

GOVERNMENT OF THE REPUBLIC OF SERBIA
MINISTRY OF ECONOMY AND PRIVATIZATION

LAW ON THE SHARE FUND

FOUNDING

Article 1

The Share Fund of the Republic of Serbia shall hereby be founded (hereinafter: Share Fund). Other legal entities may not use the name Share Fund in conducting legal affairs.

LEGAL STATUS

Article 2

The Share Fund shall have the status of a legal entity.

SEAT

Article 3

The seat of the Share Fund shall be in Belgrade.

RESPONSIBILITIES FOR OBLIGATIONS

Article 4

The Share Fund shall be liable for its obligations up to the value of its property.

FUNDING FOR THE FOUNDING AND THE BEGINNING OF OPERATIONS

Article 5

The funding for the founding and commencement of operations of the Share Fund shall be provided by the Budget of the Republic of Serbia.

BODIES

Article 6

The bodies of the Share Fund shall be: Managing Board, Supervisory Board and the Director. The Managing Board and the Supervisory Board shall be nominated and dismissed by the Government of the Republic of Serbia.

The Managing Board shall have five members: two representatives of the Government of the Republic of Serbia, one representative from the administrative body of territorial autonomy and a representative each of the Republic's Fund for Retirement and Disability Insurance of Employees and the Privatization Agency.

The Supervisory Board shall have three members: a representative each of the Republic's Fund for Retirement and Disability Insurance of Employees, the ministry in charge of financial affairs and the ministry in charge of privatization affairs.

The Director of the Share Fund shall be appointed and dismissed by the Government of the Republic of Serbia upon the recommendation of the ministry in charge of privatization affairs (hereinafter referred to as: the competent ministry).

GENERAL ACTS

Article 7

The Share Fund shall have the Statute and other general acts in accordance with the law and the Statute.

The Statute shall be formulated by the Managing Board of the Share Fund with the approval of the Government of the Republic of Serbia.

The Statute of the Share Fund shall regulate the organization and the manner of operations of the Share Fund, the competence and operation of the Managing Board, Supervisory Board and the Director of the Share Fund, the representation of the Share Fund, rights, obligations and responsibilities of the employees of the Share Fund, the manner of organizing activities and other issues of importance for the operation of the Share Fund.

OPERATIONS OF THE SHARE FUND

Article 8

The following shares or stakes shall be transferred to the Share Fund:

1. Shares that remained, until the date of effectiveness of the law governing the privatization, in enterprises which have carried out a privatization of a part of social and/or state owned capital on the basis of the Law on Ownership Transformation (The Official Gazette of the Republic of Serbia, Nos. 32/97 and 10/2001);
2. Shares of shareholders who stopped paying installments for subscribed shares which have been paid for on the basis of the Law on Socially-Owned Capital (The Official Gazette of the Socialist Federal Republic of Yugoslavia, Nos. 84/89 and 46/90), the Law on the Conditions and Procedures for the Transformation of Social Ownership into Other Forms of Ownership (The Official Gazette of the Republic of Serbia, Nos. 48/91, 75/91, 48/94 and 51/94), and the Law on Ownership Transformation (The Official Gazette of the Republic of Serbia, Nos. 32/97 and 10/2001);
3. Shares transferred to the Share Fund by the Development Fund of the Republic of Serbia for the purpose of selling them;
4. Shares remaining after the sale of capital in accordance with the law which regulates the process of privatization.

Article 9

The Privatization Agency (hereinafter: Agency) shall organize the sale procedure for shares and stakes from the article 8. of this law. The Share Fund shall sell shares and stakes based on the instructions given by the Agency. Shares and stakes from paragraph 1 and 2. of this article, the Share Fund shall sell on the financial markets by public auction or through brokers, with exception of shares which competent ministry decides to register in the Privatization Registry. In an exception to paragraph 3. of this article shares or stakes could be sold also through public offer and public tender. Simultaneously with an offer for the sale of shares from the Share Fund, shares owned by individual shareholders of the legal entity can also be offered for sale, for the purpose of selling a majority package of shares. The Share Fund shall follow the principles of transparency and non-discrimination in the sale procedure. The Shares Fund shall be obliged to sell the shares transferred to it no later than six years from the effective date of the Law on Privatization.

Article 10

The Share Fund shall execute the sale of shares which are transferred to the Republic's fund in charge of pension and disability insurance up to the date of effectiveness of the law which governs the privatization affairs.

