

Western Balkan Newsletter

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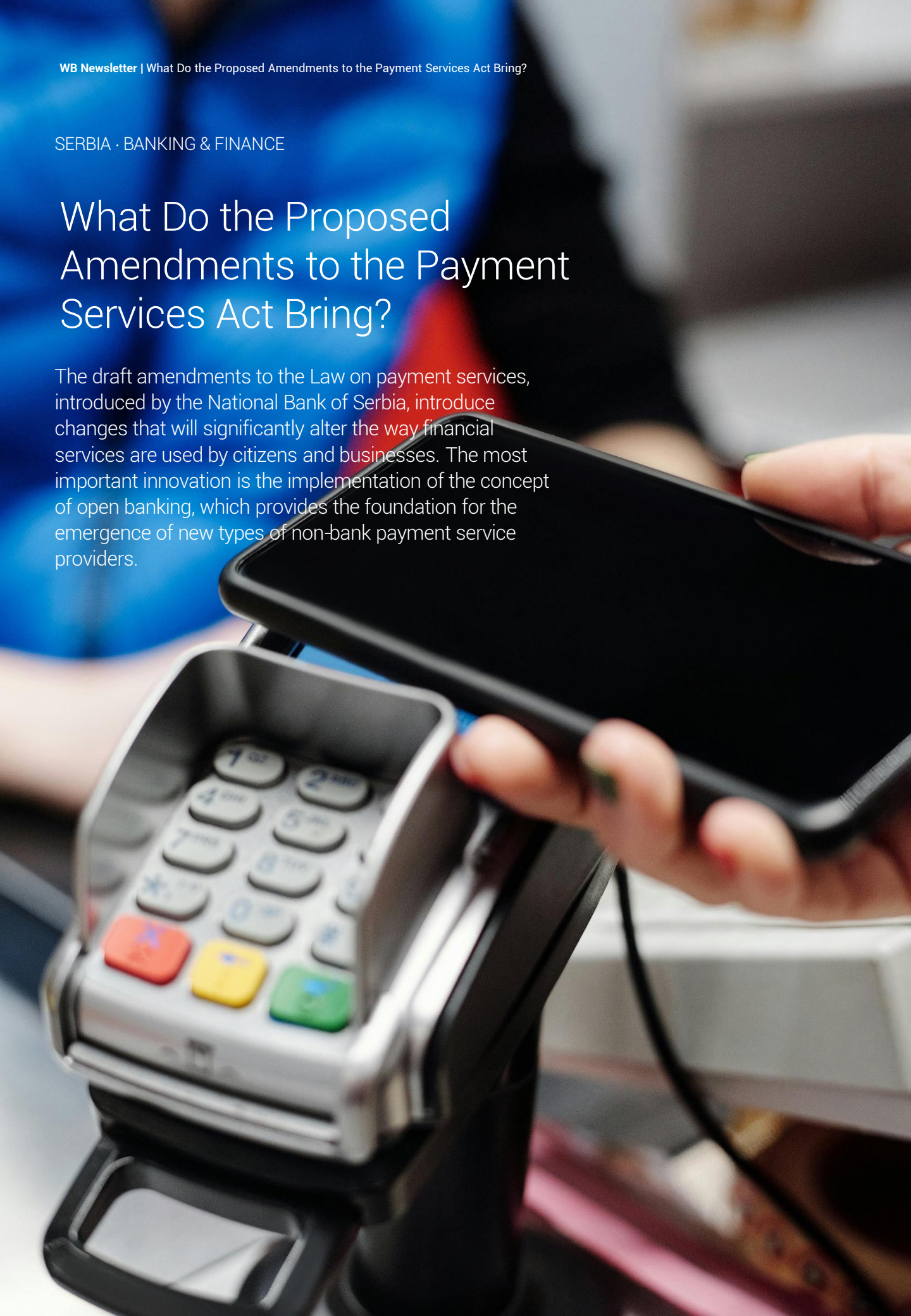
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SERBIA · BANKING & FINANCE

What Do the Proposed Amendments to the Payment Services Act Bring?

