ or ‘vpf’.

A legal entity and entrepreneur may not use the term “voluntary pension fund” nor a derivative thereof in their business name or name, or in the name of its product or service, unless they use such terms pursuant to this Law.

Management of several funds and the register of funds

Article 36

A management company which intends to organise and manage several voluntary pension funds shall submit to the National Bank of Serbia an application for the fund management licence for each

fund separately, along with which it shall also submit the documentation referred to in Article 10, paragraph 2 hereof.

The National Bank of Serbia shall issue the fund management licence within 45 days from the day of submission of the application.

Issue of licenses and register maintenance

Article 37

The National Bank of Serbia shall issue a fund management licence as specified in Article 12, paragraph 2 hereof.

The National Bank of Serbia shall maintain a register of voluntary pension funds.

Prospectus of voluntary pension fund

Article 38

The voluntary pension fund shall have a prospectus and summary prospectus.

The summary prospectus shall be used exclusively for the purpose of advertising the voluntary pension fund, and its contents must comply in all respects with the contents of the prospectus.

The prospectus must contain information based on which interested parties can get a clear picture of the fund and make an informed decision.

The management company shall enable access to the prospectus to each interested party on request.

The management company shall submit the prospectus and the summary prospectus of the voluntary pension fund to the National Bank of Serbia for approval, by 31 March of the current year, with data as of 31 December for the preceding year.

Should any significant changes occur, the management company shall submit the amended prospectus and summary prospectus of the voluntary pension fund to the National Bank of Serbia for approval, within eight days from the occurrence of such circumstances.

Within the meaning of this Article, substantial changes are changes due to which the data in the prospectus, and/or summary prospectus significantly depart from the actual state, and which include in particular the changes of the rules of operations and the tariff code, changes in the value and structure of voluntary pension fund assets, as well as other changes that have a significant impact on the member's accurate understanding of the fund and on his/her rendering of an informed decision on membership.

Within 15 days from the day of obtaining the approval, the management company shall publish the summary prospectus on its website and in at least one daily newspaper distributed in the entire territory of the Republic with the circulation of at least 100,000 copies.

Prospectus content

Article 39

The prospectus of the voluntary pension fund shall contain:

- 1) data on the voluntary pension fund;
- 2) data on the management company;
- 3) business name and head office of the custody bank;
- 4) date of issue of the prospectus;

Data on the voluntary pension fund are:

- 1) fund's name and date of establishment;
- 2) investment policy and principal risks related thereto;
- 3) minimum amount of pension contributions;
- 4) tax treatment of the voluntary pension fund and fund members – tax rates and bases, and the method of their calculation;
- 5) net value of fund assets;
- 6) structure of voluntary pension fund assets, as follows:
 - (1) percentage share of securities by type of securities, name and head office of the issuer, and name and head office of the organised market in which such securities are traded, when such securities constitute over 1% of the total value of fund assets,
 - (2) percentage share of money deposits by name and head office of the financial organisation where funds are deposited, when the deposits in such organisations constitute over 1% of the total value of fund assets,
 - (3) percentage share of real estate by type and location of such real estate,
- 7) net return of the fund pursuant to Article 48 hereof;

8) data on the level of fees and expenses, in accordance with the tariff code:

(1) fee at the time of payment of pension contribution,

(2) fund management fee,

(3) expenses incurred in the preceding year and paid from fund assets expressed as a percentage of fund assets,

9) grounds for termination of the contract of membership, and rights and obligations of the management company and voluntary pension fund members in the event of termination of the contract of membership;

10) time, place and manner of payment of pension contributions;

11) time and place of publishing data on the value of investment units and the method of calculating such units;

12) dynamics and method of calculating scheduled payments.

Data on the management company shall contain:

1) business name and head office of the management company;

2) name and authorisations of members of the management company's management;

3) business name and head office, or names and addresses of shareholders holding 10% or more stake in capital of the management company;

4) level of capital of the management company;

5) list and type of all voluntary pension funds under its management, if the management company manages several funds;

6) business name and head office of the audit firm which conducts external audit of financial statements of the management company and the fund;

7) time and place of access to general acts and financial statements of the management company.

The data referred to in paragraph 2, indents 5) – 7) hereof shall be presented as at the date of submission of the prospectus for approval of the National Bank of Serbia or as at the end of the month preceding the date of submission of the prospectus, and/or in the case referred to in Article 38, paragraph 5 hereof – as at 31 December of the preceding year.

At the time of organisation of a voluntary pension fund, the prospectus shall not contain the data referred to in paragraph 2, indents 5) – 7) hereof.

The National Bank of Serbia shall prescribe detailed content and the standardised format of the prospectus and summary prospectus.

Membership of voluntary pension fund

Article 40

A domestic and a foreign natural person may be a member of one or several voluntary pension funds.

At the time of joining the fund, the person shall sign the statement acknowledging its full understanding of the prospectus and the fees being charged.

When one and the same person is a member of several pension funds, it shall conclude a special contract of membership with each of those voluntary pension funds.

If a member of the voluntary pension fund stops paying contributions, it shall remain a member of the fund.

Contributor

Article 41

Pension contribution shall be paid to the voluntary pension fund by:

- 1) a natural person, or another natural or legal person for the account of a natural person;
- 2) the organiser, in its name and for the account of the employee, or trade union member, subject to the pension scheme;
- 3) the employer, in the name and for the account of the employee, subject to the contract of membership concluded between the voluntary pension fund member and the management company.

Contract of membership

Article 42

A person may become a voluntary pension fund member by concluding a contract of membership, whereby the management company undertakes to invest, for the account of the voluntary pension fund member, funds collected from pension contributions to the voluntary pension fund and to enable withdrawals from pooled funds, in conformity herewith, whereas the voluntary pension fund member undertakes to pay the pension contribution and fees to the management company and to bear other costs.

