

Recommended principles for Financial Markets and Securities Act

In order to improve the performance of Yugoslav financial system, a new Financial Markets and Securities Act should enable smoothly operation of financial markets and that could be achieved if it were consistent with the following principles:

The rules are precisely defined and same for all participants (domestic and foreign).

Trading on the exchange and on the OTC (over the counter) market should be between financial intermediaries (in their name and on their / client's behalf). That could provide a financial system that is familiar with foreign participants and appropriate for integration with the world financial markets.

Securities issued by domestic issuers could be traded abroad, and securities issued by foreign issuers could be traded in our financial markets.

Securities denominated in foreign currency could be traded in foreign currency even in our financial markets.

The law should not provide the preferential position for development either for trading on the Exchange, nor on the OTC.

The barriers for entry should be low. Minimal capital requirement should be abolished, but capital adequacy should be always fulfilled. That could be achieved by paying the initial and maintenance margin requirements in the Guarantee fund based on the volume of intermediary's turnover.

All participants should charge their fees freely, without any limit, and entrance in any market segment should be allowed to both, domestic and foreign participants and institutions.

Institutions like The Central Register, The Stock Exchange, etc. should be organized in the form of joint stock companies, and their shares should be freely traded and listed on the exchange.

Investment strategies should not be limited (like to forbid the short selling), but mechanism for smoothly operating of 'narrow and shallow' financial markets should be established.

The law should be consistent with liberal provisions of European legislation to provide conditions for future federation with EU.

Vladimir Pavlovic – Free Market Center

Belgrade, 16th December 2001.