

Amendments to Foreign Exchange Law in Republika Srpska

MARCH 2014

The latest amendments to the Foreign Exchange Law will come into effect on 27 March 2014. The amendments moderately liberalize the foreign exchange regime applicable in Republika Srpska.

Foreign deposits – payments via Paypal made possible

Residents of Republika Srpska are not allowed to hold money on off-shore accounts except in cases expressly permitted under the Foreign Exchange Law. The amendments reinforce this prohibition by specifying that, when an exception applies, money held by residents of Republika Srpska on a foreign bank account must be repatriated within 30 days from the cessation of the reason which made such foreign deposit permissible.

To enable the citizens to engage in e-commerce via Paypal and similar foreign e-commerce companies, the amendments specify that the currency held with such institutions shall not be deemed bank deposits.

Cross-border set-offs and assignments

Cross-border assignment, debt assumption and set-off are liberalized as far as trade claims/debts are concerned.

The amendments specify that the assignment or debt assumption is subject to a written agreement concluded in accordance with the general contract law, subject to the proviso that such agreement must be in writing and must contain details on the debtor and the assigned claim (in case of assignment) or creditor and the assumed debt (in case of debt assumption), i.e. the legal basis, the amount and the currency thereof.

Cross-border set-off of trade claims requires a written agreement specifying the amounts to be set-off, the currency and the legal basis of mutual claims being set-off.

In order to prevent circumvention of creditors, the law specifies that a resident debtor whose bank

accounts are blocked cannot settle its obligations via claim assignment, debt assumption or set-off.

Set-off, claim assignment and debt assumption under capital transactions is yet to be regulated by the Government of Republika Srpska

Commercial credit

Import transactions involving advance payment made more than one year from the import into Republika Srpska and export transactions involving payment deadline longer than one year from the date of the export are treated as cross-border commercial credit transactions which have to be registered with the Ministry of Finance. Prior to the amendment, the threshold payment period delineating a trade transaction from a commercial credit transaction was six months.

Investments in real estate

Prohibition on acquisition by non-residents of local real estate and acquisition by residents of real estate located abroad is lifted. Foreigners can now freely acquire real estate in Republika Srpska, subject to the requirement of reciprocity and other specific restrictions that may stem from the laws and regulations governing ownership on real estate. Residents can also freely transfer funds to finance acquisitions of real estate abroad provided they do not have outstanding tax liabilities in Republika Srpska.

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