The contract of membership shall be concluded in a standardised written form, containing at least:

- 1) name or business name of the contributor;
- 2) minimum amount of pension contribution;
- 3) date of membership.

The National Bank of Serbia shall prescribe detailed content and standardised format of the contract of membership.

Relationship between management company and its clients

Article 42a

Within the meaning of this Law, a client of the management company is a person who uses or has used the management company's services or a person who has contacted the management company for the purpose of using its services and who has been identified as such by the management company.

A client of a management company shall be entitled to access all information and services that must be made available to him/her under the law, and the management company shall ensure such access upon client's request.

The National Bank of Serbia shall prescribe detailed conditions and the manner of exercising the rights referred to in paragraph 2 hereof.

Complaints

Article 42b

If a member of a voluntary pension fund, and/or contributor referred to in Article 41 hereof deems that the management company does not meet the obligations under the contract, it may file a complaint with the competent body within the management company.

The management company shall respond to the complainant within 30 days from the receipt of the complaint at the latest.

The person referred to in paragraph 1 hereof may also file a complaint with the National Bank of Serbia if it does not receive a satisfactory response within the term referred to in paragraph 2 hereof.

The National Bank of Serbia shall take into consideration the complaint referred to in paragraph 3 hereof, mediate in order to prevent a dispute between the complainant and the management company, and shall protect the rights and interests of those persons.

The National Bank of Serbia shall prescribe the manner of protecting the rights and interests of persons referred to in paragraph 1 hereof.

Individual account of fund member

Article 43

The management company shall maintain individual accounts of fund members.

Individual accounts shall contain at least the following data:

- 1) name and surname of a voluntary pension fund member;
- 2) number of investment units owned by a voluntary pension fund member;
- 3) records of pension contribution payments and scheduled payments.

The procedure for opening and maintaining individual accounts, and the manner of issuing statements from such accounts, maintaining records of fund members' investments units, and disclosing data from such records, shall be regulated in more detail by the National Bank of Serbia.

Transfer of funds from individual account

Article 44

A voluntary pension fund member intending to transfer funds from an individual account to another fund shall submit the application to transfer such funds to the company managing the voluntary pension fund that such person is a member of (hereinafter: present voluntary pension fund).

Within 15 days of the receipt of the application referred to in paragraph 1 hereof, the management company shall:

- 1) transfer total funds, and/or the specified portion of funds from the individual account in compliance with that application, provided the same company organises and manages both the present and the newly chosen voluntary pension fund;
- 2) enter into a contract with another management company on the transfer of the total amount of funds, and/or the specified portion of funds from his/her individual account.

At the time of transfer of funds from the individual account, the fund member shall terminate the contract of membership in the present voluntary pension fund and shall conclude the contract of membership in another voluntary pension fund, unless only a portion of funds is transferred.

Fund transfers from the account of a voluntary pension fund member may not be performed in favour of a third party, except in the case referred to in Article 62, paragraph 8 hereof.

The National Bank of Serbia shall regulate in more detail the manner of fund transfers from the individual account with the present voluntary pension fund to another voluntary pension fund.

**Obligations of management company
at the time of transfer of funds from individual account**

Article 45

The company managing a present voluntary pension fund shall:

1) prior to the conclusion of the contract referred to in Article 44, paragraph 2, indent 2) hereof, submit to the company managing another voluntary pension fund:

- draft contract on fund transfers from the individual account,
- report on assets of the present voluntary pension fund member subject to transfer,

2) submit to the custody bank the order for fund transfer from the individual account within eight days from the day of conclusion of the contract referred to in Article 44, paragraph 2, indent 2) hereof.

Net asset value of voluntary pension fund

Article 46

The value of voluntary pension fund assets shall consist of the sum of values of securities in the fund's portfolio, real estate in fund's ownership and money deposits held by the fund in banks, balances deposited in accounts with the custody bank, as well as the fund's receivables.

The value of fund assets shall be calculated under the market value method.

The fund net asset value shall represent the value of assets less the value of liabilities.

The management company shall calculate the fund net asset value on a daily basis, and submit the data thereon to the custody bank with which the account of the voluntary pension fund is maintained.

The custody bank shall control and verify the calculation of the net asset value of the fund, and submit data thereon to the National Bank of Serbia.

The manner and frequency of calculating the market value by categories of assets, and of calculating the fund net asset value, shall be prescribed by the National Bank of Serbia, in compliance with international standards.

Investment units

Article 47

The total value of all investment units of a voluntary pension fund shall be equal to the fund's net asset value.

Paid pension contributions shall be converted into investment units on the date of payment and recorded in individual accounts of voluntary pension fund members.

Investment units may be dividable.

The uniform initial value of the investment unit for all funds shall be set by the National Bank of Serbia.

Unit holders shall be entitled to:

- 1) withdraw and use pooled funds;
- 2) obtain a pro rata share of the return from investment;
- 3) obtain a pro rata share of assets of the voluntary pension fund in the event of fund dissolution;
- 4) exercise other rights in conformity with this Law.

The holder of an investment unit shall have no voting right in that respect.

The investment unit shall be recorded in the individual account of the voluntary pension fund member in the form of an electronic entry in the information system of the management company.

At least once a week, the management company shall publish the value of investment units calculated for each day in the preceding period, in a daily newspaper distributed in the entire territory of the Republic with the circulation of at least 100,000 copies, and each day on the internet page of the management company or the voluntary pension fund.

Return of voluntary pension fund

Article 48

Management companies shall publish the return of the voluntary pension fund four times a year, at the end of each quarter.

The return shall be calculated for the past 12 months immediately preceding the day of publication, or cumulatively for the period of five years and since the start of operations.

