

Foreign Investor's Guide

How to invest in the Serbian financial market

This foreign investor's guide provides potential and existing non-resident investors with an overview of what is possible when structuring an investment in the Serbian financial markets. The information covered is not exhaustive and unless otherwise indicated, is based on the relevant legislation and conditions existing at November 2011. This guide aims to contribute to the development of Serbia's relations with investors as well as international business organizations by providing a concise document to help them with their investment decisions.

The financial market in Serbia is regulated predominantly by the [Law on the capital markets](#). The Securities commission controls participants involved in the trading process, including the Belgrade Stock Exchange (BSE), Central Securities Depository (CSD), commercial banks, brokerage companies as well as the public enterprises whose shares are traded on the stock exchange – in the operations they conduct on the securities market in compliance with the law. All of the listed participants in the financial market also have their own regulations in accordance with the mentioned Law. Types of securities traded in Serbia in which foreign investors can invest include: equity (issued in local currency), corporate and municipal bonds, and T-bonds (debt securities can be issued in local currency but also can be euro-indexed or in euro). There are no minimum lot sizes in the market, however, fractional shares are not allowed. Turnaround trade is possible. A lot is still being done to improve the operational methods to make foreign investment flow more simply and quickly.

Pre-trade activities

Representation	Non-resident legal entities and individuals need a tax representative, an individual with a Serbian residence, who will obtain a tax identification number (PIB) at the Tax administration of the Republic of Serbia on their behalf, in accordance with the governing law and bylaw .
Central Securities Depository and Clearing House (CSD)	A cash and securities account at the CSD must be opened. This is carried out by a local CSD member (broker or dealer companies or banks) on behalf of non-resident investors. Relevant laws can also be found on the website.
Arrangement with a Local Broker	To trade on the BSE non-resident investors must enroll with a local brokerage house/bank, a list of which can be found at http://www.belex.rs/eng/clanovi/spisak_clanova . The activities and rights of brokers are defined by Law .
Custody bank	Non-resident investors can choose to enroll with a local custody bank , in which case the balance of securities is recorded in the aggregate custody account. The aggregate custody account is kept by the custody bank in its name and for account of legal holders. If non-resident investors choose not to enroll with a local custody bank, a local CSD member will open a proprietary securities account for them, in accordance with Operating Rules of CSD .
Official period to open a securities account with CSD	1 day

Available investment types

Government frozen foreign currency savings bonds

Description	Zero-coupon bonds, denominated in EUR, issued by the Republic of Serbia to settle obligations arising from citizens' foreign currency savings. Nominal value is 1 EUR.
Trading	Bonds are traded both on the stock exchange and OTC, with a majority of trading carried out OTC. As these bonds represent settlements of past obligations of the Republic vis-à-vis Serbian citizens, there are no new issues, and all trading is on the secondary market.
Maturity	Bonds mature on the 31 st May every year, until 2016.
Coupon	Zero-coupon, pure discount bonds.
Trading expenses	If trading takes place on the stock exchange, it charges a 0.1% commission with a cap of RSD 3,500; 0.05% for block trading is paid by the sell-side. The CSD's commission is 0.1% with a cap of RSD 1,500 (for trades on stock exchange), and RSD 5,000 (for OTC trades). Bank and broker charges apply.
ISIN	RSMFRSD68018;RSMFRSD73810;RSMFRSD79726;RSMFRSD70279
Prospectus	http://www.nbs.rs/export/internet/english/20/sjd/issue_rs_bonds.pdf
Outstanding vol.	EUR 1,270,856,394
Settlement	Default settlement is set at T+3; other arrangements subject to parties' consent are also possible.
Foreign ownership restrictions	None. Residents and non-residents, both legal entities and individuals, can invest in foreign currency savings bonds.

Dinar T-bills

Description	Short-term securities issued by the Republic of Serbia. Securities are usually denominated in RSD, with nominal value of RSD 10,000.00.
Primary market	Securities are issued in an auction, which can be a single or multiple price one. So far, the Public Debt Administration (PDA), an organizational unit of the Serbian Ministry of finance, has used only the single price auction method. Auctions are carried out according to the pre-announced auction calendar , using a special trading platform of the PDA. Only licensed participants can directly participate in auctions, while all the other interested parties can submit their bids through a licensed participant of their choice. Minimum amount that can be purchased in an auction is RSD 200,000.00, whilst the maximum amount is set at 30% of the issue volume. PDA publishes the auction results and statistics on its web page and via its trading platform. Overview of issued government securities (redemption schedule) is available on the National Bank of Serbia (NBS) web site.
Secondary market	There is no platform for secondary trading. Trades are conducted OTC, with post-trade information available on the NBS and Ministry of Finance web sites.
Maturity	3m, and 6m.
Coupon	Zero-coupon, pure discount instruments.
Trading expenses	CSD charges 0.1% with a RSD 5,000 cap, both for primary and secondary market transactions. Bank and broker charges apply.
Reopening	No.
Settlement	In the primary auction trades can be settled between T+0 and T+3 – in accordance with the Act of T-bills issuance. Trades on secondary market (OTC) can be settled anywhere between T+0 and T+3.
Eligibility for transactions with the NBS	Eligible for the NBS repo purchase/sale of securities , and daylight and overnight liquidity loans .

