

**THE LAW ON THE SETTLEMENT OF THE PUBLIC
DEBT OF THE FEDERAL REPUBLIC OF
YUGOSLAVIA ARISING FROM THE CITIZENS'
FOREIGN EXCHANGE SAVINGS
(The Official Gazette of FRY No. 36/2002)**

I BASIC PROVISIONS

Article 1

This Law regulates conditions and a method of settlement of obligations after arising from citizens' foreign ex-change savings referred to in Article 2 of the Law on the Settlement of the Obligations Arising from Citizens' Foreign Exchange Savings ("The Official Gazette of FRY" Nos. 59/98, 44/99 and 53/2001) (hereinafter referred to as the Law). The said obligations have been transformed into time deposits with the authorized banks and represent the public debt of the Federal Republic of Yugoslavia in line with Article 4 of the Law.

Article 2

The public debt referred to in Article 1 of this Law amounts to 4.2 billion Euros and comprises:

- the balance of the citizens' foreign exchange savings as of March 31, 2002, calculated as difference between the balance of foreign exchange savings with authorized banks referred to in Article 2 of the Law as of December 31, 1997 and disbursements made until March 31, 2002 amounting to 3.2 billion Euros;
- the accrued interest calculated at the 2% interest rate p.a. and exchange rate differentials calculated for the period from January 1, 1998 until March 31, 2002 in the amount of 0.4 billion Euros;
- the interest calculated at an interest rate of 2% p.a. for the period from April 1, 2002 until the maturity dates as stipulated by this Law, in the amount of 0.6 billion Euros.

Article 3

The obligations of the Federal Republic of Yugoslavia arising from the public debt as determined applying the method referred to in Article 2 of this Law becomes, as from the date the Law takes effect, an obligation in the way of debts undertaken by the Republic of Serbia and the Republic of Montenegro, proportionally and to the level of the foreign exchange savings by the citizens having their domiciles on the territories of those republics.

II SCHEDULE FOR MEETING THE OBLIGATIONS DUE TO THE FOREIGN EXCHANGE SAVERS

Article 4

The obligations due to the foreign exchange savers shall be met according to the following schedule:

- in the course of 2002 – up to the level of 276.10 Euros,
- on May 31, 2003 – up to the level of 380 Euros,
- on May 31, 2004 – up to the level of 530 Euros.

The remaining amounts of the obligations to the foreign exchange savers shall be disbursed in twelve annual installments growing at a geometric progression ratio of 10% and becoming due on each May 31, in the period from the year 2005 to 2016 and calculated by multiplying the amount by the following coefficients:

- for the year 2005 – coefficient: 0.05425092,
- for the year 2006 – coefficient: 0.05967601,
- for the year 2007 – coefficient: 0.06564361,
- for the year 2008 – coefficient: 0.07220798,
- for the year 2009 – coefficient: 0.07942877,
- for the year 2010 – coefficient: 0.08737165,
- for the year 2011 – coefficient: 0.09610881,

- for the year 2012 – coefficient: 0.10571970,
- for the year 2013 – coefficient: 0.11629167,
- for the year 2014 – coefficient: 0.12792083,
- for the year 2015 – coefficient: 0.14071292,
- for the year 2016 – coefficient: 0.15478421.

A foreign exchange saver is entitled to an annual installment in the amount of at least 500 Euros if the annual installments referred to in Paragraph 2 of this article are less than that amount.

The right to repayment, in the sense of this article, also includes the interest calculated in advance at the rate of 2% p.a. for each individual foreign exchange savings deposit.

III METHOD OF SETTLING THE PUBLIC DEBT OF THE FEDERAL REPUBLIC OF YUGOSLAVIA - BONDS

Article 5

For purpose of a settlement of the public debt of the Federal Republic of Yugoslavia which was turned into the public debts of the Republic of Serbia and the Republic of Montenegro, the Republic of Serbia and the Republic of Montenegro shall, in compliance with the provisions of this Law, issue bonds denominated in Euros.

The bonds referred to in Paragraph 1 of this article are issued as zero-coupon bonds for each successive year, in a dematerialized form, and registered with the National Bank of Yugoslavia – the Clearing and Settlement Bureau – the Central Registry, Depository and Clearing of Securities (hereinafter referred to as the Central Registry).