The return shall be calculated as net return, or after the deduction of fees and costs.

Notwithstanding paragraph 1 hereof, the return on investment during the entire first year of operation of voluntary pension funds shall not be published.

The return shall be published in at least one daily newspaper distributed in the entire territory of the Republic with the circulation of at least 100,000 copies, and on the website of the management company or the voluntary pension fund.

The National Bank of Serbia shall prescribe the manner of calculating the return of the voluntary pension fund, including the rounding principles.

Marketing of voluntary pension funds

Article 49

The management company may offer no benefits for the purpose of concluding the contract of membership in the voluntary pension fund.

The benefits referred to in paragraph 1 hereof do not include benefits that the management company offers by renouncing a part or entire sum of the revenues it earns, or to which it is entitled.

The management company may not offer benefits to the employer or the employer's related party aiming to encourage employees to join a particular pension scheme.

The management company may not offer benefits to the trade union or another form of organisation of employees aiming to encourage their members to join a particular fund.

Article 50

The management company may only advertise the voluntary pension fund that it manages and invite members of the public to join the fund, after being granted the approval of the National Bank of Serbia to the text of such advertisement, or public invitation.

The text of the advertisement, or public invitation, must not contain incorrect information, or information that may create a misleading idea of the terms of investment and operations of the voluntary pension fund.

Along with the application for approval referred to in paragraph 1 hereof, a copy of the material to be published shall also be enclosed.

Within eight days from the receipt of the application at the latest, the National Bank of Serbia shall render a resolution granting approval of publication of the advertisement, or public invitation, if it ascertains that conditions stipulated by law have been met. If the National Bank of Serbia fails to issue its approval within the specified time period, the approval shall be considered to have been granted.

Comparative advertising shall be allowed only if it is concrete, objective, true and complete.

When making comparisons with other funds, the management company must give a clear picture of the fund which it is advertising and of other voluntary pension funds.

The National Bank of Serbia shall regulate in more detail the advertising of voluntary pension funds and the standard text of an advertisement.

Intermediaries

Article 51

The management company may provide information on membership in the voluntary pension fund, perform other activities whereby interested parties are informed of operations of the voluntary pension fund, and distribute prospectuses, directly or through intermediaries.

The types of financial institutions that may act as intermediaries shall be determined by the National Bank of Serbia.

The management company and its intermediaries may, based on a special contract, engage natural persons holding a licence for the performance of the activities referred to in paragraph 1 hereof, which is issued by the National Bank of Serbia.

The persons referred to in paragraph 3 hereof may not receive money payments for the purpose of purchasing investment units.

The responsibility for any procedures and damage incurred by intermediaries and natural persons in the course of rendering these services shall be borne by such intermediaries and natural persons, as well as by the management company.

The National Bank of Serbia shall maintain the records of intermediaries and natural persons, regulate the manner of keeping such records, and regulate in more detail the conditions for the issuance of licenses.

Notification of voluntary pension fund members

Article 52

Once a year, by 31 March of the current year for the preceding year at the latest, the management company shall send to each voluntary pension fund member a notification, with balance as of the last day of the preceding year, on:

1) dates and amounts of pension contribution payments;

- 2) number of investment units owned by the member and their individual value at the time of the pension contribution payment;
- 3) fees for services paid from the account of the voluntary pension fund member;
- 4) value of assets of the voluntary pension fund.

The management company shall submit the notification referred to in paragraph 1 hereof to the voluntary pension fund member at his/her request, within three days from the day of application submission.

Transfer of voluntary pension fund management rights

Article 52a

The management company may transfer its right to manage a voluntary pension fund to another management company, by way of a contract, with the prior approval of the National Bank of Serbia.

Within 15 days of obtaining the approval, the management company to which the management right referred to in paragraph 1 hereof is transferred shall submit to the National Bank of Serbia the application for a licence for voluntary pension fund management, accompanied by the documentation referred to in Article 10, paragraph 2 hereof, in accordance with the regulation of the National Bank of Serbia.

The National Bank of Serbia shall issue to the management company referred to in paragraph 2 hereof the licence for voluntary pension fund management, within 30 days of the date of submission of the application for a licence.

Concurrently with issuing the licence referred to in paragraph 3 hereof, the National Bank of Serbia shall revoke the licence of the management company transferring the right to voluntary pension fund management to manage that fund, and/or the operating licence if such management company does not manage any other voluntary pension fund, in which case such company shall initiate voluntary liquidation proceedings within the meaning of Article 53 hereof.

The transfer of voluntary pension fund management rights shall not be subject to approval of members of that fund, pension scheme organisers and payment contributors.

On the date of issue of the license referred to in paragraph 3 hereof – voluntary pension fund management rights shall be transferred to the management company in possession of such license.

Within eight days of the date of receipt of the resolution on issuing the licence referred to in paragraph 3 hereof, the management company to which the right to manage the voluntary pension fund of another management company has been transferred, shall inform the members of such fund about their right to transfer their accounts to the fund managed by another management company in case they do not wish to remain members of this fund – within 60 days of the receipt of such

notification, while the costs of such transfer shall be borne by the management company to which this right is transferred.

On the date of rendering the resolution on issuing the licence referred to in paragraph 3 hereof, the management company gaining such licence shall become a contracting party in contracts of membership in the fund and/or pension scheme assigned to it under the transfer of voluntary pension fund management right and shall assume all rights and obligations under those contracts.

The National Bank of Serbia shall regulate in more detail the procedure of transferring management rights referred to in this Article.

Cessation of management company's operations

Article 53

In case the operating licence is revoked from the management company, the liquidation or bankruptcy proceedings shall be initiated in respect of that company.

