

LAW ON PAYMENT TRANSACTIONS

(FRY Official Gazette, Nos. 3/2002 and 5/2003,
and RS Official Gazette No. 43/2004)

I. GENERAL PROVISIONS

Article 1

This Law regulates payment transaction activities, as well as rights and obligations of the Bank and the Client.

Payment transaction activities pursuant to this Law shall be performed in dinars.

Article 2

Specific terms related to this Law shall have the following meanings:

- 1) **Client** is a natural person or a legal entity maintaining the account with the Bank, including the Bank and other entities having the account with the National Bank of Serbia in conformity with law;
- 2) **Legal entity** means enterprises, public institutions and other forms of organizations the establishment of which has been registered by the competent authority or stipulated by law;
- 3) **Natural person** is a person performing activities with the aim of acquiring profit and other natural person;
- 4) **Dinar** denotes the monetary unit of the FR of Serbia;
- 5) **(Deleted)**
- 6) **Money and cash** mean cash and deposits maintained on the accounts with Banks;
- 7) **Account** means current, giro and other account, including the account for performing a single payment transaction, opened pursuant to the agreement made between the Client and the Bank;
- 8) **Settlement account** means the account of the Bank or other entities maintained with the National Bank of Serbia for effecting payments and settlement of interbank or mutual payments;
- 9) **Cover on the account** means a sufficient amount of available funds consisting of the balances as of the previous banking day, funds paid to the account during the banking day and payments effected during that day, decreased by the payments made during such banking day, for payments and prevailing banking rates, up to the moment of identifying the cover, but it does not include the funds evidenced as provisional credit to the account;
- 10) **Bank** means:
 - a) *legal entity* established as a bank performing its activities in accordance with the Law on Banks and Other Financial Institutions;
 - b) (Deleted)
 - c) *National Bank of Serbia*,
 - d) (Deleted)

- 11) **Original bank** means the Bank receiving the original payment order initiating the payment transaction;
- 12) **Receiving Bank** means every bank that receives the Remitter's payment order;
- 13) **Specific Bank** means the Bank, identified in the payment order, in which the payment is effected to the beneficiary-creditor in credit transfers, i.e. the Bank maintaining the Debtor's account in debit transfers and which, under the payment transaction, receives the final payment order. In credit transfers, the Specific Bank is the Creditor's bank, while in debit transfers, the Specific Bank is the Debtor's bank;
- 14) **Intermediary Bank** means the Receiving Bank that is neither the Original nor the Specific Bank;
- 15) **Banking day** means a part of the day during which the Bank is open for receiving, processing and transfer of payment orders and other notices related to payment transactions;
- 16) **Value date** is the banking date on which the payment order should be executed according to the Remitter's instructions;
- 17) **Debtor** means a natural person or a legal entity effecting payment in the payment transaction;
- 18) **Creditor** means a natural person or a legal entity receiving payment in the payment transaction;
- 19) **Remitter** means a natural person or a legal entity submitting the payment order to the Receiving Bank;
- 20) **Principal** means the Remitter of the original payment order initiating the payment transaction. In credit transfers, the Principal is the debtor, while in debit transfers, the Principal is the creditor;
- 21) **Recipient** means a legal entity or natural person whose Bank should receive the final payment order in the payment transaction. In credit transfers, the Recipient is the creditor, while in debit transfers, the Recipient is the debtor;
- 22) **Payment order** means the unconditional instruction given to the Bank to effect payment or collect the specific amount of funds from the stated account;
- 23) **Electronic** means the manner of payment order and other data transfers in the payment transaction-by telecommunication or delivery of tapes, discs and similar data basis in person;
- 24) **Execution** means implementation of instructions stated in the payment order – by issuing the relevant payment order to the Receiving Bank;
- 25) **Payment transaction** means transfer of money and cash to the Creditor from the Debtor's account, or to the Creditor's account. In the payment transaction, the Debtor and the Creditor may be different natural persons or legal entities, or the same natural person or a legal entity;
- 26) **Clearing** means the exchange and processing of interbank payment orders – for calculation of bilateral or multilateral net amounts owed by each Bank, or owed to each Bank for settlement of payment orders included in each clearing cycle;
- 27) **Settlement** means executing payment orders for payments and interbank payments;

28) **Agreement** means the agreement made between the Bank and the Client, regulating opening and keeping of the account, as well as the rights and obligations of the parties thereto.

II.ACCOUNTS FOR PERFORMANCE OF PAYMENT TRANSACTIONS

Dinar accounts

Article 3

Legal entities and natural persons engaged in activities shall be obliged to open the current account with the Bank for payments in dinars, to maintain funds thereon and effect payments through it pursuant to this Law and the Agreement on opening and maintaining of such account concluded with the Bank.

Natural persons not involved in activities may have the accounts with the Bank for payments in dinars.

Legal entities and natural persons may have more than one account in one Bank and accounts in several Banks.

National Bank of Serbia shall prescribe the terms and the manner of opening, maintaining and closing of accounts with the Bank, the list of accounts for performing payment transactions with the Bank, as well as the uniform system for identification and classification of the accounts in conformity with this Law and the law governing collection of public revenues.

National Bank of Serbia shall prescribe the terms and the manner of payment in cash dinar funds for legal entities and natural persons engaged in activities.

III.PAYMENT TRANSACTIONS

Credit and debit transfers

Article 4

Payment transactions can be in the form of credit or debit transfer.

The Principal shall initiate a payment transaction by submitting to the Bank instructions to perform such a transaction.

Credit transfer is a payment transaction initiated by the Debtor issuing the payment order to its Bank with the instruction to transfer the funds from its account to the Creditor, or the latter's account.

Debit transfer is a payment transaction initiated by the Creditor, based on matured securities, bills of exchange or the authorization given by the Debtor to its Bank and to its Creditor. In debit transfers, the Creditor gives to the Debtor's Bank the instruction to collect funds from the Debtor's account.