Article 11

The Share Fund, with the Agency's consent, can conclude a contract in accordance with its Statute, to entrust the domestic and foreign specialized financial organizations with the sale of transferred shares or stakes in the Share Fund. The Share Fund shall not use its rights to management arising from the shares transferred to it. The Share Fund shall collect the dividend on the basis of the shares transferred to it.

Article 12

The Share Fund shall also perform other activities in accordance with the Law on Privatization and its Statute.

SHARE FUND PROGRAM

Article 13

The program of the Share Fund shall be formulated by the Managing Board, with the approval of the Government of the Republic of Serbia and with previously obtained opinion of the administrative body for territorial autonomy. The administrative body for the territorial autonomy is obliged to submit to the Share Fund the opinion from paragraph 1. of this article no later than 15 days from the submission of the program to it for the purpose of obtaining such opinion. The

program from Paragraph 1 of this article shall regulate, in particular: the dynamics and scope of the sale of shares, harmonization of such dynamics with the planned budget revenues, and the public campaign and promotion of sale of shares and stakes.

DUE CARE

Article 14

The Share Fund is obliged to exercise customary due care expected of an expert, in accordance with the consideration given to the revenues realized by the state through the sale of the shares and to the inflow of new investment capital into legal entities, the shares of which are being sold.

PRINCIPLE OF OPERATION

Article 15

The Share Fund shall perform its activities in accordance with the law and its Statute.

ANNOUNCEMENT

Article 16

The Share Fund shall be obliged to:

1. Keep the public properly informed on the sale of shares and provide all the necessary information to the potential buyers;
2. At least twice a year, inform the competent ministry, the Government of the Republic of Serbia and the administrative body for the territorial autonomy about the shares, which have been sold;
3. Provide the potential buyers with all the necessary information on the legal entities whose shares it is selling;
4. Inform the Central Registry, which records all Securities, on each and every sale of shares for the purpose of entering the new owners into the registry.

ACQUIREMENT TIME

Article 17

The Share Fund, in accordance with this law and the Law on Privatization, shall take over the shares of the entities to be privatized latest within 30 days from the date on which appropriate conditions are acquired for taking over the shares and stakes referred to in article 8 of this law. Should the entity to be privatized, referred to in Paragraph 1. of this article, fail to transfer the shares to the Share Fund, the competent ministry shall decide on the transfer of those shares to the Share Fund. The decision from paragraph 2 of this article shall be final.

RECORDS

Article 18

The Share Fund shall keep the records of transferred shares in accordance with the bookkeeping regulations and with the Statute.

DELEGATION OF RESPONSIBILITIES

Article 19

In accordance with the Statute, the Share Fund may contractually delegate some of its responsibilities to other legal entities.

PROPER APPLICATION OF CLAUSES ON CONFLICT OF INTERESTS AND PROHIBITED COMPETITION

Article 20

The clause on the conflict of interests provided for by the law shall be accordingly applied to the Share Fund, the members of its bodies and its employees. The clause on the prohibited competition provided for by the law shall be accordingly applied to the Share Fund, the members of its bodies and its employees.

PROHIBITION ON THE ABUSE OF PRIVILEGED INFORMATION

Article 21

Persons in the Share Fund who are in possession of privileged information may not use it for the purpose of increasing their financial status and gaining any other benefits for themselves or the third parties. Privileged information from paragraph 1 of this article shall be the information on particular facts not generally known to the public and connected with one or more entities to be privatized, i.e. information on entity's shares which will be publicly offered at the market, and which, should it become public knowledge, would influence their price. Persons from paragraph 1 of this article shall be all the persons who, in the performance of their duties or functions, have come into possession of the above-mentioned information.

RIGHT OF INSPECTION

Article 22

The Share Fund shall have the right to inspect the Book of Shareholders of the entity to be privatized and the Central Registry for securities.

SUPERVISION

Article 23

The supervision over the legality of operations and activities of the Share Fund shall be carried out by the competent ministry. The competent ministry shall submit reports to the Government of the Republic of Serbia every three months on the results of its supervision. Once a year, the Government of the Republic of Serbia shall inform the National Assembly of the Republic of Serbia on the operations and activities of the Share Fund. Annual accounts of the Share Fund shall be subject to auditing.

REMOVAL OF LEGAL VIOLATIONS

Article 24

Should the competent ministry, in the performance of the supervisory functions from article 23, paragraph 1, of this law, discover that the Share Fund, in the acquisition and sale of the shares, has violated any of the provisions of the Law on Privatization and this law, it shall bring a resolution stating the time period for the making good of the violation, the period not to exceed 30 days.