The draft amendments to the Law on payment services, introduced by the National Bank of Serbia, introduce changes that will significantly alter the way financial services are used by citizens and businesses. The most important innovation is the implementation of the concept of open banking, which provides the foundation for the emergence of new types of non-bank payment service providers.





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This concept enables the provision of two new services: payment initiation from accounts held at other banks and consolidated account information services.

Payment initiation from accounts held at other banks will allow users to make payments directly from their account at another bank through an authorized payment service provider (PISP), without using traditional payment cards. This service is particularly useful in e-commerce, enabling faster and simpler payments while reducing costs for merchants.

The second new service, account information services, will give users the ability to view all information about their payment accounts in one place through an application, regardless of which bank those accounts are held with. This facilitates better management of personal finances by providing a clearer insight into transactions and account balances.

Additionally, the proposed amendments include defining new conditions for payment service providers, such as mandatory licenses and compliance with security and reliability standards. There are also plans to expand the National Bank of Serbia's authority to supervise the provision of payment services and issuance of electronic money.

Furthermore, Serbia strengthens the security of electronic payments with the introduction of strong customer authentication (SCA), which protects users during online transactions.

Moreover, the new legislative framework lays the groundwork for Serbia's integration into the Single Euro Payments Area (SEPA), enabling more efficient and cost-effective transactions between Serbia and EU member states.

The proposed amendments to the law promise to provide users of payment services with a wider choice, increased security, and better control over their finances. By introducing new services and strengthening user protection, Serbia continues its trend of modernizing payment transactions and aligning with European standards, specifically with the Payment Services Directive 2 (PSD2). This creates conditions for a more competitive market in payment services and improved customer satisfaction.

SERBIA · CORPORATE & COMMERCIAL LAW

Innovations in Electronic Signing of Financial Statements

The Business Registers Agency announced that, starting January 1st, 2025, innovations in the field of electronic signing will be introduced, which will bring significant changes for companies with multiple directors who have limited signing authority.



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In the current practice, companies, whose representatives are restricted by co-signatures, have been able to submit financial statements with qualified electronic signatures of only one representative, while the other representatives would provide a written consent. In other words, other representatives were not obligated to provide electronic signatures for the stated purposes. However, the new rules introduce a significant change, as all representatives are now required to sign financial statements with their qualified electronic signatures.

This change aims to enhance the security of the stated process, since qualified electronic signatures, as legally recognized means of identification, ensure that all company representatives are actually informed about and consent to the content of financial statements which are being submitted and publicly disclosed.

On the other hand, the previous practice had its advantages, specifically for companies whose representatives are foreign citizens. This is primarily because the process of obtaining a qualified

electronic signature will require the presence of the person for whom the certificate is being generated at the certification authority's premise. This has often posed a practical problem for company representatives who do not reside in or frequent the Republic of Serbia or cannot easily ensure their presence to collect the certificate. The possibility for one of the representatives to electronically sign the financial statement, while the others provide their written consent, ensured flexibility and facilitated the business of such companies.

These new rules will certainly require adjustments and additional efforts by the companies, to ensure that all representatives are present in Serbia for the provision of the qualified electronic signatures. Even though these changes are introduced with the aim of increasing security and reliability during the process of signing financial statements, it is important for competent authorities to consider the practical challenges companies face, especially those with international management.



SERBIA · REAL ESTATE

eFrontDesk – The Digital Path to More Efficient Cadastre Registration



Amendments to the Law on the Procedure for Registration in the Real Estate Cadastre and Utility Cadastre pertain to the process of registering in the real estate cadastre, a process which is now conducted electronically via the eFrontDesk system, with the professional assistance of lawyers and geodetic organizations. The Republic Geodetic Authority (*Republički geodetski zavod – RGZ*)

states that this method of registration is more efficient because documents are now transferred in a digital format, and their validity is verified by professional users, thus preventing forgery. RGZ also notes that digital registration in the cadastre is the only way to prevent manipulation and data breach, as well as to end the endless trails of paper coming in and out of RGZ.

The digitalization of the cadastre represents a crucial step towards the modernization of public administration and the improvement of efficiency in real estate management. Introducing electronic registration in the cadastre allows for faster, more transparent, and safer record-keeping of real estate.

