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**NOVELTIES IN SERBIAN LEGISLATION
Alternative Investment Funds and
Open-Ended Investment funds with a Public Offering**

Novelties in Serbian legislation - Alternative Investment Funds and Open-Ended Investment funds with a Public Offering
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On October 10, 2019 the National Assembly of the Republic of Serbia adopted the Law on Alternative Investment Funds and Law on Open-Ended Investment Funds with a Public Offering, where both of the laws came into force on October 19, 2019 and will become applicable on April 20, 2020.

The main purpose for adopting the laws was harmonization of the Serbian legal system with the legal system of the European Union, namely with:

1. Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 - ("AIFMD") and
2. Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities - ("UCITS Directive"),

as well as improvement and development of the capital market, which will consequently contribute to the development of the economy of the Republic of Serbia.

Taking into account the current situation on the domestic market, the laws stipulate that it will be possible to delegate the safekeeping of assets to domestic and foreign banks in the period prior to

accession to the European Union, provided that the prescribed conditions are met, and with the prior consent of the Securities Commission.

By regulating delegation in this manner, a greater level of security, control and liability will be ensured, since supervision will be exercised by both the National Bank of Serbia and the Securities Commission.

The bylaws for the implementation of the laws will be adopted within six months from the day on which the laws enters into force (i.e. six months as of October 19, 2019).

It should be noted that these laws have introduced new terms "depository" and "depository services" instead of the previously used "custodian banks" and "custody services", since they are generally accepted in the European Union.

Also, the application of the provisions relating to cross-border operations of alternative investment fund management companies and delegation of depository operations are delayed until the accession of the Republic of Serbia to the European Union, as well as of certain provisions concerning the number of persons constituting the management of a management company and the manner in which they operate, while the application of the provisions relating to small investors and public offers are postponed until January 1, 2021.

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Alternative

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Law on Alternative Investment Funds

The main reason for adoption was the need to provide a higher level of protection in case of risky investments of alternative investment funds and to define more closely and in more detail the rules that exist in relation to management companies of alternative investment funds.

The Law on Alternative Investment Funds regulates the establishment and management of alternative investment funds and of the management companies of alternative investment funds; the way of placing on the market, issuing and buying out of shares in alternative investment funds; the affairs and duties of the depositary and the competence of the Securities Commission.

It also sets forth different types of funds and prescribes the types of assets into which alternative investment funds can invest raised funds. Furthermore, it distinguishes between open-ended and closed-ended alternative investment funds, with the most important novelty being the introduction of a new type of closed-ended investment fund: a legal entity with internal management, which manages assets by itself and not through a management company.

Investments

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Law on Open-Ended Investment Funds with a Public Offering

A special type of investment fund - Undertaking for Collective Investment in Transferable Securities ("UCITS fund") is regulated by the new Law on Open-Ended Investment Funds with a Public Offering.

A UCITS fund is an open-ended investment fund with the sole object of collective investment of assets, raised by public offering, in transferable securities or in other liquid financial assets and which operates on the principle of spreading of investment risk, and with units which are, at the request of holders, repurchased, directly or indirectly, out of the fund's assets.

The law specifies the conditions for establishment of UCITS funds, as well as for operating and reporting of management companies, the assets into which they are allowed or not allowed to invest, the risk management policy, depositary liability and supervisory powers of the Securities Commission. Furthermore, the restriction that an open-ended fund member cannot acquire more than 20% of the net worth of the investment fund was deleted, in accordance with EU regulations.

The Law on Open-Ended Investment Funds with a Public Offering offers the option of organizing an umbrella fund which is not a legal entity and which consists of two or more sub-funds, with the structure of the main and the sub-fund regulated by the law, together with rules of investment.



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