Internal and interbank transfers

Article 5

In payment transaction, the Creditor's and the Debtor's accounts may be held with the same Bank or with two different Banks.

Internal transfer is the transfer of funds between the debtor and the creditor having accounts with the same Bank.

Interbank transfer is the transfer of funds between the Debtor and the Creditor having accounts with different Banks.

Payment transaction is made when the Debtor's bank debits the account of the Debtor, while the Creditor's bank either credits the account of the Creditor or makes such funds available to the Creditor in another way (cash etc.), pursuant to the instructions of the Principal.

For each interbank payment order in interbank transfers, the Remitting Bank performs settlements arrangements with the Receiving Bank, pursuant to Article 15 of this Law.

Participants in the payment transaction

Article 6

Participants in the internal transfer are the Principal, the Bank acting as the Original and the Specific Bank, and the Recipient.

Participants in the interbank transfer are the Principal, the Original Bank, the Specific Bank and the Recipient, while one or more Intermediary Banks may be included.

In credit transfers the Principal is the Debtor, the Original Bank is the Debtor's Bank, the Specific Bank is the Creditor's bank and the Recipient is the Creditor.

In debit transfers, the Principal is the Creditor, the Original Bank or the Specific Bank is the Debtor's Bank and the Recipient is the Debtor.

In interbank transfers, the Bank may, except on behalf of the Client, effect payments in its own name and for its own account.

When the Original Bank does not effect settlement directly with the Specific Bank, the payment transactions shall be made through at least one Intermediary Bank.

When the National Bank of Serbia performs payment transactions from the account maintained with the National Bank of Serbia or to such account, the provisions of this Law relating to banks shall apply to the National Bank of Serbia, as well.

Authorizations of the Recipient-Debtor in debit transfers

Article 7

The Recipient-Debtor in debit transfer may not revoke its authorization given to the Principal-Creditor.

The Debtor's Bank shall refuse the Remitter's payment order only in case of Debtor's death, or loss of its business capacities, in case of bankruptcy or liquidation of a legal entity, i.e. restrictions in authorizations imposed to a natural person or a legal entity, in conformity with law.

IV. PAYMENT ORDERS

Laws regulating payment transactions

Article 8

Payment order may be submitted or received by the Bank, or the organizational unit of the Bank with the head office located in the Republic of Serbia.

The provisions of this and other laws shall apply to the payment order referred to in paragraph 1 of this Article.

Form of payment order

Article 9

Payment order can be made out in written form, by electronic mail or orally. An oral payment order must be stipulated in advance by the Agreement on opening and maintaining the account between the Bank and the Client.

Payment order must include the data on the Remitter and the Recipient of the order and their respective Banks, data on the amount, as well as other prescribed data.

The Receiving Bank shall not execute the payment order it does not contain all prescribed data referred to in paragraph 2 of this Article and/or if data inconsistency makes the execution of the order unrealizable.

The Receiving Bank shall not be liable if it executes the payment order according to the account number without knowing that such account number is not correct.

Payment orders shall be made out on the uniform payment operation instruments, whose form, contents and manner of utilization shall be prescribed by the National Bank of Serbia while the mode of using payment operation instruments for collecting public revenues, together with data to be inscribed therein, shall be prescribed by the National Bank of Serbia at the proposal of the ministry responsible for financial affairs.

The Bank shall return to the applicant the payment order that was not made out in conformity with paragraph 5 of this Article.

Payment transactions and payment orders

Article 10

Payment transaction is initiated by the Principal – by issuing a payment order to the Original Bank.

Only one payment order is issued in the internal transfer.

At least two payment orders are issued in interbank transfers. In such transfers, the Receiving Bank other than the Specific Bank that executes the Remitter's payment order issues the appropriate payment order to another Receiving Bank submitting the final payment order to the Specific Bank. In interbank transfers, the instructions are given by each payment order to the Receiving Bank to execute the payment transaction in accordance with the instructions stated in the Remitter's payment order.

Obligations of the Receiving Bank

Article 11

In credit transfers, the Receiving Bank shall be obliged to execute the payment order issued by the Remitter if it has the cover on the account, except as otherwise agreed.

In debit transfers, the Debtor's Bank shall be obliged to execute the payment order issued by the Creditor only upon submission of matured securities, bills of exchange or the authorization given by the Debtor to the Creditor authorizing it to receive the funds.

The Creditor's Bank shall transfer the funds to the account of the Creditor after the debit transfer is completed.

The Bank referred to in paragraph 3 of this Article may transfer the funds to the Creditor's account even before the execution of the debit transfer – if it grants credit to the Creditor. The credit granted is provisional and may be reversed if the debit transfer is not performed.

The Receiving Bank shall be obliged to execute the payment order:

- That is accurately completed, authorized and authentic;
- That precisely identifies the Specific Bank and the Recipient.

The Receiving Bank refusing to execute the payment order shall be obliged to immediately inform the Remitter thereon.

The Receiving Bank shall be obliged to execute the payment order within the banking day on which it has received the same, or at value date if such date is stated in the payment order, whichever date is later.

The Receiving Bank may determine the date until when the orders shall be considered as received on such banking day, but not longer than the date defined by the National Bank of Serbia.

When receiving and executing payment orders, the Receiving Bank shall be obliged to apply the provisions of this Law and the regulations adopted on the basis thereof.

The Receiving Bank shall be obliged to conduct its activities in a timely manner and in good faith, pursuant to general banking standards, to assist its clients to perform payment transactions in an appropriate manner, to observe confidentiality and to act in the best interest of its Remitter.