This method of cadastre registration provides:

- **Efficiency:** Digitalization reduces the time required to process requests and update data. Processes that previously took weeks or months can now be completed in a few days, as all requests that were previously submitted at cadastre service counters are now submitted exclusively through professional users.
- **Increased Transparency:** The electronic system allows users to check the status of their requests and to access updated information about their real estate.
- **Enhanced Security:** The electronic registration and cadastre management system use advanced technologies for data protection, including digital signatures. Lawyers guarantee the legality of the documents submitted to the cadastre with their signatures, thereby increasing the security of record-keeping in the real estate cadastre.

Electronic registration in the cadastre, or eFrontDesk, brings significant benefits to citizens and users, mainly by eliminating the need for in person visits and waiting in lines at counters, thus saving time and simplifying the entire process. Additionally, the new registration procedure is available 24/7, allowing requests to be submitted at any time, which is specifically important for working citizens or those living in remote areas. This registration method also reduces administrative errors, as data is automatically verified, minimizing the possibility of errors by employees. Finally, digitalization enables public administration to better manage resources and respond more quickly to citizens' requests, contributing to overall efficiency.

The process of registering in the real estate cadastre includes:

- **Obtaining Documentation:** Professional users, such as lawyers, collect all necessary documentation for registration in the cadastre, which must be in digital format, scanned and electronically signed.
- **Accessing eFrontDesk and Submitting Requests:** Professional users, such as lawyers, log in to the official eFrontDesk portal, where they select the option to submit a registration request for the real estate cadastre. Then, they fill out the online form with the required information concerning the real estate and submit the scanned, electronically signed documentation. The system then automatically verifies the documentation, and contacts users if any additional information or corrections are necessary.
- **Payment of Administrative Fees, Processing, and Registration:** Once the documentation is verified, payment of administrative fees ensues, and after the payment is made, users receive payment confirmation. Finally, officials register the real estate in the cadastre, after which users receive an electronic confirmation of registration that is legally valid and can be used as proof of ownership.

Electronic registration in the cadastre represents a significant step forward in improving services for citizens. By providing a faster, simpler, and safer way of regulating ownership rights, the digitalization of the cadastre contributes to the more efficient functioning of the legal system and the improvement of the business environment.

The digitalization of the cadastre represents a crucial step towards the modernization of public administration and the improvement of efficiency in real estate management.



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SERBIA · EMPLOYMENT LAW

Vacation season – Expectations vs. Limitations



Vacation in general, and especially annual leave, is a necessary precondition for maintaining the quality of work, increasing productivity and preservation of employee welfare. Questions regarding the use of annual leave are traditionally raised during the summer months, which represent the peak of annual leave season.

After establishing the employment relationship with the employer, the employee gains the right to annual leave within the calendar year, after one month of continuous work. For every one month of work within a calendar year, the employee is entitled to 1/12 of the full annual leave, whereas the full annual leave must amount to at least 20 working days.

Instead of the full leave, the employee is entitled to a pro rata annual leave for the calendar year during which their employment relationship started or terminated. The pro rata annual leave is calculated using the following formula:

$X:12*Y$ = the number of days of the pro rata annual leave

X – equals to a full annual leave (20 working days or more, depending on the employment contract or the employer's general act);

12 – is the number of months within a calendar year;

Y – equals to the number of months the employee worked for the employer in the relevant calendar year.

Persons hired outside of an employment relationship (for instance, under the temporary and occasional work contract, or supplementary work contract) don't have the right to annual leave according to the provisions of the Labor Law (said right may eventually be provided via the contract).

Regardless of the employers

working regime (e.g., work in shifts, redistribution of working hours, six-day work week), for the purpose of determining annual leave, the work week amounts to five working days. Holidays, which are considered non-working days as per the law, absence from work with salary compensation and temporary incapacity from work per health insurance regulations aren't included in the annual leave. For instance, if an employee falls ill during their annual leave or suffers an injury that results in temporary incapacity from work, the annual leave will be halted, with the continuation of said leave determined by the employer in a future time period.