The proceedings referred to in paragraph 1 hereof shall be subject to the provisions of the law governing the liquidation and bankruptcy of companies, unless prescribed otherwise herein.

The management company may initiate voluntary liquidation proceedings only if it has previously transferred its voluntary pension fund management rights to another management company in accordance with Article 52a hereof.

The National Bank of Serbia shall prescribe in more detail the procedure of cessation of the management company's operations referred to in this Article.

In case the operating licence is revoked to the management company, the management company shall cease to manage the voluntary pension fund, while the custody bank shall perform only urgent operations relating to the management, and/or such operations whose non-performance would result in the damage to the fund.

Public invitation

Article 54

As of the day of cessation of management by the management company, within the meaning of Article 53 hereof, the National Bank of Serbia shall issue a public invitation to the operating management companies to tender, within 15 days, for the management and/or acquisition of the voluntary pension fund.

Within 30 days from the expiry of the timeframe referred to in paragraph 1 hereof, the National Bank of Serbia shall render a resolution on the most favourable bid for the management company.

The National Bank of Serbia shall prescribe in more detail the conditions and manner of choosing the most favourable bid of the management company.

Unsuccessful public invitation

Article 55

If no management company submits a bid to the public invitation, the National Bank of Serbia shall notify voluntary pension fund members and submit the authorisation to the custody bank to cash in the fund assets and to transfer fund members' accounts to another voluntary pension fund.

Within six months from the day of receipt of the authorisation, the custody bank shall cash in the fund assets in the best interest of fund members.

Within 30 days from the day of receipt of the notification referred to in paragraph 1 hereof, voluntary pension fund members shall select another voluntary pension fund and notify the custody bank of their choice.

The costs of activities relating to management, and cashing in of fund assets and the transfer of accounts referred to in paragraph 1 hereof shall be borne by the management company, and if that is not possible, these costs shall be settled from assets of the voluntary pension fund being dissolved.

The National Bank of Serbia may regulate in more detail the procedure of dissolution of the voluntary pension fund.

Responsibilities of custody bank

Article 56

The custody bank shall submit to the National Bank of Serbia the report on cashing in of fund assets, and on the transfer of accounts within the meaning of Article 55, paragraphs 1 and 2 hereof.

Based on the report referred to in paragraph 1 hereof, the National Bank of Serbia shall remove the fund from the register of voluntary pension funds.

The custody bank shall keep the books of accounts and the documentation of the dissolved voluntary pension fund for at least five years, in conformity with regulations governing archival material.

IV. PENSION SCHEMES

Article 57

An employer, association of employers, professional association and trade union may organise a pension scheme and conclude a contract with the management company whereby the organiser

undertakes to make pension contribution payments for the account of its employees, or trade union members (hereinafter: scheme member) and pay to the management company a fee for services, whereas the management company shall undertake to invest the funds pooled and enable scheme members to withdraw and use such pooled funds.

An employer may organise a pension scheme for its employees only.

The organiser of a pension scheme may not be a related party of the management company.

An employer, association of employers, professional association and trade union may organise a pension scheme and enter into contract with several management companies provided they have assured to their employees, and/or members the right to choose from among several voluntary pension funds managed by management companies with which pension scheme contracts have been concluded.

Several organisers may organise or join the same pension scheme.

The terms and procedure for organisation and functioning of pension schemes shall be prescribed by the minister in charge of labour and pension insurance.

The organiser shall deliver a copy of the contract referred to in paragraph 2 hereof to the ministry in charge of labour and pension insurance, for the purpose of appraisal of the fulfilment of conditions, issuance of approval and recording.

Article 58

The contract of pension scheme shall be concluded in writing and shall contain at least the following:

- 1) business name of the management company;
- 2) date in the current month by which the employer pays the pension contribution for the preceding month;
- 3) amount of pension contribution by the scheme member, expressed nominally or as a percentage;
- 4) name, surname, address and unique identification number of scheme members;
- 5) date and place of concluding the contract and signatures of contracting parties.

When entering into the contract of pension scheme, the management company shall verify the identity of pension scheme members.

Article 59

The employer shall submit the notification of termination of employment of a pension scheme member to the management company.

Article 60

A pension scheme member whose employment with the employer is terminated may remain the member of the same voluntary pension fund or transfer its account in conformity with Article 44 hereof.

Article 61

The pension scheme organiser shall ensure equitable conditions of membership in the pension scheme for its employees.

The pension scheme organiser may, together with members of that scheme, pay contributions to the voluntary pension fund for the members' account.

Pension contribution for the pension scheme may not be deducted from wages without employees' approval.

Membership in a pension scheme may not be the requirement for employment or membership in a trade union and other forms of organisation of employees.

V. WITHDRAWAL AND USE OF POOLED FUNDS

Article 62

A member of a voluntary pension fund, and/or pension scheme shall be entitled to withdraw and use pooled pension funds upon turning 58 years of age.

Pooled funds may be withdrawn as a lump-sum payment, scheduled payment, used for a purchase of annuities, or in a combination thereof.

A voluntary pension fund member may withdraw at most 30% of pooled funds as a lump-sum payment referred to in paragraph 2 hereof.

Scheduled payments shall be effected subject to the contract concluded between a fund member and the management company in a standardised format prescribed by the National Bank of Serbia.

By withdrawing and using pooled funds for the purchase of annuities, the voluntary pension fund shall, at the order and for the account of the fund member, transfer the funds to an insurance company and purchase annuity.

The employer as a payment contributor shall not be required to pay pension contributions for a fund member who has withdrawn the pooled funds in total or in part, other than in cases referred to in paragraph 9 hereof.

In the event of death of a voluntary pension fund member, the balance in his/her account shall be transferred to such person as the fund member previously designated, and if the fund member did not designate such person, or such person is unknown or non-existent, action shall proceed in conformity with the law governing probate matters.

