

July 2018

In focus: Law on Central Registry of Ultimate Beneficial Owners

On 25 May 2018, the Serbian Parliament adopted the Law on Central Registry of Ultimate Beneficial Owners, published in the “Official Gazette of the Republic of Serbia”, no. 41/2018 and which entered into force on 8 June 2018 (hereinafter: the “**Law**”). The relevant bylaws for implementing the Law shall be rendered in the term of 3 months from the date the Law’s entry into force.

The main purpose for adopting the Law is the improvement of the existing system of detection and prevention of money laundering and financing of terrorism, and harmonizing domestic legislation with international standards in this field.

The Law prescribes the introduction of a public, single, central electronic data base on natural persons who are ultimate beneficial owners of legal persons and other entities, which shall be electronically maintained by the Serbian Business Registers Agency (hereinafter: the “**SBRA**”), containing information on.

1. Entities to which the Law applies

The Law applies to the following entities, registered in the Republic of Serbia (hereinafter jointly referred to as: “**registered entities**”):

- companies, excluding public joint stock companies;
- cooperatives;
- branches of foreign companies;
- business and other associations, except political parties, trade unions, sports organizations and associations, churches and religious communities;
- foundations and endowments;
- institutions;
- representative offices of foreign companies, associations, foundations and endowments;

The Law **does not apply** to companies and institutions where the only shareholder, i.e. the only founder is the Republic of Serbia, the autonomous province or the unit of local self-government.

2. Who is considered as the ultimate beneficial owner

In accordance with the Law, the ultimate beneficial owner of a registered entity is any natural person who:

- a) owns, indirectly or directly, 25% or more of the shares, stocks, voting rights or other rights, under which the natural person participates in the registered entity’s management or in its capital with 25% or more of the shares;

- b) has a prevalent influence, indirectly or directly, on the business operations and decision making;
- c) has indirectly provided or provides funds to the registered entity, on the basis of which the natural person has a significant influence on the decision making of the management body of the registered entity in terms of deciding on the financing and business operations;
- d) is a founder, trustee, protector, user – if determined, as well as a person who has a dominant position in the management of the trust or another foreign entity;
- e) is a registered representative of the cooperatives, associations, foundations, endowments and institutions, if the person authorized for representation has not registered another natural person as the ultimate beneficial owner.

Exceptionally, if it is not possible to determine the ultimate beneficial owner according to criteria set out in points a) – d), a natural person who is a registered representative or a registered member of the body of that entity shall be deemed as the ultimate beneficial owner.

3. Central Registry of Ultimate Beneficial Owners

The Law prescribes that the Central Registry of Ultimate Beneficial Owners (hereinafter the “**Central Registry**”) will be established no later than 31 December 2018. The Central Registry shall contain two data categories:

a) data on the registered entity (business name, seat, identity number, TIN, legal form etc.), logged in by the recorder of the SBRE on the basis of the data acquired from competent authorities on registered entities;

b) data on the ultimate beneficial owner of the registered entity, including data on basis for acquiring the capacity of ultimate beneficial owner, which is logged in by the person authorized to represent the registered entity (hereinafter: “**authorized person**”).

4. Obligations of the registered entities and the authorized person in the registered entity

Existing registered entities are obliged to, in the term of 30 days from the date of entry into force of the Law, determine the ultimate beneficial owner and provide all necessary data and documents based on which the ultimate beneficial owner can be determined, and to deliver such data and documents or make them available at the request of the National Bank of Serbia and other competent authority. The obligation of keeping the data and documents survives for ten years following the day of logging in the data of the ultimate beneficial owner in the Central Registry.

Upon establishing the Central Registry, the authorized person of the registered entity is obliged to perform the registration of the data regarding the ultimate beneficial owner with the SBRA, using a qualified electronic signature, no later than 31 January 2019, while authorized persons of registered entities which were incorporated after the establishment of the Central

Registry shall be obliged to perform registration within 15 days from the day of incorporation. Every change to the ownership structure and members of the bodies of registered entities, as well as other changes on the basis of which the fulfillment of conditions for acquiring the capacity of ultimate beneficial owner can be estimated, must be registered by the authorized person in the registered entity within 15 days from the day of such change.

A natural person registered as the ultimate beneficial owner of the registered entity may file a lawsuit against the registered entity to the competent court, according to the seat of the registered entity and for the purpose of determining that such a person is not the ultimate beneficial owner.

5. Sanctions

The Law prescribes a monetary fine ranging from RSD 500,000.00 (approximately EUR 4,240) to RSD 2,000,000.00 (approximately EUR 16,950) for the registered entity, and a monetary fine ranging from RSD 50,000.00 (approximately EUR 420) to RSD 150,000.00 (approximately EUR 1,270) for the responsible person in the registered entity, if the registered entity does not register information on the ultimate beneficial owner within the prescribed deadline and if it does not keep the relevant data and documents.

In addition, the Law imposes a prison sentence in the range from three months to five years for a person who, with the intention to cover up the ultimate beneficial owner of the registered entity, does not

register the relevant information, registers false information as true, changes or removes the correct information on the ultimate beneficial owner.

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