Annual leave may be divided into several segments, allowing employees to plan their time off more flexibly. If said leave is taken in segments, the employer isn't obligated to allow the employee a leave divided in more than two such segments. The employee must use the first segment, which may not be shorter than two weeks, i.e., it must last at least 10 working days, during the calendar year. The remaining segment may be used until June 30th of the following year. An exception to this rule is an employee who hasn't fully or partially used their annual leave in the calendar year due to maternity leave, childcare leave, or special childcare leave; said employee is allowed to "carry over" the entire leave into the following year, i.e., they have the right to use said leave until June 30th of the following year.

The employer decides on the annual leave schedule per: (i) their own initiative, after consulting the employee; (ii) the employee's initiative, which the employer isn't obligated to take into consideration if the work activities require the employee's presence during that period.

The annual leave period is determined by the employer's decision, which must be delivered to the employee no later than 15 days before the start of the annual leave. However, if the annual leave is decided per the employee's request, the decision can be delivered immediately before the start of said leave. The delivery method of said decision follows technological development, meaning it can be delivered via email, nevertheless, the employer is obligated to deliver a written decision at the employee's request.

Variable business circumstances can lead to changes in the established schedule of the employee's annual leave. Such last-minute changes are permitted if they fall within the scope of business requirements and if said changes are made no later than five working days before the start of the annual leave. However, they may cause the employee to suffer damages, such as not being able to get a refund for already paid travel arrangements. In a potential court proceeding for damages claimed by the employee against the employer, the objectiveness and justification for said changes in the schedule due to business requirements would be assessed.

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SERBIA · CIVIL LAW



New Measures to Counter Gender - Based Violence

Serbia has enacted a General Protocol on procedures and inter-sectoral co-operation in cases of gender-based violence against women and family violence.

This document expands on the statutory obligations of government bodies in terms of detecting and combating gender-based violence against women and family violence, as well as protecting and supporting the survivors of such violence.

Government ministries responsible for family affairs, social protection, justice, internal affairs, and health have one year to enact specific protocols for acting in cases of family and intimate partner violence.

The General Protocol provides guidance for recognising violence and working with children and other vulnerable family members who witness family violence against women and intimate partner violence, as well as setting out general principles and processes for protecting survivors of family violence and keeping records of these cases. All staff of government institutions who encounter cases of gender-based violence will also have to undergo training, which will be regulated by forthcoming secondary legislation.

