



**New Amendments of the Laws and Bylaws Regulating the Protection of
Financial Services Users and the Banking Sector**

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Introduction

The National Assembly of the Republic of Serbia has adopted a set of laws regulating the banking sector and the protection of financial services users on March 6th this year:

- Law on Amendments and Supplements to the Law on Banks („Official Gazette of the Republic of Serbia, No. 19/2025”) (the “Law on banks”), which will come into force on October 1st this year and
- Law on protection of financial services users („Official Gazette of the Republic of Serbia, No. 19/2025”) (the “Protection of financial services users Law”) that came into force on July 1st.

In order to further regulate the new amendments to the Law on banks, as well as to regulate their implementation, the National Bank of Serbia (the “NBS”) has adopted a series of decisions, with the first set adopted on May 9th and published in the Official Gazette of Republic of Serbia no. 41/2025:

1. Decision on amendments to the decision on adequacy of the bank’s capital,
2. Decision on amendments to the decision on the reporting of banks,
3. Decision on detailed conditions and method of giving consent for the establishment or acquisition of a subsidiary company of the bank,
4. Decision on detailed conditions and methods of performing the control of foreign exchange business of residents and non-residents,
5. Decision on detailed conditions and methods of performing exchange control,
6. Instruction on the method of calculating the total amount of the bank’s exposure, which is included in the calculation of the leverage indicator.

and the second set adopted on June 17th and published in the Official Gazette of the Republic of Serbia, no. 51/2025:

1. Decision on detailed conditions and method of appointing holders of key functions in the bank,
2. Decision on detailed terms and method of performing bank control and special bank audit,
3. Decision on the detailed conditions and method of performing an independent assessment of the value of the bank's assets and liabilities before and after the implementation of the restructuring procedure,
4. Decision on detailed conditions of writing off and conversion of elements of capital and eligible liabilities of the bank,
5. Decision on amendments and supplements to the decision on risk management of the bank,
6. Decision on amendments and supplements to the decision on the reporting of banks,
7. Decision on amendments and supplements to the decision on the control of the banking group on a consolidated basis,
8. Decision on amendments and supplements of the decision on the implementation of the provisions of the law on banks relating to the granting of preliminary approval, license for operating the bank, and certain consents and approvals of the National Bank of Serbia.
9. Decision on reporting for the needs of planning the restructuring of the bank and banking group,

10. Decision on the bank's minimum capital requirement and eligible liabilities,
11. Decision on the manner and conditions of identification and monitoring of compliance risks of the bank's operations and the management of those risks,
12. Decision on the bank business reorganization plan,
13. Decision on determining and collection of banks' contributions to the fund for banking restructuring,

which will all come into force on October 1st this year.

The NBS has also adopted two new decisions related to the implementation of the new Protection of Financial Services Users Law on 17th June, published in the previously mentioned Official Gazette of the Republic of Serbia no. 51/2025:

1. Decision on the procedure for objections, complaints, and proposals for mediation by users of financial services, which came into force on July 1st and
2. Decision on the conditions and method of calculating the effective interest rate and the forms to be delivered to the user of financial services, which came into force on July 1st, but will be applicable as of September 1st.

The abovementioned decisions, together with the Decision on determining the methodology for calculating interest rates which are the basis for determining maximum interest rates in accordance with the Law on the protection of users of financial services published on 13 of March ("Official Gazette of Republic of Serbia" no. 21/2025), represent the newest set of bylaws rendered in order to further implement the decisions and solutions adopted in the new Protection of financial services users Law.

The newest amendments to the laws and bylaws regulating the protection of financial services users and the banking sector have been long awaited. The explanation given by the Serbian regulators states the need for reinforcing the resilience and stability of the banking sector, with the need to align with the EU and global regulatory frameworks. The Law on banks and the new set of adopted decisions enhance risk management tools, strengthen the legal basis for bank restructuring, and promote public trust in the banking sector. The effective implementation of these reforms will be essential for maintaining financial stability and supporting the continued development of Serbia's financial sector.

However, in addition to the above, it seems that the reasoning behind the newest amendments is also the need for the protection of the users of financial services in case of any potential crisis. Furthermore, they show readiness to protect ordinary citizens in the event of a banking sector crisis, in terms of organizing a special fund to cover the costs of potential bank(s) restructuring.

The significance of the amendments to the Law on banks is also undoubtedly in raising the level of control of the bank's operations by introducing new risks, new business functions, a new condition for obtaining the consent of the NBS for the appointment of a member of the board of directors, but also due to the formation of the Restructuring Fund and the new bank restructuring scheme. The banking sector should look more orderly, since the intention to protect the public sector and the users of financial services prevails, while it brings the obligation of additional protection to banks from hitherto known and new risks.