Provisions of the law governing life insurance in favour of third parties shall apply to the exercise of right to funds transfer of the person previously designated by a voluntary pension fund member.

The right to withdraw and use pooled funds may be exercised prior to the fulfilment of conditions referred to in paragraph 1 hereof in case of permanent work incapacity in accordance with the report of the expert body of the Republic Fund for Pension and Disability Insurance.

More detailed requirements for the exercise of the right to use and withdraw pooled funds in cases referred to in paragraph 9 hereof shall be prescribed by the minister in charge of labour and pension insurance.

A fund member must start to use and withdraw pooled funds at the age of 70 at the latest.

VI. CUSTODY BANK

Contract with custody bank

Article 63

Within eight days following the receipt of the resolution on entry in the business entities register, and/or the licence to organise and manage a voluntary pension fund, the management company shall conclude a contract with the custody bank on the provision of custody services, separately for each fund that it manages.

Based on the contract referred to in paragraph 1 hereof, the custody bank shall undertake to open and maintain the account of the voluntary pension fund and perform activities in conformity with Article 64 hereof, whereas the management company shall undertake to pay a fee to the custody bank.

Custody services for a fund shall be provided by one and the same custody bank.

The custody bank may perform activities for several voluntary pension funds.

The custody bank may not be a related party of the management company.

The management company shall submit to the National Bank of Serbia a copy of the signed contract referred to in paragraph 1 hereof, and copies of any amendments and supplements thereto.

The National Bank of Serbia may prescribe maximum fees charged for the provision of custody services.

Custody bank services

Article 64

The custody bank shall provide the following custody services:

- 1) open and maintain accounts of securities constituting assets of the voluntary pension fund in the Central Securities Depository in its name and for the account of voluntary pension fund members (collective custody account);
- 2) open a monetary account of the voluntary pension fund, collect pension contributions, transfer any funds constituting fund assets to money deposits, and effect payments of pooled funds to each voluntary pension fund member;
- 3) notify the management company of corporate actions that need to be taken in respect of fund assets;
- 4) execute orders of the management company for the purchase and sale of assets if these are not contrary to the law and the fund's prospectus;
- 5) control, confirm and report to the National Bank of Serbia on a daily basis on the net asset value of the voluntary pension fund and the value of the investment unit, calculated by the management company, and submit to it, upon its request, other data in respect of fund assets;
- 6) control the returns of the voluntary pension fund, as calculated by the management company;
- 7) notify the National Bank of Serbia of any irregularities established in operations of the management company immediately after detecting such irregularities;
- 8) notify the management company of executed orders and other activities taken in respect of fund assets;
- 9) submit to the National Bank of Serbia and other competent authorities, in the name of the fund, reports against the management company for any damage incurred to the fund;
- 10) perform other activities it is authorised to perform based on the contract with the management company, which are in conformity with this Law and the law governing the securities market.

The National Bank of Serbia shall regulate in more detail the frequency, manner and the standard form of reporting by the custody bank, as well as the manner of reconciliation of possible differences between the calculated net asset value of the voluntary pension fund and the value of the investment unit calculated by the management company and the custody bank referred to in paragraph 1, indent 5) hereof, or the returns calculated by the management company and custody bank referred to in paragraph 1, indent 6) hereof.

Termination of contract with custody bank

Article 65

The party intending to terminate the contract referred to in Article 63, paragraph 1 hereof shall notify the other contracting party thereof at least 30 days prior to contract termination.

The contract shall be deemed terminated as of the moment of conclusion of the contract with a new custody bank.

The custody bank shall notify the National Bank of Serbia of contract termination and the reasons for such termination.

Within eight days of the termination of the contract referred to in paragraph 2 hereof, the custody bank shall deliver all documentation and archival evidence to the new custody bank, and shall transfer all fund assets to the new custody bank.

Article 66

In the event of institution of bankruptcy proceedings in respect of the custody bank, the management company shall immediately terminate the contract and notify the National Bank of Serbia of the contract concluded with another custody bank.

Within eight days of termination of the contract referred to in paragraph 1 hereof, the custody bank shall deliver all documentation and archival evidence to the new custody bank, and shall transfer all fund assets to the new custody bank.

If the management company fails to act in conformity with paragraph 1 hereof, the National Bank of Serbia shall render a resolution appointing another custody bank.

The National Bank of Serbia may propose to the management company to choose another custody bank, if operations of such custody bank pose a significant threat to the interests of voluntary pension fund members.

VII. SUPERVISION

Competence of the National Bank of Serbia

Article 67

The National Bank of Serbia shall supervise implementation of this Law, enact, within its scope of competence, secondary legislation for the purpose of implementation of this Law, and maintain a register of voluntary pension funds.

Supervision

Article 68

The National Bank of Serbia shall conduct supervision:

- 1) off-site, through the collection, monitoring and inspection of reports and notifications submitted to the National Bank of Serbia in conformity herewith;
- 2) on-site.

If, in the conduct of its function, the National Bank of Serbia determines that there are legal entities that perform the activity of the management company or operate as voluntary pension funds, and which have no licence or registration subject hereto, it may prohibit their work and take other measures, subject to law.

An authorised person in the National Bank of Serbia may in the course of on-site supervision:

- 1) examine general acts, books of accounts, account statements and other documents of the management company and the custody bank and make copies of documents;
- 2) request information on certain issues of significance for operations of the management company and the custody bank.

While performing supervision, the National Bank of Serbia shall be entitled to inspect the books of accounts and other documentation of legal entities related to the management company subject to supervision, and may require from such persons to submit other data relevant for the performance of supervision.