SERBIA · ENVIRONMENTAL LAW

UNDP to Launch Clean Air Initiative for Serbia

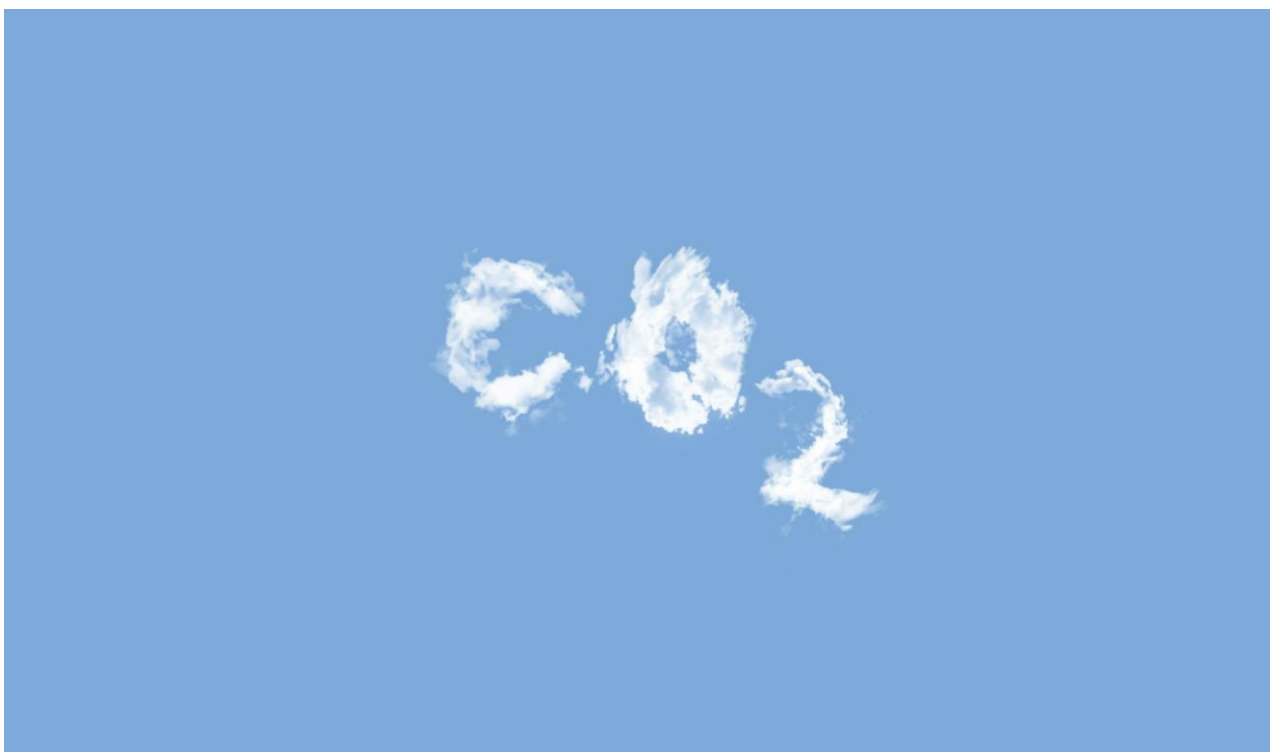
On 5 June 2024, Serbia marked World Environment Day, an event organised since 1973 under the auspices of the United Nations Environment Programme (UNEP). World Environment Day has grown to become the largest global platform for raising awareness of nature conservation, with key topics in Serbia this year including promoting resilience to increasingly common droughts driven by climate change and raising awareness of the importance of safeguarding wetland habitats and biodiversity.

Moreover, in May 2024, as part of its EU for Green Agenda in Serbia project, UNEP published a call for applications for specific air quality interventions in local communities.

The call was intended for city and municipal administrations that have air quality plans or short-term action plans or have mainstreamed air quality measures in their strategic documents, and the interventions ought to contribute to implementing the national 2020 to 2030 Air Protection Programme, adopted by Serbia in December 2022. In addition to air protection, in Serbia UNEP is continuing to focus on waste, wastewater, and chemicals management projects, effectiveness improvements to nature conservation and biodiversity efforts, and climate issues. Serbia's forthcoming Air Protection Law will be a major step forward in continued activities to improve air quality.



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Encouraging Economic Development in FBiH

In June 2024, in the Federation of Bosnia and Herzegovina ("FBiH") the following legal reforms, which are significant for the economic growth and development, came into force:

- Law on Small Business Encouragement, published in the Official Gazette of the FBiH no. 39/24, which came into force on June 6th 2024;
- Law on Amendments to the Law on Price Control, published in the Official Gazette of the FBiH, no. 39/24, which came into force on June 6th 2024;
- Law on Amendments to the Labor Law, published in the Official Gazette of the FBiH, no. 39/24, which came into force on June 6th 2024;
- Law on Entrepreneurial Infrastructure, published in the Official Gazette of the FBiH, no. 41/20, which came into force on June 13th 2024.

Novelties introduced by the Law on Small Business Encouragement primarily include:

- a) Granting loans to small business entities under favorable conditions;
- b) Interest rate subsidies on acquired loans;
- c) Providing assistance for startup businesses and participating in fairs;
- d) Integrating entrepreneurship into the educational system;
- e) Establishing a development strategy;
- f) Plan of action;
- g) Incentive program;
- h) Providing financial means;
- i) Establishing an advisory body, i.e., Council for Small Business Development Promotion.





The Law on Price Control regulates the issue of controlling product prices and services in the single market of FBiH, establishes the rights and obligations of competent authorities, increases monetary fines for non-compliance with direct price control measures, which aim to achieve market stability, prevents monopolistic pricing strategies and enhances the effectiveness of inspection supervision in this area.