A. Key Amendments of the Law on Banks

Pursuant to the information provided by the legislators, the amendments to the law have been made in order to fulfil various goals, including the following:

- **Improvement of the bank(s) restructuring system and introduction of Bank Restructuring Fund**

Law on banks introduces the Bank Restructuring Fund (the “Fund”), whose establishment provides an additional degree of protection of budget and public funds in case of bank(s) restructuring, which in addition to already existing restructuring mechanisms further avoids the rescue of troubled banks falls on the taxpayers and state assets.

This Fund shall be established by the NBS but will have separate assets from the NBS. NBS bears no financial liability for the Fund’s obligations but retains sole responsibility for its governance, investment rules, and operations.

The funding shall be sourced through mandatory regular and extraordinary contributions from banks, as well as loans, targeting at least 1% of all insured deposits over a ten-year period (extendable). Membership in the Fund is mandatory, and late payments accrue interest. The Fund may provide support to banks undergoing restructuring via guarantees, loans, asset purchases, and compensation for certain losses, while explicitly prohibiting use for direct loss coverage or recapitalization. NBS may neither finance the Fund from its own resources nor guarantee its liabilities, but retains full authority to regulate and supervise its operations.

This mechanism aligns Serbia with European regulatory frameworks, particularly due to the EU-based headquarters of most domestic banks, and ensures that robust stabilization tools are in place in anticipation of inevitable systemic stress.

- **Improvements and harmonization with European regulations of the prudential control system for bank operations and strengthening the supervisory powers of the NBS:**

These changes include a diverse set of newly enacted and amended regulatory provisions. For example, the new Law on banks has introduced the concepts of additional and supplementary capital in addition to the basic share capital.

The Law on banks also introduces comprehensive regulations governing the NBS's supervisory activities. Authorized NBS personnel may operate undercover as users of financial or payment services to conduct on-site inspections, potentially including audio recordings to enhance oversight and uncover irregularities, known internationally as mystery shopping.

A new "supervisory agreement" mechanism is also created to enable the timely resolution of minor breaches, possibly including lighter sanctions compared to formal enforcement proceedings. The Law on banks also clarifies circumstances constituting obstruction or hindrance of supervision, empowering the NBS to impose monetary penalties. Expanded enforcement powers include issuing written warnings, ordering corrective actions, and revoking banking licenses, with a particular emphasis on information systems supervision and service delivery standards.

- **Enhancement of corporate governance in banks**

These amendments have been incorporated through the introduction of key business functions of the bank, stipulation of additional conditions for membership in the bank's board of directors, clarification of the scope of management bodies in the bank, clarification of provisions related to the internal control system in the bank and specific functions within that system.

- **Introduction of leverage as a new capital indicator**

In addition to the capital adequacy indicator, which banks will have to maintain at a level above the prescribed minimum, an indicator of the degree of indebtedness (leverage) is introduced as a new capital indicator. It is an indicator of the level of indebtedness, which represents the ratio of the bank's core capital and exposure, in contrast to the capital adequacy indicator, which compares the bank's capital and risky assets, i.e. the risk-weighted exposure of the bank. The banks shall be required to keep the leverage at the prescribed minimum.

- **The separation of the risk of money laundering and the financing of terrorism as a specific risk**

The bank shall be obliged to manage within a special organizational unit of the bank the risk of money laundering and financing of terrorism, with the further regulation of control of banks in this respect.

B. Key Novelties of the New Protection of Financial Services Users Law

The new Protection of Financial Services Users Law has introduced various new solutions and novelties, in accordance with the idea of the regulator to protect the users as much as possible:

- **Limiting of the Interest rates**

One of the biggest amendments is the introduction of limitations on interest rates. Namely, the Protection of Financial Services Users Law introduces limits on interest rates (including the effective rates) for housing, consumer, and cash loans, as well as for credit cards. These limits aim to prevent excessively high interest charges, thereby protecting financial services users.

- **Procedure in case of repayment issues**

There are also additional amendments in favour of financial services users in case of repayment issues, whereas in situations where the loan is difficult to repay due to job loss, illness, or other life circumstances beyond the loan user's control, the bank must offer certain facilities in repaying the loan. Facilitation includes settlements such as interest rate reduction, partial debt forgiveness based on interest, loan refinancing under more favourable conditions, as well as many other mechanisms that the bank and the user determine as appropriate.

Also, pursuant to the newest amendments, the bank cannot initiate a collection procedure in case of a due loan, unless it has provided the debtor a period of at least two months to sell the property before initiating collection procedures. This allows users to avoid losing property at low prices.

- **Other relevant amendments:**

Transparency and legal protection: The new Protection of Financial Services Users Law brings greater transparency in the operations of banks and other financial institutions, as well as better legal protection for users. This includes enhanced regulatory clarity and more responsible business practices.

Digitalization of services: The new Protection of Financial Services Users Law also introduces the digitalization of services, making it easier for users to access information and services.

Advisory services: According to the newest solution, the bank (not other service providers) can provide advisory services to its client, if these services are specifically requested. Before providing advisory services, the bank is obliged to provide the user in writing with: information about its offer and the amount of the fee, if a fee is charged for the given service.

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