Payment orders schedule

Article 12

The Original Bank in credit transfers and the Specific Bank in debit transfers which, during the banking day, receive more than one payment order or other legal instructions for withdrawal of funds from a certain account – shall execute payment orders according to the maturity date, sequence of receipt and the prescribed schedule referred to in Article 47 of this Law.

Article 13

(Deleted)

Cancellation and withdrawal of payment orders

Article 14

The Remitter, or other authorized person on behalf of the Remitter, may cancel a payment order – by submission to the Receiving Bank the authorized and authentic,

i.e. authorized or authentic cancellation order, on the date and in the manner allowing the cancellation to be initiated before execution of Remitter's instructions stated in such order, provided that the Receiving Bank has not executed the Remitter's instructions stated in the payment order.

The cancellation order shall be submitted to the Receiving Bank in written form or by electronic mail and it must identify the payment order to be cancelled.

The payment order not being executed by the Receiving Bank is considered as withdrawn:

- 1) Upon expiry of the third banking day from the date on which the Receiving Bank received the order, or from the value date, whichever date is later;
- 2) When the Receiving Bank is in knowledge of the Remitter's death – natural person, or loss of its business capacities, i.e. of the bankruptcy or liquidation of a legal entity, or of restrictions in authorizations of a natural person or a legal entity, pursuant to the Law;
- 3) (Deleted)
- 4) Upon passing the final decree on revocation of the license of the Receiving Bank or decision on liquidation, or bankruptcy of the Receiving Bank.

The cancellation or withdrawal of payment orders referred to in this Article may not be made after the payment transaction has been executed.

Interbank settlement

Article 15

Settlement of payment orders on the settlement accounts of the Banks with the National Bank of Serbia as well as the accounts of other entities maintained by National Bank of Serbia in accordance with law shall be made pursuant to the regulation on settlement and clearing and the operating of settlement accounts passed by the National Bank of Serbia.

The date of settlement pursuant to paragraph 1 of this Article shall be the date on which settlement is completed in the National Bank of Serbia.

V.AGENT OR THIRD PARTY TRANSACTION PROCESSOR

Article 16

The Bank may engage an agent or third party transaction processor (hereinafter: the Agent) to perform activities related to specified payment transactions.

The National Bank of Serbia shall define the transactions referred to in paragraph 1 of this Article, which the Agent may perform on behalf of the Bank, and shall prescribe the conditions to be fulfilled by the Agent for performing such activities.

Article 17

(Deleted)

Responsibility of the Bank for the work of the Agent

Article 18

The Bank is responsible for relations with the Agent.

The Bank is responsible for all acts of the Agent and for its every omission.

Article 19

(Deleted)

VI. EXECUTION OF CREDIT TRANSFERS AND FULFILLMENT OF OBLIGATIONS

Execution of credit transfers

Article 20

Credit transfer is considered as executed when the payment to the Specific Bank has been effected.

In internal transfer of credits, the payment is made when the Bank debits the account of the Principal with the amount stated in the payment order.

In interbank transfer of credits, the payment is effected to the Specific Bank when the interbank settlement is made including the payment order of the Remitter's Bank.

Payment to the Remitter

Article 21

Upon completion of the credit transfer, the Specific Bank shall be liable to the Recipient for the amount stated in the payment order received by it and shall be obliged to promptly credit such amount.

Payment to the Recipient shall be made by crediting its account, at the latest on the next banking day following the date of the credit transfer.

Specific rules

Article 22

In case the Recipient has not opened the account with the Specific Bank, or the Recipient's account is closed or the Recipient's account as indicated in the payment order received by the Specific Bank cannot be properly identified, the Specific Bank shall be obliged to return the funds so received to the Remitter's Bank immediately or at the latest on the next banking day.

The Remitter's Bank shall be obliged to transfer the funds referred to in paragraph 1 of this Article to the Remitter's account immediately or at the latest on the next banking day.

VII. EXECUTION OF DEBIT TRANSFERS AND FULFILLMENT OF OBLIGATION

Execution of debit transfers

Article 23

Debit transfer is made when the Specific Bank debits the account of the Recipient – Debtor, pursuant to instructions stated in the payment order received.

The Bank referred to in paragraph 1 of this Article may refuse the payment order and shall be obliged to inform the Remitter-Creditor immediately but not later than the next banking day.

The Specific Bank refusing the payment order shall be responsible to the Recipient-Debtor for wrongful refusal of the payment order.

The wrongful refusal of the payment order shall be deemed to be the refusal made in spite of the fact that:

- 1) The Specific Bank was notified that the Recipient-Debtor had issued the instructions for debit transfer;
- 2) The proper identification of the name and the number of the account of the Recipient-Debtor was made with the Specific Bank;
- 3) The Recipient-Debtor had the cover in its account.

Payment to the Principal

Article 24

Upon the completion of debit transfer, the Specific Bank and each Receiving Bank getting the payment from its Receiving Bank – the Remitter shall be liable to its Remitter for the amount stated in the payment order, and each such payment must be effected at the latest on the following banking day after the date on which the obligation has occurred.

Upon receipt of funds to its account, the Original Bank shall debit itself relative to the Principal for the amount stated in the payment order of such a Principal, while the provisional credit, if granted by the Bank to the Principal, shall become final. The Original Bank shall not be obliged to transfer to the Principal the funds until final crediting of its account. Transfer of funds before completion of the debit transfer shall be considered as provisional, unless otherwise agreed.

VIII. LIABILITY, COMPENSATION FOR DAMAGES AND RECOVERY OF FUNDS

*Liability for payment orders
issued pursuant to the regulations and
liability for the cancellation of orders*

Article 25

The person identified as the Remitter or the person acting under its authorization, shall be liable for the payment order or for the cancellation provided that the Receiving Bank verified such order using the procedure for the commercially reasonable protection.

