

The Law was published in the "Official Gazette of the Republic of Serbia", no. 112/2015 of 30 December 2015, and it entered into force on 7 January 2016.

Pursuant to Article 112, paragraph 1, item 2 of the Constitution of the Republic of Serbia, I hereby issue the

Decree promulgating the Law on Cooperatives

I hereby promulgate the Law on Cooperatives passed by the National Assembly of the Republic of Serbia at the tenth sitting of the second ordinary session in 2015 on 29 December 2015.

No 188

Belgrade, 30 December 2015

The President of the Republic of Serbia,  
Tomislav Nikolić, m.p.

## LAW on cooperatives

### I. GENERAL PROVISION

#### Subject of the law

##### Article 1

This Law shall regulate the legal status of cooperatives, their establishment, management and cooperative bodies, acquisition and termination of the status of cooperative members, book of cooperative members, assets and operations, funds, distribution of profits and covering losses in cooperatives, termination of cooperatives, cooperative union, complex cooperatives, registration of cooperatives, cooperative auditing, as well as other issues of importance for the location and operation of cooperatives.

#### The concept of a cooperative

##### Article 2

The cooperative is a legal entity, which is a special form of organization of physical persons (hereinafter referred to as "a cooperative member") that realizes its economic, social, cultural and other interests by operating on cooperative principles, and that manages and controls the operations of the cooperative.

## The concept of a cooperative member

### Article 3

A cooperative member is a natural person who is a member of the cooperative and who wholly or partly operates through the cooperative, i.e. who sells their products or services through the cooperative, procures products or services necessary for its activities or who is otherwise directly involved in carrying out activities for which the cooperative was established.

## Cooperative values and principles

### Article 4

A cooperative shall be founded and operated by the cooperative values that are conducted in accordance with the cooperative principles.

Cooperative values include: self-help, self-responsibility, democracy, equality, equity and solidarity, which are implemented in accordance with the cooperative principles, by which the members of the cooperative are governed in their management and operations, as guidelines which are put into practice in the cooperative rules.

The establishment and operation of cooperatives is based on the following international cooperative principles:

1) voluntary and open membership, which implies that cooperatives are voluntary organizations open to all persons, who can use its services and who are willing to accept the responsibilities of membership, regardless of gender, social, racial, political and religious differences;

2) control by the cooperative members is achieved through the cooperative as a democratic organization which is controlled by its members, who actively participate in making decisions and formulating its business and development policies, as well as the accountability of elected representatives of the cooperative to all members of the cooperative. Each member has an equal vote in the management and control of its operations (following the principle: one cooperative member - one vote);

3) economic participation of the cooperative members is realized by members contributing to the capital of their cooperative and controlling it democratically. Cooperative members are entitled to limited compensation, if received, on behalf of capital resulting from the founding members of the role. Members allocate surpluses for any of the following objectives: 1) development of the cooperative, which can be achieved through the establishment of a cooperative fund, at least one part of which is indivisible; 2) distribution to cooperative members in proportion to the transactions they have had with the cooperative; and 3) support of other activities approved by the membership;

4) autonomy and independence of a cooperative is reflected in the organization's independence, self-help of the cooperative governed and controlled by the cooperative members. The cooperative preserves its autonomy, independence, democratic governance of its members even when it concludes

contracts with other entities, including public bodies, or when it raises capital from a third party;

5) education, training and information relating to the role of the cooperative to provide education and training for its members, elected representatives, managers and employees, so that they can effectively contribute to the development of their cooperatives and informing the general public, especially informing the youth on cooperatives and the benefits that it provides;

6) collaboration with other cooperatives points to the fact that cooperatives serve their members most effectively, by working together through local, regional, national and international structures;

7) concern for the community is manifested through the activities of the cooperative in accordance with the sustainable development of their communities through policies approved by their members.

## Cooperative as a legal entity

### Article 5

The cooperative shall acquire legal personality by registration in the register kept by the authority responsible for the registration of business entities (hereinafter "the Register"), in accordance with the law governing the registration of business entities.

The cooperative may not be organized as a company in terms of the law governing companies or as any other form of organization, nor can it be attached or connected with the company or other legal entity that is not a cooperative, or change its form into a company or other legal entity.

The cooperative may be a founder or member of another legal entity, in accordance with the law and the cooperative rules.