The bonds referred to in Paragraph 1 of this article are registered bonds that are transferable and payable either in Euros or dinars – according to a holder's request.

The basic elements of the bonds, an amount of the issue, as well as the terms and conditions of distribution and collection of the bonds are prescribed by the governments of the Republic of Serbia and the Republic of Montenegro.

Article 6

The bonds referred to in Article 5 of this Law shall be issued to settle the obligations due to the foreign exchange savers, pursuant to Article 4 of that Law, except for obligations fulfilled up to a date of issue of the bonds referred to in Article 5 of this Law.

The obligations to the foreign exchange savers determined in line with Article 4 of this Law shall be settled on the date of issue of the bonds referred to in Paragraph 1 of this article – through conversion of the citizens' savings deposits into bonds.

Pursuant to Article 5, paragraph 4 of this Law the governments of the Republic of Serbia and the Republic of Montenegro shall determine the maturity dates of the bonds issued to settle the obligations falling due in 2002 and remaining unsettled up to the day of issue of the bonds as stated in that article.

Article 7

Value of the carried out conversion of the citizens' savings deposits into bonds is recorded in savings books and registered at the Central registry – on the securities account, and foreign exchange savers are handed certificates as evidence to that effect. On the basis of an account opened with the Central registry, the foreign exchange saver realizes his rights related to the bonds – disbursements according to the timetable in this Law, ownership transfer, trading and other rights.

The foreign exchange savings book as stated in Paragraph 1 of this article serves to the foreign exchange

saver as proof that his savings deposit has been converted into bonds.

Article 8

The authorized banks referred to in Article 2 of the Law, that due to the status changes have become legal successors of those banks, as well as the banks which in line with the regulations on rehabilitation, bankruptcy, and liquidation of banks took over the operations related to disbursement of the citizens' foreign exchange savings deposited with the authorized banks referred to in that article, which are subject to bankruptcy proceedings or liquidation procedures – shall be obliged on the date of issue of the bonds to recalculate the undisbursed citizens' foreign exchange savings deposits and convert the totals into Euros. Further on, the banks are obliged to determine the obligations towards the foreign exchange savers in the sense of Article 4 of this Law and carry out conversion of those deposits into the bonds applying the method prescribed in Article 6 of that Law.

Article

The conditions and method of carrying out conversion of the citizens' savings deposits into bonds in the sense of this Law, the method of maintaining bookkeeping records, as well as the method of registering the bonds at the Central registry are prescribed in detail by the National Bank of Yugoslavia.

Article 10

The trade in bonds issued in line with this Law is unlimited and tax-free, payment operations commission-free, capital gains tax-free, financial transactions tax-free and free from other taxes.

The domestic juridical persons and entrepreneurs, domestic natural persons and residents temporarily employed abroad, as well as the foreign natural persons and legal entities may buy and sell the bonds referred to in Article 5 of this Law in the foreign exchange stock market.

Article 11

Domestic legal entities and entrepreneurs, as well as foreign natural persons and legal entities may hold foreign exchange acquired through the sale of bonds in the sense of Article 10, paragraph 2 of this Law, on their foreign exchange accounts.

Foreign natural or juridical persons may freely transfer abroad the foreign exchange funds referred to in Paragraph 1 of this article, as well as foreign exchange acquired by way of collection of bonds on their maturities.

Article 12

The bonds as stated in Article 5 of this Law issued to settle the obligations to the foreign exchange savers in the sense of Article 6, paragraph 2 of this Law, may be used prior to their maturities for the following purposes:

- 1) purchase of company shares in the process of ownership transformation for purpose of sale of the social capital;
- 2) purchase of the shares of authorized banks;
- 3) purchase of apartments, residential buildings, business premises, lots and other state-owned property.

Closer terms and conditions regarding the use of bonds for the purposes referred to in Paragraph 1 of this article are determined by the property owners referred to in that Paragraph.

Article 13

In addition to the payments referred to in Article 12 of the Law, the bonds holder in article 5 of the Law may effect payments using these bonds prior to their maturities in order to settle the corporate tax, excise duties, property tax, tax on citizens' incomes and corporate tax.

