

SERBIA: DERIVATIVES

Decision on the Conditions for Trading with Financial Derivatives

The National Bank of Serbia (NBS) has adopted the long-awaited decision regulating the conditions for derivatives trading. The decision, which came into force on 1 December, implements the recently amended Law on Foreign Exchange Transactions (*Zakon o deviznom poslovanju, Official Gazette of the RS 62/2006 and 31/2011*) (see BDK Newsletter 09/2011 here).

Local banks can engage in trade with both standardized and OTC derivatives with other local banks, non-residents and residents. Non-bank residents may sell and purchase standardized, exchange-traded derivatives abroad, while OTC derivatives may be concluded with non-residents only to protect from the fluctuations in: interest rate, FX currency, securities prices, commodities prices and stock exchange indices and provided the relevant derivatives transaction does not involve dinar payments. Furthermore, for the purpose of hedging the above-mentioned risks, Serbian residents and Serbian banks may enter into OTC transactions providing for settlement in foreign currency. FX swaps and forwards can be entered into by residents only to cover for future FX cash flow and, in case of swaps, for the purpose of covering open FX positions.

Transactions with non-deliverable financial derivatives are prohibited.

Close-out netting in the manner foreseen in a standardized master agreement (such as ISDA Master Agreement) is expressly permitted.

The NBS Decision authorized the NBS to temporarily suspend derivatives transactions or otherwise additionally regulate them if that is required for the purpose of maintaining financial stability.

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