Minutes of conducted supervision of operations of the management company shall be compiled.

Supervision measures

Article 69

If in the course of supervision of the management company and the custody bank, it establishes any illegalities and/or irregularities under this or other law pursuant to which the National Bank of Serbia is in charge of performing supervision, or identifies non-compliance with the risk management rule, the National Bank of Serbia shall take one or more measures, as follows:

- 1) issue a written warning notice;
- 2) issue the order to eliminate the identified irregularities;
- 3) withdraw the approval of appointment of a member of the management company's management;
- 4) revoke the operating licence of the management company.

The decision on the measures referred to in paragraph 1 hereof shall be rendered by the National Bank of Serbia based on the assessment of the degree of identified irregularities, and/or degree of jeopardising the interests of voluntary pension fund members, taking into account in particular:

- 1) financial position of the management company and the fund;
- 2) the degree of exposure of the management company and the fund to risks;
- 3) the number of determined irregularities and their interrelatedness;
- 4) duration and frequency of irregularities;
- 5) effects of irregularities on the interests of fund members and on the management company;
- 6) readiness and capacity of the management company's management to eliminate the irregularities identified;
- 7) the degree to which the management company jeopardises the uninterrupted functioning of the system of voluntary pension funds.

The National Bank of Serbia shall prescribe the manner of performing supervision, the procedure of issuing orders and taking of measures referred to in this Article, as well as time limits for the execution of orders and duration of measures.

Article 69a

Notwithstanding provisions of Article 68 hereof, if during the performance of on-site supervision or based on reports obtained by off-site supervision it has established that there have been serious

irregularities in the operation of the management company, and/or that its financial position or the financial position of the voluntary pension fund has deteriorated to a significant extent, as well as that there is a possibility of significant deterioration of their liquidity, and/or when it estimates that it is necessary for the purpose of protecting the assets of voluntary pension fund members – the National Bank of Serbia shall render a resolution on a temporary measure ordering the management company to take one or more activities referred to in Article 70a, paragraph 2, indents 11) – 15) hereof.

Pecuniary penalty

Article 69b

Irrespective of whether any other measure referred to in Article 69, paragraph 1 hereof has been taken, the National Bank of Serbia may render a resolution on a pecuniary penalty to the management company or a member of the management company's management, which shall not be less than 1‰ or more than 5% of the prescribed pecuniary portion of share capital of the management company, and/or shall not be less than one salary or more than the sum of 12 salaries that the member of the management company's management received during the period of 12 months before the resolution was rendered.

The pecuniary penalty referred to in paragraph 1 hereof shall be credited to the account of the National Bank of Serbia.

The resolution on the pecuniary penalty referred to in paragraph 1 hereof shall be deemed an enforceable document after being submitted to the person referred to in paragraph 1.

Written warning notice

Article 70

A written warning notice shall be sent to the management company if less significant irregularities are established, the nature of which is such that they do not affect significantly and directly the operations of the company, or of the fund that it manages.

The written warning notice may contain the order and the time period within which the management company is required to notify the National Bank of Serbia of the activities it has taken with a view to eliminating the irregularities referred to in paragraph 1 hereof.

Order to eliminate irregularities

Article 70a

The order to eliminate irregularities shall be sent to the management company in whose operations substantial irregularities have been identified, and/or non-compliance with risk management rules.

By the order referred to in paragraph 1 hereof, which is pronounced in the form of a resolution, the National Bank of Serbia shall order the management company to implement one or more activities within a certain period of time, as follows:

- 1) to ensure compliance of its operations with regulations;
- 2) to upgrade the risk management system, and/or the internal controls system;
- 3) to harmonise the investment of voluntary pension fund assets with regulations and its internal acts;
- 4) to improve its organisational and technical capacity;
- 5) to suspend profit distribution, deduction of capital or dividend payment to individual or all shareholders;
- 6) to suspend transactions with some shareholders, management members, supervisory board members, related parties or other legal entities;
- 7) to publish data relating to its operations or inform the fund's members of these data if that is in their interest;
- 8) to make transparent the structure of related parties;
- 9) to engage another external auditor;
- 10) to propose a new management member;
- 11) not to manage voluntary pension fund assets, and/or not to dispose of its assets without the prior approval of the National Bank of Serbia;
- 12) to temporarily suspend conclusion of new contracts of membership and/or pension schemes;
- 13) to temporarily suspend the collection of fees;
- 14) to suspend the implementation of the decision rendered by the management company's management or assembly without the approval of the National Bank of Serbia;
- 15) to suspend the receipt of new payments based on already concluded contracts;
- 16) to take, and/or suspend other activities in accordance with the regulation of the National Bank of Serbia governing the activities that the management company should take to eliminate the identified irregularities.

The order referred to in paragraph 1 hereof shall also determine the timeline in which the management company shall eliminate the irregularities identified and notify the National Bank of Serbia thereof, while the manner of elimination of such irregularities may also be established.

Revocation of management company's operating licence

Article 71

The National Bank of Serbia shall render the resolution on revocation of the management company's operating licence if:

- 1) the company does not manage the fund for the period of over six months;
- 2) the company's operating licence was issued based on false or incorrect data;
- 3) the company stops meeting the conditions prescribed for obtaining the operating licence;
- 4) the company fails to conclude the contract with the custody bank within the time period referred to in Article 63, paragraph 1 hereof for unjustified reasons;
- 5) the company commits grave violation of the provisions hereof, and the provisions of the law governing the securities market;

indents 6) and 7) (deleted)

The National Bank of Serbia may render the resolution referred to in paragraph 1 hereof:

- 1) if it has established illegalities, irregularities or non-compliance with risk management rules in operations of the management company, and if it has established that the further conduct of its operations would jeopardise the interests of voluntary pension fund members;
- 2) if the management company has not executed the order referred to in Article 69, paragraph 1, indent 2) hereof, and/or if it has not eliminated the reason for executing such order, while the non-elimination of such irregularities could gravely jeopardise the interests of voluntary pension fund members;
- 3) if the management company fails to meet the obligations prescribed under provisions of the law governing the prevention of money laundering and terrorism financing.