Article 14

The original bonds holder referred to in Article 5 of this Law may also use those bonds prior to their maturities, for the purpose of settling of medical bills, purchase of medicines, covering of the funeral expenses, and other purposes – up to the level of real costs, on the conditions and up to the amounts prescribed by the respective republican government.

The original holder referred to in Paragraph 1 of this Article is considered to be the depositor of foreign exchange savings whose savings have been converted into bonds in the sense of Article 6, paragraph 2 of this Law.

IV SOURCES OF THE FUNDS FOR DISBURSEMENT OF BONDS

Article 15

The Republic of Serbia and the Republic of Montenegro observing the deadlines and amounts as prescribed by the Law shall provide sources intended for the disbursement funds related to the bonds in the sense of this Law.

The funds referred to in Paragraph 1 of this article shall be paid into a special account opened with the National Bank of Yugoslavia.

The closer purchase conditions regarding the foreign exchange funds intended for disbursement of bonds in Article 5 of this Law are determined by the National Bank of Yugoslavia.

Article 16

The authorized banks referred to in Article 2 of the Law and the banks that are legal successors of those banks which have been obliged to provide funds for settlement of the public debt of the Federal Republic of Yugoslavia in the sense of Articles 6 and 7 of the Law – shall be freed from that obligation and are placed under obligation towards the Republic of Serbia or the Republic of Montenegro.

The obligations of the banks referred to in Paragraph 1 of this article, at the level of 15 per cent of the public debt established in Article 2 of this Law are reduced by the amount that those banks had paid in until the day of effectiveness of decision on issue of the bonds in the sense of that Law, and by an amount of the non-compensated part of the claims by those banks on the Federal Republic of Yugoslavia and the member republics in accordance with Article 26 of the Law.

The method and conditions of settling the obligations of the Republic of Serbia i.e. the Republic of Montenegro towards the banks referred to in Paragraph 1 of this Article, on condition that the obligations of these banks as determined in Paragraph 2 of this Article do not exceed the claims by those banks, are prescribed by the governments of the Republic of Serbia and the Republic of Montenegro.

Article 17

For purpose of settling the obligations referred to in Article 16 of this Law, the banks in that article are obliged, within thirty days from a written order issued by the National Bank of Yugoslavia, to bring a decision on issuing shares in an amount announced in the order.

The shares referred to in Paragraph 1 of this article are ordinary voting shares the nominal value of which amounts to 10,000 dinars.

One share in Paragraph 1 of this article is brings one vote.

The Republic of Serbia and the Republic of Montenegro buy the shares as stated in Paragraph 1 of this article from the banks in that Paragraph – through conversion of the claims by those banks into the share capital whereby the balance sheet structure of these banks will be improved, their operating costs reduced and their capital increased.

No approval by the relevant federal authority is needed for the issue and purchase of shares referred to in this Article.

The bank failing to bring a decision on the issue of shares within the time limit set forward in Paragraph 1 of this Article shall have its operating license revoked by the National Bank of Yugoslavia. Procedures of its liquidation will be initiated in line with the federal regulations.

Article 18

The Agency for Deposit Insurance, Rehabilitation, Bankruptcy and Liquidation of Banks (hereinafter referred to as the Agency) shall organize and follow up purchases of shares referred to in Article 17 of this Law, and also take part in running the banks referred to in Article 16 of that Law, in the name of the Republic of Serbia and the Republic of Montenegro.

Article 19

The Republic of Serbia and the Republic of Montenegro are obliged, within a six months time at the latest as of the day that this Law takes effect, to start selling the shares as stated in Article 17 of that Law, to the domestic

privately-owned juridical persons and the non-resident juridical persons whereby the current corporate shareholders of the bank in question are entitled to priority purchase.

The Agency shall organize and follow up the sale of shares referred to in Paragraph 1 of this article.

Funds acquired through the sale of shares in the sense of Paragraph 1 of this article shall be paid to special accounts of the Republic of Serbia and the Republic of Montenegro held with the National Bank of Yugoslavia, the exclusive purpose of which shall be settlement of the obligations under this Law.