Foreign ownership restrictions	Yes. Non-residents can only purchase securities on primary market with maturities longer than 1y.
--------------------------------	---

Dinar T- bonds

Description	Medium and long-term securities issued by the Republic of Serbia denominated in RSD, with nominal value of RSD 10,000.00.
Primary market	Securities are issued in an auction, which can be a single or multiple price one. So far, the Public Debt Administration (PDA), an organizational unit of the Serbian Ministry of finance, has used only the single price auction method. Auctions are carried out according to the pre-announced auction calendar , using a special trading platform of the PDA. Only licensed participants can directly participate in auctions, while all the other interested parties can submit their bids through a licensed participant of their choice. Minimum amount that can be purchased in an auction is RSD 200,000.00, whilst the maximum amount is set at 30% of the issue volume. PDA publishes the auction results and statistics on its web page and via its trading platform. Overview of issued government securities (redemption schedule) is available on the NBS web site.
Secondary market	There is no platform for secondary trading. Trades are conducted OTC, with post-trade information available on the NBS and Ministry of Finance web sites.
Maturity	1y, 18m, 2y, 3y, and 5y.
Floating coupon rate	2y amortizing T-bonds (floating coupon rate = reference interest rate of the NBS + fixed spread) the first issuance in August 2012.
Fixed coupon rate	3y and 5y T-bonds carry a 10% p.a. coupon, semiannual payment. 1y and 18m issues are zero-coupon instruments.
Trading expenses	CSD charges 0.1% with a RSD 5,000 cap, both for primary and secondary market transactions. Bank and broker charges apply.
Reopening	Yes.
Settlement	In the primary auction, trades can be settled between T+0 and T+3 – in accordance with the Act of T-bills issuance. Settlement for maturities longer than 12-month are set at T+2. Trades on secondary market (OTC) can be settled anywhere between T+0 and T+3.
Eligibility for transactions with the NBS	Eligible for the NBS repo purchase/sale of securities , and daylight and overnight liquidity loans .
Foreign ownership restrictions	No. Participation in auctions is possible for both resident and non-resident legal entities and individuals (via a licensed participant). Non-residents can purchase a T-bond on secondary market which matures within e.g. a month, if it was originally issued with a maturity longer than 1y. Also, restriction does not apply to reopenings as long as originally maturity is longer than 1y.

Euro denominated T-bonds

Definition	Medium and long-term securities issued by the Republic of Serbia, denominated in EUR. Nominal value is EUR 1000.
Primary market	Auctions ¹ are carried out according to the pre-announced auction calendar , using a special trading platform of the Public Debt Administration (PDA). Only licensed participants can directly participate in auctions, while all the other interested parties can submit their bids through a licensed participant of their choice. Minimum amount that can be purchased in an auction is EUR 20,000.00, whilst the maximum amount is set at 30% of the issue volume. PDA publishes the auction results and statistics on its web page and via its trading platform. Overview of issued government securities (redemption schedule) is available on the NBS web site.

Secondary market	There is no platform for secondary trading. Trades are conducted OTC, with post-trade information available on the NBS and Ministry of Finance web sites.
Maturity	1y, 18m, 2y, 3y, and 15y.
Coupon	2y and 3y T-bonds carry a 4.875% p.a. coupon, semiannual payment. 15y T-bonds have a 5.85% p.a. coupon, semiannual payment. All other issues are zero-coupon instruments.
Reopening	Yes.
Trading expenses	CSD charges 0.1% with a RSD 5,000 cap, both for primary and secondary market transactions. Bank and broker charges apply.
Settlement	In the primary auction, trades can be settled between T+0 and T+3 – in accordance with the Act of T-bills issuance. Settlement for maturities longer than 12-month are set at T+2. Trades on secondary market (OTC) can be settled anywhere between T+0 and T+3.
Foreign ownership restrictions	No. Participation in auctions is possible for both resident and non-resident legal entities and individuals (via a licensed participant). Non-residents can purchase a T-bond on secondary market which matures within e.g. a month, if it was originally issued with a maturity longer than 1y. Also, restriction does not apply to reopenings as long as originally maturity is longer than 1y.