Upon rendering the resolution referred to in paragraphs 1 and 2 hereof, all issued licenses for voluntary pension fund management shall cease to be valid.

Article 71a

The National Bank of Serbia shall render a resolution on the issue, and/or revocation of a license, issue and/or revocation of approvals, measures pronounced during the performance of supervision and on other issues within its competence.

The resolution referred to in paragraph 1 hereof shall be rendered in writing.

The resolution referred to in paragraph 1 hereof shall be final and administrative proceedings may be initiated against it.

VIII. PENALTY PROVISIONS

1. Criminal offences

Publication of prospectus with false data

Article 72

Anyone who, with a view to misleading the public, publishes false data on the legal and financial position of the fund or its business opportunities, or other false facts relevant for making the investment decision, or fails to publish complete data on such facts in the prospectus, summary prospectus, annual and semi-annual report of the voluntary pension fund, shall be sentenced to up to three years in prison.

Anyone who, with a view to misleading the public, fails to publish the supplement to the prospectus or the report on important events that may significantly affect the decision on membership, shall be sentenced to up to three years in prison.

Unauthorised performance of management company's activities and unauthorised operations

Article 72a

A responsible person in a legal entity performing the activities of a management company or operating as a voluntary pension fund without being granted the operating licence and without being registered under the law shall be sentenced to up to three years in prison.

2. Economic offences of management company and other legal entities

Article 73

A management company or another legal entity shall be fined between RSD 500,000 and 3,000,000 for an economic offence if it:

- 1) uses the name “voluntary pension fund management company“ or another similar name in legal transactions, and does not hold the management company operating licence (Article 6 hereof);
- 2) fails to obtain the approval of the National Bank of Serbia for acquisition of a qualified stake in the management company (Article 14, paragraph 1 hereof);
- 3) fails to relieve of duty a management member although it knows or should know that such person no longer meets the requirements referred to in Article 15 hereof;
- 4) performs merger by acquisition without approval of the National Bank of Serbia (Article 20, paragraph 2 hereof);
- 5) calculates fees contrary to Article 23 hereof and thus seriously jeopardises the interests of voluntary pension fund members;
- 6) fails to store documentation and data in the prescribed manner (Article 27, paragraph 7, hereof);
- 7) invests assets of the voluntary pension fund contrary to provisions of Articles 31, 32 and 33 hereof and thus seriously jeopardises the interests of fund members;
- 8) uses the name “voluntary pension fund” or a derivative thereof contrary to Article 35 hereof;
- 9) starts managing the voluntary pension fund before being issued the fund management licence by the National Bank of Serbia (Article 36, paragraph 1 hereof);
- 10) fails to enable the supervision of legality of operations of the management company and voluntary pension fund by the National Bank of Serbia (Article 68 hereof).

For the actions referred to in paragraph 1 hereof, a responsible person in the management company, or another legal entity, shall also be fined between RSD 50,000 and 200,000 for an economic offence.

2a. Offences of legal entity – management company

Article 73a

A management company shall be fined between RSD 300,000 and 1,000,000 for an offence if it:

- 1) fails to compile and submit financial statements in accordance with Article 27, paragraphs 1 and 6 hereof;
- 2) fails to submit the prospectus, and/or summary prospectus of a voluntary pension fund within the prescribed timeline, for the purpose of obtaining the approval by the National Bank of Serbia (Article 38, paragraphs 5–7 hereof);

- 3) fails to transfer funds in accordance with Article 44, paragraph 2 and Article 45 hereof;
- 4) offers benefits contrary to Article 49 hereof;
- 5) publishes an announcement, and/or public invitation, or provides information contrary to Article 50, paragraphs 1, 2, 5 and 6 hereof;
- 6) engages natural persons not holding the licence of the National Bank of Serbia (Article 51, paragraph 3 hereof);
- 7) fails to deliver notifications to voluntary pension fund members in accordance with Article 52 hereof;
- 8) fails to execute the contract regarding the withdrawal and use of pooled funds through scheduled payments (Article 62, paragraphs 3 and 4 hereof);
- 9) enters into the contract of membership and/or pension scheme prior to entering into the contract with the custody bank on the maintenance of the voluntary pension fund's account referred to in Article 63, paragraph 1 hereof.

A responsible person within a management company shall also be fined between RSD 10,000 and 150,000 for the offence referred to in paragraph 1 hereof.

3. Offences of legal entity – custody bank

Article 74

A custody bank shall be fined between RSD 300,000 and 1,000,000 for an offence if it:

- 1) fails to notify the management company of corporate actions that need to be taken in respect of fund assets (Article 64, paragraph 1, indent 3) hereof);
- 2) fails to execute orders of the management company that are in conformity with the law and the fund's prospectus, or executes the orders of the management company for the purchase and sale of assets contrary to the law and the fund's prospectus (Article 64, paragraph 1, indent 4) hereof);
- 3) fails to control, confirm and report on a daily basis to the National Bank of Serbia on the net asset value of the voluntary pension fund and the value of investment units (Article 64, paragraph 1, indent 5) hereof);
- 4) fails to control the return of the voluntary pension fund (Article 64, paragraph 1, indent 6) hereof);
- 5) fails to notify the National Bank of Serbia of irregularities detected in the management company's operations immediately upon detection of such irregularities (Article 64, paragraph 1, indent 7) hereof);

6) fails to submit to the National Bank of Serbia and other competent authorities, in the name of the fund, reports against the management company for the damage incurred to the fund (Article 64, paragraph 1, indent 9) hereof);

7) fails to notify the National Bank of Serbia of termination of the contract and reasons for such termination (Article 65, paragraph 3 hereof).