Article 20

Funds for settlement of the obligations of the banks referred to in Article 2 of the Law, in which bankruptcy proceedings or liquidation procedure have been initiated, until completion of such proceedings or procedure, shall be provided by the Republic of Serbia and the Republic of Montenegro – pro rata to obligations of those banks arising from the foreign exchange savings by citizens having their domiciles on the territories of those republics.

The competent body in charge of the proceedings or procedure as stated in Paragraph 1 of this Article, is obliged to transfer the funds acquired from bankrupted entity's estate or winding-up sale to the budget account of the republic that settling the obligation of the banks referred to in that Paragraph – up to a level of the banks' total obligations.

V SPECIAL PROVISIONS

Article 21

Citizens of the now independent states, but former member republics of the Socialist Federal Republic of Yugoslavia, who have deposited their foreign exchange savings referred to in Article 2 of the Law with the authorized banks located in the Federal Republic of Yugoslavia, as well as the citizens of the Federal Republic of Yugoslavia who have deposited such savings with the branch offices of the banks, referred to in the same Article, located on the territory of the former SFRY up to the point of secession – may exercise their right to the foreign exchange savings in the manner still to be agreed upon among the successor states of the SFRY.

Citizens temporarily employed abroad and foreign natural persons who have deposited their foreign exchange savings with the banks referred to in Article 2 of the Law may exercise their right to disbursement their savings in accordance with this Law.

The funds for disbursement of the foreign exchange savings in Paragraph 2 of this article are provided by the Republic of Serbia and the Republic of Montenegro – according to the location of seats of the banks with which those savings have been deposited.

Article 22

The amount of undisbursed foreign exchange savings, as prescribed by Article 4 of this Law, shall be increased by an amount of the so far undisbursed funds referred to in Article 10 of the Law for 2000, 2001 and 2002, and reduced by an amount of the distributed bonds of the series A for the period as from 2002 until 2004. Likewise, the annual disbursement of funds, as determined in the sense of Article 4, paragraph 3 of this Law, shall be reduced by the amount of distributed series B bonds

issued in line with the Decision on Issue of Bonds of the Federal Republic of Yugoslavia for Settlement of the Obligations Arising from Foreign Exchange Savings of Citizens ("The Official Gazette of FRY" Nos. 4/2001, 6/2001, and 27/2001) (hereinafter referred to as the Decision).

Article 23

The right to A and B series bonds issued in line with the Decision and distributed to the foreign exchange savers prior to the date of bringing the decision on a bonds issue in the sense of this Law, is realized according to the Decision.

Holders of the B series bonds may substitute the bonds in their possession for the new bonds issued in the sense of this Law.

Article 24

Domestic juridical persons, entrepreneurs, natural persons, citizens temporarily employed abroad may take out of or into this country the A and B series bonds issued in line with the Decision and distributed to the savers prior to the day of bringing of the Decision on the issue of bonds in the sense of this Law, in line with the conditions and in the manner prescribed by the National Bank of Yugoslavia.

Article 25

The A and B series bonds issued in line with the Decision shall be distributed until the date of bringing of the decision on the issue of bonds in the sense of this Law.

The authorized banks referred to in Article 8 of this Law are obliged to return to the National Bank of Yugoslavia, the bonds referred to in Paragraph 1 of this article, if remained undistributed within five days time at the latest

as from the day of bringing the decision on a bonds issue in the sense of this Law.

VI PENALTY PROVISIONS

Article 26

The economic offence incurred by a bank referred to in Article 8 of this Law shall be punishable with pecuniary penalty ranging from from 900,000 to 3,000,000 dinars:

- 1) failure to carry out conversion of the citizens' savings deposits into bonds (Article 6, paragraph 2) on the day of a bonds issue as determined in Article 5 of this Law;
- 2) failure to record a value of the carried out conversion of the citizens' savings deposits into bonds in their savings books, also to register the value of bonds with the Central registry, and to distribute the certificates to foreign exchange savers (Article 7, paragraph 1);
- 3) failure to calculate the citizens' foreign exchange savings deposits in Euros and state those in Euros on the day of the issue of bonds, as well as failure to determine an obligation due to a foreign exchange saver in the sense of Article 4 of this Law (Article 8);
- 4) failure to return the undistributed A and B series bonds issued in line with the Decision to the National Bank of Yugoslavia before determined deadline (Article 25, paragraph 2).