Provided that the Receiving Bank verified the payment order in the manner stated in paragraph 1 of this Article, the person identified as a Remitter shall not be liable if it proves that it did not issue the payment order, or effect cancellation of the same, that the order was not issued by its authorization and that it did not violate the protection procedures.

The National Bank of Serbia shall prescribe the manner and procedure for the establishment of Remitter's authenticity, the manner and procedure for the identification of data in the payment

order and their protection, as well as the procedure for establishing the commercially reasonable protection.

The Remitter's liability

Article 26

The Remitter shall be obliged to compensate the Receiving Bank in credit transfers for damages which it may suffer with due implementation of the Remitter's instructions contained in the payment order – up to the amount stated in the payment order, expenses for the execution thereof, interest and other actual expenses.

Each Remitter in its debit transfer shall guarantee to the Receiving Bank that it is its payment order, that the same has been issued based on matured securities, bills of exchange or the authorization given by the Debtor and that each authorization is credible and authentic.

*Release from liability and recovery of funds
to the Principal in the credit transfer*

Article 27

When the credit transfer is not made, the Principal shall not be obliged towards the Original Bank but it shall be entitled to the recovery of funds – up to the amount to which its account has been debited for the execution of the payment order which it has issued.

In the case referred to in paragraph 1 of this Article, the Principal shall be entitled to compensation from the Original Bank for the expenses of executing the order, interest for the amount recovered to its account and actual expenses.

The Original and the Intermediary Bank implementing the Principal's instructions without a resulting credit transfer shall be released from the liability towards the Receiving Bank, and shall have, towards both the Receiving and the Specific Bank whichever has not effected the payment transaction, the same rights as the Principal referred to in paragraphs 1 and 2 of this Article.

The right to the recovery of funds, the expenses for executing the order, interest and actual expenses referred to in this Article shall be realized notwithstanding the liability of each participant in payment transaction.

Liability for loss

Article 28

In case that the Receiving Bank has been negligent with the implementation of instructions for payment of the Remitter or it has omitted to inform its Remitter on its refusal to effect the instructions stated in the payment order, the Receiving Bank shall be responsible for the return of funds in the amount stated in the relevant order (if the funds have been paid), as well as for the damages arisen for that reason (fees, interest and actual damages).

In case that any other bank has followed with gross negligence the relevant procedure, except the Original Bank, the Principal shall be entitled to compensation for damages either from the Original Bank or from the Bank acting with gross negligence. In such case the Bank acting with gross negligence shall be liable, and in case both Banks acted with gross negligence – the liability of each Bank shall be established.

*Liability for delay
in executing orders*

Article 29

The Receiving Bank shall be liable for the interest on amount stated in the payment order due to the delay in executing it.

The Principal may request the compensation of interest either from the Original Bank or from the Receiving Bank causing the delay.

The Receiver may request the compensation of interest either from the Specific Bank or from the Receiving Bank causing the delay.

The Receiving Bank causing the delay in executing the payment order shall be liable to the Original Bank or to the Specific Bank that has paid the interest – up to the amount thereof.

*Wrong execution of
credit transfers*

Article 30

When the credit transfer has been completed but not pursuant to the instructions contained in the payment order, the following shall be applied:

1) When the amount paid to the Recipient exceeds the amount contained in the Principal's payment order or the Bank executes the payment order several times through error, the Recipient's Bank based on the proof of the Bank that has through error executed the order in the amount exceeding that indicated in the order received by it or that has through error executed the order several times, shall be obliged to return such funds (as a refund) to the Principal of the payment order;

2) When the amount paid to the Recipient is smaller than the amount stated in the Principal's payment order, the Bank that has remitted the smaller amount shall be obliged to pay the balance, but it shall be entitled to compensation (refunding) from the Principal;

3) When the payment has been made to a Recipient other than the one indicated in the Principal's payment order, it shall be considered that the credit transfer has not been completed. The Bank that has made the error shall have to act pursuant to the instruction contained in the payment order, and the Bank that has made the payment to a Recipient not indicated in the Principal's payment order (the wrong Recipient) shall be obliged to return the received funds (as a refund) to the Principal of the payment order.

The Recipient to whom funds have been remitted pursuant to paragraph 1, items 1 and 3, of this Article (funds on account that belong to other parties) may not dispose of the funds so obtained.

Article 31

Return of funds under payment orders provided for in the Articles 27, 28 and 30 of this Law (as funds on account that belong to other parties) shall have priority over all other payments from the account from which the return of funds shall be made.

IX. ACCOUNTS WITH THE BANK

*In-payments and out-payments,
settlements and deposits*

Article 32

The clients keeping the accounts with banks pursuant to this Law shall effect payment transactions by way of fund transfers, in-payments and out-payments.

The Client may withdraw the funds from the account or make payments – on the basis of order, in the amount of cover on the account.

Out-payments from the dinar accounts of legal entities and natural persons engaged in activities and cash payments by such persons in dinars shall be made pursuant to the regulations adopted by the National Bank of Serbia.

Legal entities and natural persons engaged in activities shall be obliged to pay into the Bank dinars received in cash on any basis, on the same day, or at the latest on the next working day.

The Client may not dispose of funds in its accounts if such funds have been exempted from execution by law, court order or decision of another competent authority.

Due diligence

Article 33

The Bank shall act with due diligence in executing payment orders.

The Client shall act with due diligence in order to prevent forgery, unauthorized issuance and modifications of payment orders and make sure the latter are clear and unambiguous.

If the Bank acts also with due diligence when interpreting the ambiguous payment orders, it may execute the payment order acting with good will but without the knowledge that it is acting contrary to the Remitter's actual intention.

Statement of account

Article 34

The Bank shall be obliged to submit to the Client the report on any changes made in the latter's account from the date of the last report, with the final balance, within the period provided for by the Agreement on opening and maintaining of the account, but not longer than the period determined by the National Bank of Serbia.