A responsible person within a custody bank shall also be fined between RSD 10,000 and 150,000 for the offence referred to in paragraph 1 hereof.

4. Offences of pension scheme organiser

Article 75

A legal entity – pension scheme organiser shall be fined between RSD 300,000 and 1,000,000 for an offence if it fails to ensure equal conditions for membership in the pension scheme to its employees in accordance with the provision of Article 61, paragraph 1 hereof.

A natural person – pension scheme organiser – an entrepreneur shall be fined between RSD 10,000 and 500,000 for the offence referred to in paragraph 1 hereof.

The responsible person within the pension scheme organiser shall be fined between RSD 10,000 and 150,000 for the offence referred to in paragraph 1 hereof.

IX. TRANSITIONAL AND CLOSING PROVISIONS

Article 76

Insurance companies holding a licence to engage in voluntary pension insurance operations pursuant to the law governing insurance (hereinafter: voluntary pension insurance companies) shall harmonise their organisation and operations with the provisions hereof by 31 December 2006.

Harmonisation of operations means that voluntary pension insurance companies may:

- 1) re-register as voluntary pension fund management companies and organise a voluntary pension fund to which they shall transfer the funds pooled in respect of voluntary pension insurance in the course of their former operations;
- 2) establish management companies that shall organise a voluntary pension fund, and transfer the funds received in respect of voluntary pension insurance to such fund;
- 3) transfer the funds collected in respect of voluntary pension insurance to a voluntary pension fund.

Voluntary pension insurance companies may continue to conclude contracts of voluntary pension insurance based on the funds pooling principle as of the day of effect hereof until 31 March 2006.

As of 1 April 2006, voluntary pension insurance companies shall not be allowed to conclude voluntary pension insurance contracts based on the funds pooling principle.

From 1 April 2006 until the day of enactment of the law governing voluntary pension insurance, voluntary pension insurance companies shall only perform the activities of contracting different types of annuities and conclude contracts whereby rights in the event of disability are ensured.

By 1 July 2006, voluntary pension insurance companies shall notify the beneficiaries of their services of the manner in which they have chosen to harmonise their operations.

Beneficiaries of services referred to in paragraph 6 hereof that do not agree with the method of harmonisation of operations of a voluntary pension insurance company may request the termination of the contract and return of funds on terms under which the contract was concluded.

The National Bank of Serbia shall issue a regulation setting out the methodology for harmonising the operations of voluntary pension insurance companies with this Law.

Article 77

The annuities referred to in Article 76, paragraph 5 hereof may be:

- 1) life annuity, which provides periodical payments until the death of the annuitant;
- 2) term certain annuity, which provides periodical payments in a given period of time;
- 3) joint annuity, which provides periodical payments that, after the death of the annuitant, continue until the death of the other designated person, or legal heir.

The modalities of periodical payments, timelines for the start or end of payments, and similar issues, shall be defined by the contract.

Article 78

Regulations for the implementation of this Law shall be enacted by 31 March 2006.

Article 79

This Law shall enter into force on the eight day following its publication in the Official Gazette of the Republic of Serbia, and shall be implemented as of 1 April 2006, with the exception of the provision of Article 76, paragraph 3, which shall be implemented as of the day of entry into force of this Law.

***Separate articles of the Law on Amendments and Supplements to
the Law on Voluntary Pension Funds and Pension Schemes***

(RS Official Gazette, No 31/2011)

Article 60

Voluntary pension fund management companies which were issued operating and fund management licences by the National Bank of Serbia by the effective date hereof shall continue to operate based on such licences.

The procedures initiated in accordance with provisions of the Law on Voluntary Pension Funds and Pension Schemes (RS Official Gazette, No 85/05) and regulations adopted based on that Law, which did not end by the effective date hereof, shall be ended in accordance with provisions of the Law on Voluntary Pension Funds and Pension Schemes (RS Official Gazette, No 85/05) and regulations adopted based on it.

The proceedings related to an economic offence initiated by the effective date hereof shall be ended in accordance with the provisions of this Law, if that is more favourable for the offender.

Persons who concluded contracts of membership and/or persons for whom pension scheme contracts were concluded by the effective date hereof shall be entitled to withdraw and use the pooled funds upon turning 53 years of age and to withdraw funds as a lump-sum payment of up to 100% of pooled funds.

Article 61

The ministry in charge of labour and pension insurance shall align its secondary legislation with this Law within 30 days of its coming into effect.

Article 62

The National Bank of Serbia shall adopt and harmonise its secondary legislation with this Law within 90 days of its coming into effect.

Until the beginning of application of the National Bank of Serbia' act referred to in Article 17 hereof, the fee for the management company's services shall be charged:

- 1) upon the payment of pension contributions at the rate not exceeding 3% of the value of effected payments;
- 2) for managing the fund at the rate not exceeding 2% a year of the value of voluntary pension fund assets.

The National Bank of Serbia shall adopt the act referred to in Article 17 hereof immediately upon the fulfilment of conditions referred to in that Article regarding the total net value of assets of all voluntary pension funds relative to the latest published data on the estimated value of gross domestic product.

Article 63

Until the effective date of regulations referred to in Articles 61 and 62 hereof, the regulations adopted based on the Law on Voluntary Pension Funds and Pension Schemes (RS Official Gazette, No 85/05) shall apply, unless they are contrary to this Law.

Article 64

This Law shall enter into force on the eight day following its publication in the Official Gazette of the Republic of Serbia.