

## SERBIA: FINANCE

### New Law on Default Interest

According to the Serbian Law on Obligations, parties cannot freely set default interest rate applicable to late payments but are bound to apply a statutory rate. The Serbian Parliament passed a new Law on Default Interest ("Law") on 15 December 2012. The highlights of this legislation are as follows:

- Default interest on Serbian Dinars is equal to Key Policy Rate of the National Bank of Serbia plus 8 %;
- The Law finally fills-in the gap that has existed until recently with respect to default interest applicable to payments in foreign currency. Prior to the adoption of the Law, no statute prescribed default interest rate applicable to payments in foreign currency. Courts stepped in to fill-in the gap by holding that, with respect to payments in EUR, Main Refinancing Operations rate prescribed by ECB applied. However, taking into account that MRO has been on low levels since 2009, this solution left creditors practically with very modest default interest entitlement. The Law now prescribes that default interest rate applicable to payments in Euro is equal to the European Central Bank's Main Refinancing Operations rate, plus 8%.
- Default interest on debt payable in foreign currency other than EUR is equal to basic/key policy rate for main operations applied by the central bank of the country of the relevant currency, plus 8%. If Key Policy Interest for main operations is determined as a range, default interest shall be determined as a mean value, plus 8%.

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