The amendments to the FBiH Labor Law introduce the possibility of concluding a Contract on Temporary and Occasional work (work which does not involve increased risk, seasonal work and auxiliary work) with students, i.e., persons enrolled into an accredited higher education institution, no more than two times a year within one calendar year during the period which can last up to 180 days, attending studies regularly, part-time, through long distance learning or by combining all three study modes.

The aim of this amendment to the FBiH Labor Law is to prevent

the emigration of young people, prepare them for the labor market after completing their studies and, additionally, to further halt the illegal employment trend.

The FBiH Law on Entrepreneurial Infrastructure regulates the issue of the institutional framework by promoting equal opportunity principles through the prohibition of any form of discrimination (the equality of rights and obligations for foreign investors and citizens of Bosnia and Herzegovina), creates a more favorable work environment for the Smart Industry, provides an increase in investments and in the level of employment through the financial support system from the FBiH budget and encourages economic growth and development.

Through the hereto stated reforms, the legislator takes a step forward towards the development of small businesses through the system of encouragement and regulation of financial flows, as well as creates a higher quality labor market for the future.



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MONTENEGRO · ADMINISTRATIVE PROCEDURE LAW

Reform of the Lobbying Act - One Step Closer to Montenegro's EU Integration



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At its session held on June 6th of this year, the Parliament of Montenegro adopted, as part of a set of seven so-called IBAR laws, a new Lobbying Act regulating the conditions and manner of conducting lobbying activities, rules, and other significant matters related to lobbying.

The Lobbying Act, which for the first time introduces normative regulations on lobbying activities, was passed at the end of 2011, while the second act in this area came into force at the end of 2014. The reason for the reform of the existing act stems from the need to comply with

the international practices aimed at achieving the best normative solutions to prevent unauthorized influences in the process of adopting regulations and other general acts, as well as preventing potential corruption, enhancing workplace transparency in institutions and effectively enforcing the law in practice.

Some of the key novelties compared to the previous legal resolutions include:

1. Regulation of Lobbyists: the new act introduces stricter criteria for the registration of lobbyist, which includes additional transparency obligations regarding their activities and reporting;



2. Control and Supervision: enhanced measures for control and supervision of lobbying activities are introduced, including more precisely defined sanctions for non-compliance with legal provisions;
3. Ethics and Integrity: new provisions regarding the ethical conduit of lobbyists have been added, to prevent conflict of interests and corruption;
4. Access to Information: the law now more thoroughly regulates access to information that lobbyists must provide, which leads to the increase of the transparency in their work. This promotes the principles of public accountability, integrity and the avoidance of conflicts of interest.

The term lobbying entails influencing representatives of the executive and

legislative branches in the process of creating laws and other regulations and acts under their jurisdiction to achieve the interests of the lobbying client, while considering public interest. Thus, the proper regulation of this activity is crucial as it ensures that such influence is exercised legally. This is particularly significant in smaller regions, such as Montenegro, where potential lobbying clients often choose to exert influence through direct and often informal communication, which indicates that lobbying activities still occur outside the legal framework.

These amendments are part of a broader effort to improve the legal framework in accordance with European Commission recommendations, which is crucial for Montenegro's progress towards EU membership.



NORTH MACEDONIA · BANKING & FINANCE

North Macedonia's New Credit Risk Rulebook



According to the positive regulations of the Republic of North Macedonia, the activities of financial companies are regulated by the Law on Financial Companies, which was adopted in 2010 for the first time. The law regulates, in more detail, the establishment, activities and supervision of financial companies in the territory of the Republic of North Macedonia.



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In April 2024, in order to protect the citizens, the Ministry of Finance adopted a new Rulebook on credit risk management of a financial company. Said Rulebook describes in more detail the management system for identifying, measuring, controlling and monitoring credit risk; in addition, this system includes procedures for assessing creditworthiness, methods to determine indicators for assessing creditworthiness, as well as procedures for identifying and updating customer data.

Until the adoption of this new Rulebook, there was no mechanism in the Republic of North Macedonia that regulated the credit borrowing limit of natural persons.