The Client shall be obliged to take account of the statements received from the Bank and to examine them, and has to inform the Bank of any discrepancy or contestation of liabilities or claims. The Bank shall examine any such discrepancy or contestation or indebtedness, and it shall provide the relevant information available to it and where the data have been adjusted and established, it shall make the necessary adjustments and corrections of the Client's account.

Confidentiality

Article 35

The Bank shall be obliged to observe the confidentiality of the account and to provide the information concerning the account only to the Client unless otherwise provided by this or other laws, or on the basis of the Client's direct authorization.

Confidentiality of the account referred to in paragraph 1 of this Article shall be deemed to cover the data on the outstanding amount and the turnover of funds in the Account as well as other data established as confidential by other laws.

Notwithstanding paragraph 1 of this Article the Bank shall be obliged to provide the data on the outstanding amount and the turnover of funds in the Client's account and other data relating thereto by order of the court, tax or another competent authority.

Agreement on opening and maintaining of the account and amendments thereto

Article 36

Mutual rights and obligations between the Bank and the Client shall be stipulated by the Agreement on opening and maintaining the account with the Bank.

The National Bank of Serbia shall prescribe the basic elements of the Agreement referred to in paragraph 1 of this Article.

The provisions of the Agreement referred to in paragraph 1 of this Article shall not be contrary to the provisions of this Law.

The rights and responsibilities stipulated by this Law cannot be reduced on the basis of the Agreement referred to in paragraph 1 of this Article, but the same may be increased provided that the rights of third parties are not thereby reduced.

The Bank may change the provisions of the Agreement referred to in this Article only if it previously informs the Client about it, at least 30 days prior to such changes becoming effective.

Fees for payment services rendered

Article 37

In conducting payment transactions pursuant to this Law the Bank may charge the Client the fees for the services rendered in accordance with the Bank's policy and the agreement concluded with the Client.

Article 38

(Deleted)

Payment transaction activities performed by the Banks

Article 39

The National Bank of Serbia shall perform the following activities concerning payment transactions:

- 1) Maintain the giro accounts, settlement and other accounts of the Banks referred to in Article 2 paragraph 1 item 10, of this Law as well as the accounts of other entities pursuant to the law requiring that those accounts be maintained with the National Bank of Serbia;
- 2) Perform interbank clearing and settlement;
- 3) Manage cash flow, provide storage, keeping, and distribution of cash, receive payments, make payments and perform activities concerning the treasury and vault;

- 4) (Deleted)
- 5) Monitor the liquidity of the Banks, issue instructions and take measures for the maintenance of the liquidity of the Banks on a daily basis;
- 6) Make the interbank settlement of checks under the citizens' current accounts and settlement of payment cards;
- 7) Establish, maintain and administer the information network for the financial system of the Republic of Serbia;
- 8) See to the development and advancement of the payment transactions;
- 9) Develop and organize clearing and settlement payment systems and participate in the relevant systems;
- 10) Render services to the Banks with the receiving and remitting the payment orders for their Clients, as well as the instructions for clearing and settlement of interbank payments, including the payments by checks, payment cards and other instruments of payment;
- 11) On the basis of the statements on payments made submitted to it by the Banks and the data from the records which it maintains - consolidate the data on turnover and statements of accounts in payment transactions according to the uniform list of accounts and process other data pursuant to the Law;
- 12) Prescribe the regulations stipulating the manner for performance of payment transactions, including electronic manner of execution of such turnover, checking the authenticity of applicant and electronic payment instructions, responsibility for orderly electronic instructions, accuracy of transfer and other protection elements, and prescribes the regulations stipulating the manner of performing the activities referred to this Article;
- 13) Supervise the payment transactions at the Banks on the basis of the Law on the National Bank of Serbia and the law governing banking activities;
- 14) Perform other activities concerning payment transactions pursuant to this and other laws.

The National Bank of Serbia has a discretionary power to transfer the performance of the activities referred to in paragraph 1 item 2 of this Article relating to interbank clearing, as well as the activities referred to in item 6 of this Article, to some other legal entity.

The National Bank of Serbia shall prescribe the types of data and the manner and terms for submission thereof referred to in paragraph 1 item 11 of this Article and the manner of supervision referred to in item 13 of the said paragraph.

Article 40

The Banks referred to in Article 2 item 10 under a) of this Law, shall perform the following activities concerning payment transactions:

- 1) Maintain the accounts of legal entities and natural persons engaged in activities, effect internal and interbank payment transactions from and to such accounts;
- 2) Maintain the accounts of natural persons not engaged in activities, effect the internal and interbank payment transactions from and to such accounts;
- 3) Participate, for the accounts that they maintain, in interbank clearing and settlement of payments made;
- 4) Determine for each Client the daily turnover and separately inform them thereof;
- 5) Receive from natural persons payments in favor of the account maintained with some other Bank;
- 6) Receive payments in favor of accounts of natural persons maintained in that other Bank;
- 7) Effect cash payments;
- 8) Perform activities concerning the treasury and vault and provide storage and keeping of cash;
- 9) Receive and cash checks;
- 10) Arrange the issuing of the payment cards and payments by way of payment cards and other instruments of payment;
- 11) Perform other payment activities pursuant to this and other laws.

Articles 41-43

(Deleted)

Submission of data in payment transactions

Article 44

Legal entities and natural persons engaged in activities shall be obliged to inform the Bank with which they keep the account, on any status and other changes to be registered with the court or another competent body, within the period of three days from the date of receipt of decision on inscription of such change therewith.

Article 45

The Banks shall be obliged to submit to the National Bank of Serbia the data identifying the Client and the Clients' accounts as per name and number immediately upon the opening, or closing of relevant accounts, as well as the data from records on performed payment transactions according to the uniform list of accounts, as well as other data – within the periods set by the National Bank of Serbia.

