

**Law**  
**Governing the Relations between the Federal Republic of Yugoslavia and  
Legal Entities and Banks within the Territory of the Federal Republic of Yugoslavia  
Being the Original Debtors or Guarantors toward  
the Paris Club and London Club Creditors**

*(Published in the »FRY Official Gazette« No 36/2002; see: Decision of the Federal  
Constitutional Court IU No. 180/2002, 205/2002 and 256/2002 »FRY Official Gazette«  
No. 7/2003-30).*

**Article 1**

This Law shall govern the relations between the Federal Republic of Yugoslavia assuming and rescheduling or refinancing certain liabilities toward the Paris Club creditors, subject to this Law Ratifying the Agreed Minutes Regarding the Consolidation of Debt of the Federal Republic of Yugoslavia («FRY Official Gazette – International Agreements» No, 2/2002) (hereinafter referred to as the »Law«), and legal entities and banks within the territory of the Federal Republic of Yugoslavia being the original debtors or guarantors toward the Paris Club and London Club creditors.

The relations referred to in paragraph one hereof shall be governed for the purpose of reducing the existing liabilities of the Federal Republic of Yugoslavia toward the Paris Club and London Club creditors and/or facilitating the settlement of such liabilities.

**Article 2**

The liabilities arising from appropriated and non-appropriated debt toward the Paris Club and London Club creditors shall be assumed and rescheduled or refinanced by the Federal Republic of Yugoslavia acting as debtor, or settled by it in the manner provided by bilateral agreements with the Paris Club member countries and/or by the agreement with the London Club creditors.

The member Republics undertake to provide for adequate funding from their annual budgets to settle their respective portion of liabilities referred to in paragraph one hereof.

**Article 3**

Banks with the principal place of business within the Federal Republic of Yugoslavia being the original debtors or guarantors toward the Paris Club creditors, and/or banks being the original debtors toward the London Club creditors or their legal successors shall be released from liabilities toward the Paris Club and London Club creditors, and shall create liabilities toward the Federal Republic of Yugoslavia and/or each of the member Republics in the manner and under the terms and conditions provided by this Law.

Legal entities and/or their legal successors with the principal place of business within the Federal Republic of Yugoslavia being the original debtors toward the Paris Club

creditors shall be released from liabilities toward such creditors, and shall create liabilities toward the banks referred to in paragraph one hereof.

Domestic legal entities for whose account any agreements have been entered into or any liabilities guaranteed by banks with the principal place of business outside the territory of the Federal Republic of Yugoslavia and domestic legal entities with debts not secured by guarantees issued by banks within the territory of the Federal Republic of Yugoslavia shall provide irrevocable guarantees equal to the full amount of their debt including the accrued interest payable on first demand to the member Republic where such entity's principal place of business is located.

#### **Article 4**

The National Bank of Yugoslavia, acting as agent for the Federal Republic of Yugoslavia in the settlement of liabilities toward the Paris Club and London Club creditors, shall notify the banks referred to in Article 4, paragraph one of this Law of the amount of their liabilities toward the Federal Republic of Yugoslavia and order them in writing to pass a resolution on the issue of shares equal to the notified amount within 30 days after such order has been delivered.

The shares referred to in paragraph one hereof shall be ordinary voting shares of nominal value being at least 10,000 dinars.

Each share referred to in paragraph one hereof shall be entitled to one vote.

The shares referred to in paragraph one hereof shall be purchased from the banks referred to in Article 3, paragraph one of this Law by the Federal Republic of Yugoslavia whereby its claims toward such banks subject to Article 3 of this Law shall be converted to shares held in such banks.

The shareholdings referred to in paragraph four hereof shall be transferred free of consideration by the Federal Republic of Yugoslavia to the member Republics depending of the principal place of business of the respective original debtors.

No approval by the relevant federal authorities shall be required in respect of the issue and purchase of shares referred to in paragraphs one and four hereof, respectively.

The National Bank of Yugoslavia shall revoke operating licences of any banks failing to pass the resolution referred to in paragraph one and allow the purchase referred to in paragraph four hereof, and it shall institute the liquidation proceedings in respect of such banks subject to the federal law.

#### **Article 5**

The legal entities and/or their legal successors referred to in Article 3, paragraph two of this Law shall duly settle their liabilities under any loans toward the banks referred to in Article 3, paragraph 1 of this Law, and shall enter into the special agreements thereon.

The agreements referred to in paragraph one hereof shall be entered within 90 days after the banks referred to in the same paragraph have passed the resolution on the issue of shares subject to Article 4 of this Law.

### **Article 6**

Should any banks referred to in Article 3, paragraph one of this Law be subject to instituted or completed bankruptcy and/or liquidation proceedings, legal entities and/or their legal successors whose liabilities toward the Paris Club creditors have been guaranteed by such banks shall be released from liabilities toward such creditors and shall create liabilities toward each of the member republics, i.e. the Republic Ministries of Privatisation within the territory where such entity's principal place of business is located.

### **Article 7**

The Agency for Deposit Insurance, Rehabilitation, Bankruptcy and Liquidation of Banks (hereinafter referred to as the »Agency«) shall organise and follow up the purchase of shares referred to in Article 4 of this Law and, on behalf of the member Republics, it shall participate in managing the banks referred to in paragraph one thereof as the result of such shares.

### **Article 8**

For the purpose of adequate funds to be provided for the settlement of liabilities toward the London Club and Paris Club, the member Republics shall commence selling the shares in banks referred to in Article 4, paragraph four of this Law within six months after the day such shares have been transferred to them by the Federal Republic of Yugoslavia.

Subject to the purpose defined in Article 1, paragraph two of this Law, the shares referred to in paragraph one hereof may be sold to domestic entities and foreign legal entities.

The sale of shares referred to in paragraph one hereof shall be organised and followed up by the Agency.

Any proceeds generated by the sale of shares for the purpose referred to in paragraph one hereof shall be paid to the special account of the Federal Republic of Yugoslavia with the National Bank of Yugoslavia, in favour of sub-accounts of the member Republics depending on the member Republic where the principal place of business of banks whose shares have been sold is located.

The proceeds referred to in paragraph four hereof shall solely be used for repayment of liabilities of the Federal Republic of Yugoslavia toward the Paris Club creditors subject to the Law and/or for repayment of liabilities of the Federal Republic of Yugoslavia toward the London Club creditors subject to the agreement entered by and between the Federal Republic of Yugoslavia and the London Club creditors.

## **Article 9**

Any domestic legal entities that had prepaid their external liabilities in the Federal Republic of Yugoslavia before the day the Law became effective shall be released from such liabilities which shall be assumed by the member Republic where such entity's principal place of business is located.

## **Article 10**

This Law shall become effective as of the day following the date it was published in the »FRY Official Gazette«.