The key changes are based on the so-called "DSTI (debt service-to-income) indicator", which allows the establishment of a mechanism for accessing the creditworthiness of an applicant for a loan, meaning it prevents financial companies from approving a loan to an applicant who is not creditworthy. If the financial company determines that the applicant's total monthly obligations exceed 70% of his or her total monthly income, the financial company will not be able to approve a new loan.

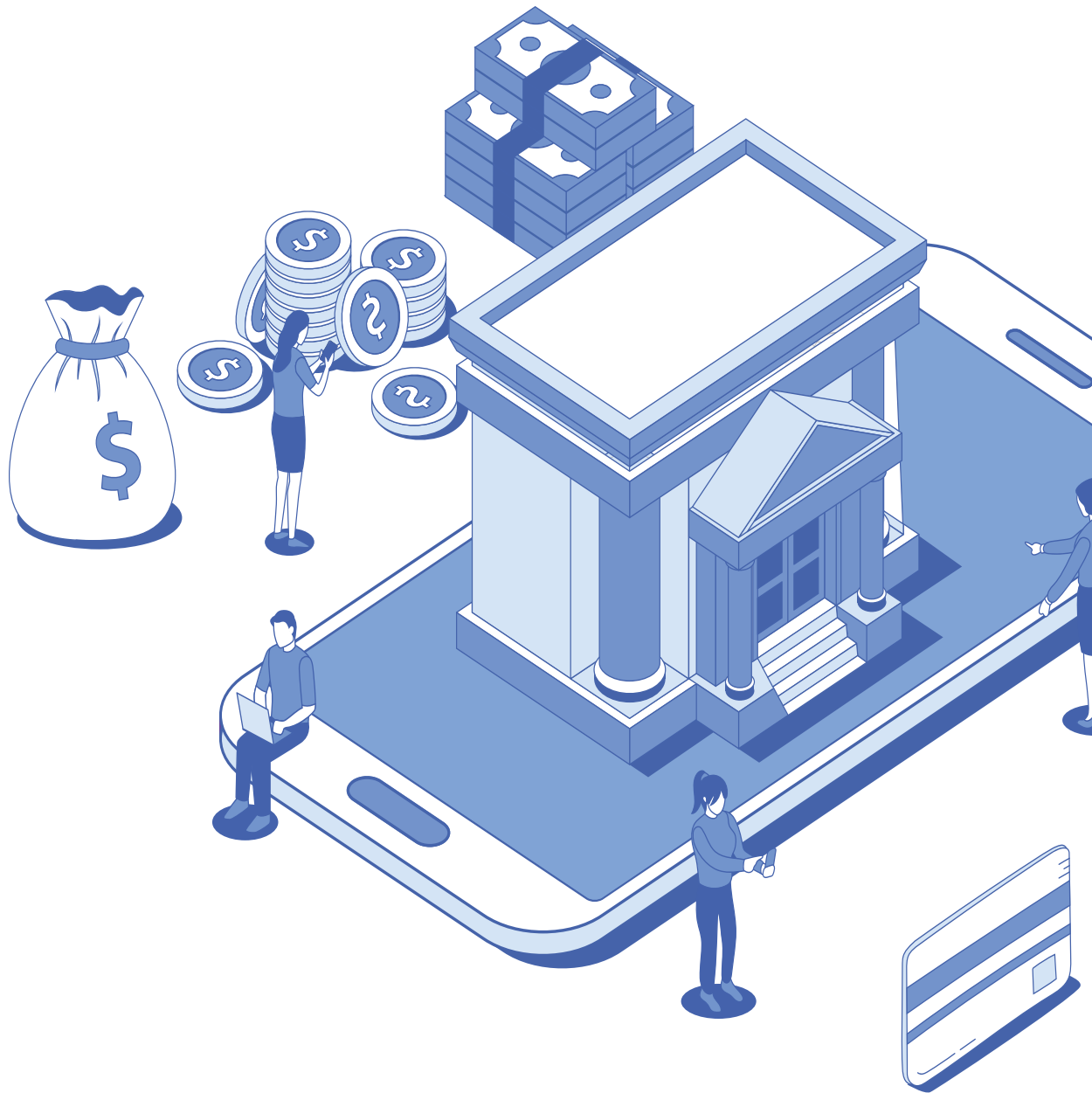
The essence of these changes lies in the prevention of over-

indebtedness of citizens, but also in the protection of clients from misuse of their personal data, hence, a mechanism is established by which financial companies should regularly update their data. The most significant innovation is the prevention of financial companies from electronically approving a consumer loan to the applicant, if any data in the electronic application or the submitted evidence differs from the client's credit file.