FINANCING

Article 25

The Share Fund shall acquire the funds for its operations through:

1. Fees covering costs and commissions realized in the sale of shares;
2. Dividends paid by the entities to be privatized until the sale of the shares;
3. The Budget of the Republic of Serbia;
4. Other sources provided for by the Statute, in accordance with the law.

The fees for costs and commissions from paragraph 1, article 1, of this law shall be determined by the Minister in charge of privatization affairs.

DISTRIBUTION OF THE PROCEEDS FROM THE SALE OF ACQUIRED SHARES AND DIVIDENDS

Article 26

The funds acquired through the sale of shares or stakes and collected dividends, shall be transferred to the payment account of the Budget of the Republic of Serbia, in time set forth in the contract on the sale of shares. The proceeds acquired through the sale of shares or stakes and collected dividends of the Republic's fund competent for pension and disability insurance of employees shall be transferred to the payment account of that fund, in time set by the contract on the sale of shares.

COMMERCIAL VIOLATIONS OF LEGAL ENTITIES AND RESPONSIBLE INDIVIDUALS

Article 27

A fine of 10,000 to 450,000 Dinars for a commercial violation shall be imposed upon a legal entity, which, contrary to the provisions of article 1, paragraph 2, of this law, uses, in its title, the words Share Fund. A fine of 5,000 to 30,000 Dinars for a commercial violation from paragraph 1 of this article shall also be imposed upon the responsible individual in the legal entity.

COMMERCIAL VIOLATIONS OF THE ENTITIES BEING PRIVATISED AND OF RESPONSIBLE INDIVIDUALS

Article 28

A fine of 10,000 to 450,000 Dinars for a commercial violation shall be imposed upon the entity being privatized if:

1. It fails to transfer the shares to the Share Fund, within the time period referred to in article 17 of this law,
2. It fails to enable the Share Fund to inspect the Book of Shareholders in accordance with article 22 of this law;

A fine of 5,000 to 30,000 Dinars for the commercial violation from paragraph 1 of this article shall also

be imposed upon the responsible individual in the entity being privatized.

VIOLATIONS OF RESPONSIBLE INDIVIDUALS IN THE SHARE FUND

Article 29

A fine of 2,000 to 10,000 Dinars shall be imposed upon the responsible individual in the Share Fund if the Share Fund:

1. Fails to inform in writing, the competent ministry, potential buyers and the Central Registry about its intention to sell transferred shares, in accordance with article 16 of this law;
2. Fails to transfer the proceeds, from the sale of acquired shares, and/or of stakes and collected dividends referred to in article 26. of this law, to the payment account of the Budget of the Republic of Serbia, or of the Republic's fund in charge of pension and disability insurance.

VIOLATIONS DUE TO THE ABUSE OF PRIVILEGED INFORMATION

Article 30

A fine of 2,000 to 10,000 Dinars for a violation shall be imposed upon a person in the Share Fund from article 21, paragraph 1, of this law who uses the privileged information from article 21, paragraph 2, of this law, for the purpose of gaining financial or other benefits for himself or third parties.

APPOINTMENT OF THE BODIES

Article 31

The Government of the Republic of Serbia shall appoint the Managing and the Supervisory Board and the Director of the Share Fund within 15 days from the date of coming into force of this law.

ENACTMENT OF THE STATUTE AND PROGRAM

Article 32

The Statute of the Share Fund shall be enacted within 30 days from the date of coming into force of this law. The program of the Share Fund shall be enacted within 90 days from the date of the enactment of the Statute.

REGISTRATION

Article 33

The application for registration of the Share Fund into court registry shall be submitted to the competent court within eight days from the date of the Statute's coming into effect.

CONDUCT OF EXPERT AND OTHER ACTIVITIES

Article 34

Professional and other administrative-technical activities of the Share Fund shall be performed by the employees of the Share Fund.

The employees of the Share Fund have rights and obligations in accordance with the law, which governs labor relations in state institutions, and in accordance with the collective agreement.

CESSATION OF REGULATIONS' EFFECT

Article 35

On the effective date of this law, the Law on Share Fund ("Official Gazette of RS" No. 44/98) shall be revoked.

COMING INTO FORCE

Article 36

This law shall come into force on the eighth day following the date of its publication in The Official Gazette of the Republic of Serbia.

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Ministry of economy and privatization
Government of the Republic of Serbia