¹For 15y bonds auctions were carried out at a fixed price.

Stocks

Currency	RSD
Market organization	Equities are traded on the BSE , which comprises the regulated market and the multilateral trading platform (MTP Belex). The regulated market is further segmented into listing segments and non – listing segment (Open Market), according to a specific set of requirements .
Trading	Securities can be traded by: <ol style="list-style-type: none"> 1. Single price method (MTP Belex) 2. Continuous trading method (MTP Belex, regulated market) Trading sessions are organized Monday-Friday (except public holidays), according to the trading calendar . Each trading sessions is divided into several phases . Block trades, defined as block transactions in a security, are possibly subject to certain criteria, and are concluded outside the trading session. There are fluctuation zones, defined as the maximum price deviations of a security, from a reference price (usually the previous day close price), within one trading session. For the equities traded on the regulated market listings the range is +/-10%; for the equities traded on the Open Market the range is +/- 20%, and for the equities traded on the MTP Belex the range is +/- 40%. As for the order types, there are limit and market orders, which can be entered as day, GTD (good-till-day, no longer than 90 days), and GTC (good-till-cancelled, no longer than 90 days). The tick size is RSD 1.
Trading expenses	Stock exchange charges a commission of 0.1%, 0.18% for block trading is paid by the sell-side. CSD charges 0.1% with a cap at RSD 1,500, and for block trading 0.18% is paid by the sell-side. Bank and broker charges apply.
Corporate events	According to the disclosure regulations (Law and bylaw), public companies are obliged to disclose important announcements in the mass-media. Companies must inform shareholders about financial results, auditor’s reports, plans on half-year financial results, AGM, decisions on capital increase, significant changes in company’s assets, dividend pay-outs and other important changes. The corporate calendar is available on the website of the BSE.
Ownership restrictions	NBS must approve purchases exceeding 5% of local banks’ shares. Acquisition of more than 25% of shares of any public company requires the announcement of a take-over bid.
Settlement	Settlement for equities can be arranged between the transacting parties. Default settlement on BSE for equities is T+3, however, subject to transacting parties’ consent it can also be T+0, T+1 or T+2.

Foreign ownership restrictions	None.
--------------------------------	-------

Cash Payments:

Settlements of cash payments in the domestic currency arising from transactions in securities are conducted through the CSD account which is opened and maintained by the NBS. Cash payments are settled according to payment instructions issued by CSD to its members. Settlements of FX transactions are conducted through the CSD FX account, which is a sub-account of the NBS foreign currency account.

Investment Funds

Open-end investment funds

Classes	Portfolio composition	
	Description	Investment constraints
Equity funds	Invest predominantly in equities in Serbia, neighbouring OECD and EU countries.	At least 60% in equities
Fixed income funds	Invest predominantly in fixed income instruments issued by governments, central banks, municipalities, IFIs, and legal entities in Serbia, neighbouring, OECD and EU countries.	At least 60% in fixed income instruments
Money market funds	Invest predominantly in short-term (up to 365 days) securities issued by the NBS, the Republic, municipalities, and legal entities in Serbia, and bank deposits in Serbia, and OECD and EU countries.	At least 75% in short-term securities and bank deposits
Balanced funds	Invest in equities, fixed income, and money market instruments in Serbia, neighboring, OECD, and EU countries.	At least 70% in equities and fixed income; money deposits and fixed income not less than 35%, and no more than 75%

Closed-end investment funds

Descriptions/classes
1. Closed-end funds that invest more than 50% of their assets in securities which trade in the organized market.
2. Closed-end funds that invest more than 50% of their assets in shares of companies which are not traded in the organized market and shares in partnership companies, limited partnership companies and limited liabilities companies.
3. Closed-end funds for investing in property where more than 60% of their assets are invested in real estate.

Open- and closed-end funds in Serbia are regulated by the [Law on Investment Funds](#) and [corresponding bylaws](#) and supervised by the Serbian SEC.

Post trade activities

Capital gains tax	10% with exceptions (in the case Serbia has a double tax avoiding arrangement with the resident country of the investor, the investor does not pay taxes in Serbia, but in its resident country according to its laws). Government securities are fully exempt from this tax.
Double taxation agreement	Apply. http://www.mfp.gov.rs/pages/issue.php?&id=7063&change_lang=ls
Repatriation of profits	In order for non-resident investors to be able to repatriate the profits, a confirmation about paid taxes (if they apply) has to be issued by Tax administration. Local tax representatives usually take care of this on behalf of non-resident investors.
Other relevant taxes	No.

Last updated January 21, 2013.