These changes established a legal framework for the supervision of activities of financial companies, set a maximum amount of credit costs, and abolished the possibility of taking out a new loan to close a previously due loan in the same financial company, which allows the state to ensure the protection of the rights and interests of both citizens and financial companies.

ALBANIA · BANKING & FINANCE

Bank of Albania Amends Regulations Concerning Nonbank Financial Institutions





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The Bank of Albania has introduced some amendments to the Regulation on Licensing and Exercise of Banking Activity within Nonbank Financial Institutions. This is a relatively new legal category and, thus, it is constantly pressured into amendments to align with international and national policies; hence, abuse tendencies taking advantage of legal gaps have been noted. This situation compelled the competent authority, in this case the Bank of Albania, to make amendments to the regulations.

These amendments aim to further complete the regulations of nonbank financial institutions which would improve the performance of these institutions and protect the best interests of clients.

The focus of the amendments falls within the scope of two main issues:

1. Amendments to the Regulatory Framework: this determines that the regulatory framework of the company seeking to exercise its financing activity as a nonbank financial institution or as a microfinance institution must be a joint-stock company, according to the provisions of the Trade and Commercial Law. The current regulations propose no such obligations and, in fact, the majority of licensed nonbank financial institutions are organized as limited liability companies. The legislator's reasoning behind this amendment is that joint-stock companies possess more rigorous and detailed requirements regarding management,

organization and internal structures.

2. Amendment to the Regulation: this means that this regulation, which previously read: "Regulation on licensing and exercise of activity of nonbank financial institutions" now reads: "Regulation on licensing, exercise of activity, revocation of the license and liquidation of credit portfolio created from the financial activity of non-bank financial institutions". This amendment to the regulation entails that the Bank of Albania, as the competent authority for nonbank financial institutions, takes a more active role regarding the procedure which follows license revocation – a role which was, according to the applicable law, more passive, thus causing delays and feelings of uncertainty among new clients and current creditors regarding the fate of active portfolios held by these institutions following license revocation.



KOSOVO · ENERGY & NATURAL RESOURCES

Kosovo Passes Landmark Renewable Energy Law

The Law on the Promotion of the Use of Renewable Energy Sources (RES) has been passed by a majority vote in the Assembly of Kosovo. With the ratification of the RES Law, Kosovo distinguishes itself from most countries in the region by establishing a legal framework that prioritizes clean energy sources. This framework facilitates the attraction of substantial investments by implementing ambitious targets outlined in the Energy Strategy 2022-2031.



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The scope of this law encompasses the formulation of energy policies and the development of a regulatory framework aimed at promoting the use of Renewable Energy Sources within Kosovo. This includes the promotion of competitive, efficient, and transparent Support Schemes.

This law will bring numerous benefits to the private sector through new concepts of consumer involvement in the energy sector and by establishing procedures that must be conducted competitively. In this way, all enterprises are treated equally, benefiting from their competition, which leads to lower prices and affordable costs for citizens.

Aiming to meet the targets and obligations arising from the Energy

Community Treaty and the transition towards clean energy, the RES Law intends to increase the use of energy from Renewable Sources and cogeneration in the electricity, heating and cooling, and transport sectors, thereby enhancing supply security.

Additional benefits of this law include environmental protection, provision of social and health benefits, and promotion of equal employment opportunities in the energy sector.

The enactment of the Law on the Promotion of the Use of Renewable Energy Sources (RES) marks a significant step for Kosovo in advancing its energy strategy, fostering investment, and ensuring sustainable and equitable energy practices.



This law will bring numerous benefits to the private sector through new concepts of consumer involvement in the energy sector and by establishing procedures that must be conducted competitively.



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