The National Bank of Serbia shall maintain the single register of accounts of the Banks, legal entities and natural persons engaged in activities.

The register referred to in paragraph 2 of this Article shall be a public book and the data contained therein shall be public except the data established as confidential by other laws.

Forms of payments

Article 46

Legal entities and natural persons engaged in activities may settle their mutual monetary obligations directly, by transfer of securities.

Legal entities and natural persons engaged in activities may settle their mutual monetary obligations by also agreeing to substitute the Creditor, or the Debtor within a particular obligation relation (assignment, cession etc), by set off (compensation) and in other ways, in conformity with law.

Notwithstanding paragraph 2 of this Article the legal entities and natural persons engaged in activities may not settle their obligations arising from assignment and cession if they, as the assignors or the cedents of claims, have unsettled obligations evidenced with the Bank at the time of payment, excluding the payments on account of earnings and cost allocations (commuting fares, business travels abroad) as well as other receipts (retirement pay, solidarity aid, and assistance in case of the death of an employee or a member of his/her immediate family) and money compensation from the social safety nets of employees whose employment is terminated due to the process of enterprise restructuring and preparation for privatization, and to bankruptcy and liquidation.

The obligations settled in a manner referred to in paragraphs 1, 2, and 3 of this Article shall be evidenced over the accounts with the Bank, at least once a month, as a rule at the end of month.

The payment of mutual obligations and liabilities referred to in paragraphs 1 and 2 of this Article shall be made as a payment transaction between the participants.

XI. ENFORCEMENT OF CLAIMS FROM THE CLIENT'S ACCOUNT

Article 47

Enforcement of claims from the Client's Account shall be made from all the Client's Accounts with the Banks in which the former keeps funds, and it shall be made on the basis of:

- 1) Enforceable decisions of the tax, customs and other competent authorities – according to the time of receipt;
- 2) Enforceable court decisions, other enforcement clauses, legal authorizations – according to the time of receipt;
- 3) Creditors' orders based on matured securities, bills of exchange or the authorization given by the Debtor to its Bank and the Creditor - according to the time of receipt.

Enforcement of claims shall be made according to the sequence referred to in paragraph 1 of this Article.

Return of funds referred to in Article 31 of this Law shall have priority over the enforcement of claims referred to in paragraph 1 of this Article.

Article 48

Enforcement of claims shall be made by the body i.e. agency for enforcement of claims established by a special law (hereinafter: the Claim Enforcement Agency).

The Claim Enforcement Agency shall receive the execution titles referred to in Article 47 paragraph 1 items 1 and 2 of this Law from their issuers.

Upon receipt of an execution title referred to in paragraph 2 of this Article, the Claim Enforcement Agency shall immediately order the Bank designated therein as the first one in succession to carry out the enforcement order against all dinar accounts of the Debtor with such Bank.

If there are no funds at all in the Debtor's accounts with such Bank or the funds therein are insufficient for executing the enforcement order, the Claim Enforcement Agency shall order all the Banks to block all dinar and foreign currency accounts of the Debtor, to not open any new accounts thereto and to urgently submit to the Claim Enforcement Agency the data on outstanding balances in the Debtor's accounts.

Upon receipt from the Banks of information on outstanding balances in the Debtor's accounts referred to in paragraph 4 of this Article, the Claim Enforcement Agency shall order all the Banks with which the Debtor has opened dinar accounts to carry out the enforcement order against such accounts in proportion to outstanding balances therein and if there are no funds at all or the funds therein are insufficient for carrying out the enforcement order, all the Banks with which the Debtor has opened foreign currency accounts shall be ordered to carry out the enforcement order in proportion to outstanding balances therein.

Funds for carrying out the enforcement order shall be deemed to be dinar funds that are maintained in the Bank's dinar accounts in the form of demand deposits as well as the dinar equivalent of foreign currency funds held therewith except the funds exempted from execution by law, court order or decision by another competent authority – the funds kept in a separate account (grants and humanitarian aid, life insurance, privatization proceeds, funds for financing commodity reserves, voluntary local taxes, court deposits, and budget funds for payment of premiums, subsidies and refunds).

If the Debtor keeps funds in time deposit with the Bank, such Bank shall be obliged after the expiration of the contract on placing funds in time deposit to use such funds for carrying out the enforcement order, in which case such Bank may not extend the validity of such contract.

The funds in the account with the Bank blocked by the order of the Claim Enforcement Agency may not be used for the Debtor's payments, or enforcement of claims on other bases than the settlement of the Debtor's obligation for which they have been blocked.

The Claim Enforcement Agency shall inform the Banks on the final carrying out the enforcement order for them to unfreeze the Debtor's funds in its accounts therewith.

The execution titles and the enforcement orders shall be recorded and carried out according to the time of receipt with the Claim Enforcement Agency.

Article 49

The Creditors' orders referred to in Article 47 paragraph 1 item 3 of this Law shall be executed against the Debtor' account held with the Bank indicated therein.

If there are no funds at all in the account referred to in paragraph 1 of this Article or the funds therein are insufficient for executing the order referred to in the said paragraph, the Bank referred to in the said paragraph shall immediately furnish matured securities, bills of exchange or the authorizations based on which the Creditors have issued their orders, as well as the data contained therein, to the Claim Enforcement Agency to proceed with execution against the Debtor's accounts with other Banks in which the Debtor's funds are available, in the manner laid down in Article 48, paragraphs 4 to 10 of this Law.

XI.A. SPECIAL PROVISIONS

Article 49a

The provisions of this Law relating to the Banks, except the provisions of Articles 16, 36, 39 and 40 thereof, relate also to other entities whose accounts are maintained with the National Bank of Serbia in conformity with law.

Article 49b

Pursuant to this Law the ministry responsible for financial affairs shall supervise payment transactions of legal entities and natural persons engaged in activities.