Also punishable for the acts referred to in Paragraph 1 of this article fined shall be the bank employee in charge referred to in Article 8 of this Law, with a fine ranging from 20,000 to 200,000 dinars.

Article 27

The resident or non-resident juridical person shall be fined from 90,000 to 450,000 dinars for the following types of economic offence:

- 1) failure to hold foreign exchange acquired through the sale the bonds in the sense of Article 10, paragraph 2 of this Law, on their foreign exchange accounts (article 11, paragraph 1);
- 2) failure to act in accordance with the regulations issued by the National Bank of Yugoslavia (Article 24).

Also punishable for the acts referred to in Paragraph 1 of this article shall be the persons in charge of the resident or non-resident juridical persons and fined from 3,000 to 15,000 dinars.

Article 28

For the acts referred to in Article 27, of this Law, regarded as offences, an entrepreneur shall be fined from 900 to 9,000 dinars.

For the acts referred to in Paragraph 1 of this article a protective measure of ban on engagement in self-employment activity for the duration of three months to a year may also be pronounced along with a fine.

Article 29

Non-resident natural person shall be fined from 900 to 21,000 dinars for the offence of failing to deposit the foreign exchange acquired through the sale of bonds in the sense of Article 10, paragraph 2 of this Law in his/her foreign exchange account (Article 11, paragraph 1).

Article 30

Resident and non-resident natural persons, as well as citizens temporarily employed abroad shall be fined from 900 to 21,000 dinars for the offence of if they fail to act in

accordance with the regulation issued by the National Bank of Yugoslavia (Article 24).

VII PROVISIONAL AND FINAL PROVISIONS

Article 31

The 550 million dinars worth of foreign exchange savings that the National Bank of Yugoslavia disbursed in the period from 1994 to 1999 and which remained outside the scope of the Law, shall be settled by the Federal Republic of Yugoslavia in twelve annual installments starting from 2005.

Article 32

The banks that pursuant to the regulations on the rehabilitation, bankruptcy and liquidation of banks took over the operations related to disbursement of the citizens' foreign exchange savings deposited with the authorized banks referred to in Article 2 of the Law undergoing bankruptcy proceedings or liquidation procedure, shall be furnished by the Republic of Serbia and the Republic of Montenegro with special funds for the performance of those operations.

Article 33

The bearing parties referred to in Article 6 of the Law are obliged to provide resources for disbursement of funds in settlement of obligations for the year 2002 in percentages stipulated in that Article i.e. pro rata to their participation in level of funds determined for that year in line with Article 7 of the Law.

Article 34

The A and B series bonds issued in line with the Decision, may be used prior to their maturities for

purposes and up to the level determined by the Decision on an Early Redemption of the Bonds Issued by the Federal Republic of Yugoslavia Arising from the Citizens' Foreign Exchange Savings for Payment of Certain Expenses ("The Official Gazette of FRY" Nos. 7/2001 and 10/2002) – up to the day of issuing regulations referred to in Article 14, paragraph 1 of this Law.

The republican governments shall determine in the regulation referred to in Article 14, paragraph 1 of this Law, that the bonds in Paragraph 1 of this article may be used in the same way and under the same conditions as the bonds in Article 5 of this Law.

Article 35

The conditions and method of settling of the obligations arising the foreign exchange savings referred to in Article 3 of the Law, transformed into time deposits with the authorized banks and thus representing the public debt of the Federal Republic of Yugoslavia in compliance with Article 4 of the Law, shall be regulated by a separate law.

Article 36

As of the date this Law takes effect, the lawsuits aimed at collection of the foreign exchange savings relative to this Law, including the enforcement procedures, shall be discontinued.

Article 37

As of the day that this Law comes into effect, the Law on Settlement of the Obligations Arising from the Foreign Exchange Savings of Citizens shall cease to be valid ("The Official Gazette of FRY" Nos. 59/98, 44/99, and 53/2001).

Article 38

This Law takes effect the following day after it has been published in “The Official Gazette of FRY”.