The minister responsible for financial affairs shall prescribe the manner of exercising supervision referred to in paragraph 1 of this Article.

Article 49c

PTT enterprises shall pursuant to this Law conduct the following transaction payment activities:

- 1) Receive payments from natural persons in favor of the accounts maintained with the Bank and make payments to such persons;
- 2) Receive payments of day's takings for account of the Banks' Clients;
- 3) Receive and collect checks under citizens' current accounts.

XII. PENALTY PROVISIONS

Economic offenses

Article 50

A legal entity shall be fined 300,000 to 3,000,000 dinars for economic offense:

- 1) It fails to open the current account with the Bank for payments in

dinars, or maintain the funds thereon, or effect payments through it pursuant to this Law and the Agreement on opening and maintaining of such account concluded with the Bank (Article 3 paragraph 1);

- 1a) If it fails to comply with Article 30 paragraph 2 of this Law;
- 2) If it fails to pay to the Bank the dinars received in cash under any transaction on the same day, or at the latest on the next working day (Article 32 paragraph 3);
- 3) If it fails to look into the reports submitted by the Bank and examine them, and inform the Bank of any discrepancy, or contestation of liabilities or claims (Article 32 paragraph 2);
- 4) If it fails to inform the Bank with which it keeps the account on the status and other changes to be registered with the court, or another competent body, within the period of three days from the date of receipt of decision on entering of such change with the court, or another competent body (Article 44);
- 5) If it fulfils the obligations arising from assignation and cession but as the assignor or the cedent of claims has unsettled obligations evidenced with the Bank at the time of payment, except for purposes stipulated in Article 46 paragraph 3 of this Law;
- 6) If it uses the funds kept on the account of the Bank and blocked on the basis of order by the Claim Enforcement Agency for payments of the Debtor or to comply with enforcement of claims on other bases (Article 48 paragraph 8);
- 7) If it fails to comply with the regulation adopted pursuant to Article 49b paragraph 2 of this Law.

For acts referred to in paragraph 1 of this Article, the person in charge within the legal entity shall also be fined for economic offense – in the range of 20,000 to 200,000 dinars.

Article 51

A Bank shall be fined 300,000 to 3,000,000 dinars for economic offense:

- 1) If it fails to refuse the payment order referred to in Article 7 paragraph 2 of this Law (Article 7 paragraph 2);
- 1a) If it fails to comply with Article 9 paragraphs 3, 6, and 7 of this Law;
- 2) If it fails to execute the payment order issued by the Remitter if the latter has the cover on account, unless otherwise agreed (Article 11 paragraph 1);
- 3) If it fails to comply with Article 11 paragraphs 2 and 3 of this Law;
- 4) If it fails to execute the payment order duly completed, authorized and authentic and correctly identifying the Specific Bank and the Recipient or to immediately inform the Remitter thereof (Article 11 paragraphs 5 and 6);
- 5) If it fails to execute the payment order within the period stated in Article 11 paragraph 7 of this Law;
- 6) If, when receiving and executing a payment order, it fails to apply the provisions of this Law or the regulations adopted on the basis thereof (Article 11 paragraph 9);
- 7) If it fails to conduct its activities in a timely manner and in good faith, pursuant to general banking standards, or assist the Clients to perform payment transactions in an appropriate manner, or observe confidentiality, or act in the best interest of its Remitter (Article 11 paragraph 10);
- 7a) If it concludes an agreement with a legal entity that does not fulfill the conditions of or does not perform activities pursuant to the regulation adopted on the basis of Article 16 paragraph 2 of this Law, or that, as the agent, does not conduct payment transaction activities in conformity therewith;
- 8) If, upon the execution of credit transfer, it fails to immediately credit the Recipient with the amount stated in the payment order it has received (Article 21 paragraph 1);
- 9) (Deleted)
- 9a) If it fails to comply with Article 22 paragraphs 1 and 2 of this Law;
- 10) If it fails to inform the Remitter on refusal of the order, or fails to inform the same thereon at the latest on the next working day (Article 23 paragraph 2);

- 11) If, upon the completion of debit transfer, it fails to effect the payment referred to in Article 24 paragraph 1 of this Law at the latest on the next working day after the date on which the obligation has occurred (Article 24 paragraph 1);
- 11a) If it fails to comply with Article 30 paragraph 1 of this Law;
- 12) (Deleted)
- 13) (Deleted)
- 14) If it fails to submit to the Client the statement of all changes made in account since the last statement, with final balance, within the period provided for in the Agreement on opening and maintaining of the account, but not longer than the period determined by the National Bank of Serbia (Article 34 paragraph 1);
- 15) If it fails to observe the confidentiality of the account (Article 35 paragraph 1);
- 16) If it fails to submit by the order of the court, tax or another competent authority the data on the outstanding amount of funds in the Client's account and other data relative thereto (Article 35 paragraph 2);
- 17) If it fails to submit the data referred to in Article 45 paragraph 1 of this Law to the National Bank of Serbia within the periods prescribed by the latter (Article 45 paragraph 1);
- 18) If it fails to comply with Article 48 paragraphs 3 to 10 of this Law and the regulations adopted pursuant to Article 57 paragraph 3 thereof;
- 19) If it fails to comply with Article 49 paragraph 2 of this Law.

For acts referred to in paragraph 1 of this Article, the person in charge within the Bank shall also be fined for economic offense – in the range of 20,000 to 200,000 dinars.

Article 52

(Deleted)

Petty offense

Article 53

A natural person engaged in activities shall be fined 20,000 to 200,000 dinars for petty offense:

- 1) If he/she fails to open the current account with the Bank for payments in dinars, or maintain the funds thereon, or effect payments through it pursuant to this Law and the Agreement on opening and maintaining of such account concluded with the Bank (Article 3 paragraph 1);
- 1a) If he/she fails to comply with Article 30 paragraph 2 of this Law;
- 2) If he/she fails to pay to the Bank the dinars received in cash on any basis on the same day, and at the latest on the next working day (Article 32 paragraph 3);
- 3) If he/she fails to take account of the statements received from the Bank and fails to examine them and inform the Bank on any discrepancy or contestation of liabilities or claims (Article 34 paragraph 2);
- 4) If he/she fails to inform the Bank with which it keeps the Account on the status and other changes to be registered with the court, or another competent body, within the period of three days from the date of receipt of decision on entering of such change with the court, or another competent body (Article 44);
- 5) If he/she fulfils the obligations arising from assignation and cession but as the assignor or the cedent of claims has unsettled obligations evidenced with the Bank at the time of payment, except for purposes stipulated in Article 46 paragraph 3 of this Law (Article 46 paragraph 3);
- 6) If he/she fails to comply with regulation adopted pursuant to Article 49b paragraph 2 of this Law.

XIII. TRANSITIONAL AND FINAL PROVISIONS

Article 54

The National Bank of Serbia, until the transfer of the relevant activities to the competency of other bodies, or another legal entity, shall perform the following activities in conformity with law:

- 1) (Deleted)
- 2) Receive accounting statements and the reports on business activities of legal entities, which such entities are obliged to submit on the basis of regulations, and process and publish the data contained in such statements and reports;
- 3) On the basis of data referred to in Article 39 paragraph 1 item 11 of this Law and the data from the accounting statements and the reports on business activities of legal entities, and other records maintained by it and the data submitted to it by other competent bodies – keep the register of data on financial soundness of legal entities and issue the data and opinion thereon;
- 4) Monitor the liquidity and solvency of legal entities and submit proposals for initiating bankruptcy proceedings against such legal entities whose accounts with the Banks, due to unsettled obligations, have been blocked for the period longer than 60 days continually, or 60 days with interruptions in the past 75 days.

The activities referred to in paragraph 1 of this Article shall be performed in the manner and under the conditions set by the National Bank of Serbia.

Article 55

The Banks established prior to the implementation of this Law, shall perform the payment transaction activities on the basis of the license (authorization) issued by the National Bank of Serbia to the Bank fulfilling the relevant conditions in connection with the technical, technological and personnel qualifications for performance thereof.

The National Bank of Serbia shall prescribe the detailed conditions referred to in paragraph 1 of this Article, as well as the manner of issuing and revoking the license referred to therein.

Article 56

Until the passage of a special federal law governing the securities market, the National Bank of Serbia shall perform the activities of keeping the single register of issued securities, the central depository of securities and the accounts in which deposited securities are recorded, and effect the settlement thereof.

Article 57

Until the establishment of the Claim Enforcement Agency the National Bank of Serbia shall carry out the execution titles and the related enforcement orders against the Client's account.

The procedure established by Articles 47 to 49 of this Law shall apply to the execution titles and the enforcement of claims referred to in Article 47 paragraph 1, items 1 to 3 of this Law, which shall be carried out by the National Bank of Serbia.

The National Bank of Serbia shall prescribe the manner of enforcing claims against the Client's account pursuant to this Article.

Article 58

On the date of coming into force of this Law, the Law on Payment Transactions ("The Official Gazette of the FRY", Nos. 24/98, 74/99, 28/2000 and 73/2000 and 71/2001) and the regulations adopted on the basis thereof shall cease to be valid.

On the date of implementing this Law, the Law on Payment Transactions

("The Official Gazette of the FRY", Nos. 53/92, 16/93, 31/93, 32/94, 61/95, 34/97, 44/99 and 53/2001) and the regulations adopted on the basis thereof shall cease to be valid.

Article 59

Regulations pursuant this Law shall be introduced within four months from the date of its coming into force.

Article 60

This Law shall come into force on the eighth day following its publication in the Official Gazette of the FRY, and shall be implemented starting from January 1, 2003.

A SEPARATE INDEPENDENT ARTICLE OF THE LAW AMENDING AND SUPPLEMENTING THE LAW ON PAYMENT TRANSACTIONS

(The Official Gazette of the FRY, No.5/2003)

Article 5

This Law shall come into force on the first day following its publication in the Official Gazette of the FRY and shall be implemented starting from January 1, 2003.

SEPARATE INDEPENDENT ARTICLES OF THE LAW AMENDING AND SUPPLEMENTING THE LAW ON PAYMENT TRANSACTIONS

(The Official Gazette of the RS, No. 43/2004)

Article 43

Legal entities that have obtained a license for performing the agent business up to the date of implementing this Law shall continue to perform it in conformity with the agreement concluded with the Bank provided that such agreement is not contrary to the regulation referred to in Article 16 paragraph 2 of the Law on Payment Transactions.

The procedures of issuing an agent license initiated up to the date of implementing this Law that have not been completed up to that date shall be carried out according to the regulations in force up to the same date.

Article 44

The procedures of enforcing claims initiated up to the date of implementing this Law that have not been completed up to that date shall be carried out according to the regulations in force up to the same date.

Article 45

Clients' funds with Banks that are kept in the accounts for unused funds (unallocated funds) with respect to which Clients will not have submitted an application for account opening until June 30, 2004 shall be transferred by Banks into the Republic of Serbia budget on July 1, 2004.

In parallel to transferring funds referred to in paragraph 1 of this Article the Banks shall also be obliged to provide the ministry responsible for financial affairs with the data on outstanding balances for each Client.

At the request of a Client referred to in paragraph 1 of this Article the ministry responsible for financial affairs shall retransfer the funds to such Client's account provided that it is established from the documentation submitted thereto that such funds belong to such Client.

Article 46

This Law shall come into force on the eighth day following its publication in the Official Gazette of the RS, and shall be implemented starting from June1, 2004.