## Branch

### Article 6

The cooperative may establish one or more branches.

A branch is a separate organizational unit of the cooperative, which has the status of a legal person and through which the cooperative performs activities in accordance with the law.

The branch has its place of business, predominant activity and a representative, and it works with third parties in the name and on the behalf of the cooperative.

The cooperative has unlimited liability for obligations to third parties arising from the business of its branch.

## Business name

### Article 7

The cooperative operates under a registered business name.

The business name of the cooperative must include the designation of the type of cooperative, legal form, name of the cooperative and location of the registered office.

Only business entities registered and operating in accordance with this Law shall have the right and obligation to use the word "cooperative" in their business name.

In its business, the cooperative may, in addition to the business name, use an abbreviated business name and business name in a foreign language, if those names are listed in the memorandum of association and registered in accordance with the law governing the registration of business entities.

The abbreviated business name must contain the name and legal form.

Business name or the name of the cooperative may not be interchangeable with the business name or name of another cooperative, another business entity or other legal entity, nor may it cause confusion concerning the identity and activities of the cooperative or association with the company, nor offend the intellectual property rights, or other rights.

## Registered office and address for receiving mail

### Article 8

The registered office of the cooperative is a place on the territory of the Republic of Serbia, from which it manages the operations of the cooperative.

The registered office of the cooperative shall be determined by the Memorandum of Association.

Delivery shall be done at the address of the cooperative registered office.

Exceptionally, the cooperative may have a special address to receive mail, to which delivery is done.

## Activity of the cooperative

### Article 9

The cooperative may carry out lawful activities.

The predominant activity of the cooperative determines the type of cooperative.

The predominant activity refers to the industry that is designated as such by the Memorandum of Association and entered in the Register.

## Types of cooperatives

### Article 10

Cooperatives may be established as agricultural or farming, housing, consumer, trade, labor, student-youth, social, health and other types of cooperatives for production, trade in goods, services and other activities in accordance with this Law.

Education and operation of student cooperatives shall be governed by the regulations in the field of primary and secondary education.

### Article 11

Agricultural or farming cooperatives may be general and specialized (agrarian, fruit, vegetable, viticulture, livestock, beekeeping, etc.).

Agricultural or farming cooperatives shall produce, take over, purchase, process and sell agricultural, food and other products of the cooperative and its members, supply the members of cooperatives with intermediate goods, energy, means of production, parts for agricultural machinery and other goods, perform supply of goods and services of the cooperative, cooperative members and for members of the cooperative, and provide services to farmer households in organizing and developing rural tourism and perform other activities of interest to the business of the cooperative.

Specialized agricultural cooperatives shall organize the manufacture of certain products, their processing and their placement on the market.

Housing cooperatives, as investors and contractors, organize the construction and maintenance, building and maintaining homes, apartment buildings, garages and office space for members of the cooperative, by engaging the resources and labour of its members and other individuals and legal entities. Engaging resources and personal labor of the members of the cooperative is governed by an individual agreement between the housing cooperative and its members in accordance with applicable legislation and the cooperative rules.

Consumer cooperatives shall provide joint procurement of goods and services for its members.

Handicraft cooperatives shall produce and sell their crafts and homemade products, as well as handicrafts and handmade products of its members, carry out trade services and supply the members of the cooperative with material and means of production.

Worker cooperatives shall produce and sell their products and provide services, doing business through the economic association of the members of the cooperative who are, as a rule, also the employees, in accordance with the regulations governing the field of work, in the cooperative which is their employer.

Student-youth cooperatives shall provide the members of the cooperative with temporary jobs in companies in an organized manner, in accordance with the

regulations governing the field of work, and in order to acquire additional funds for education and meet basic social, cultural and other individual and collective needs.

Social cooperatives shall perform various activities to achieve social, economic and labor inclusion, as well as the satisfaction of other related needs of vulnerable social groups or to satisfy the general interests of the local community.

Social causes of social cooperatives are more closely specified by the cooperative rules.

Social cooperatives are obliged to invest at least half of the profit or surplus of revenues over expenditures, which is achieved through operations, in the improvement and realization of social causes.

Members of vulnerable social groups, in terms of this Law, are persons belonging to social groups that are in need of social assistance in accordance with the law governing the field of social protection and social security of citizens and the law governing the prohibition on discrimination.

Health cooperatives shall provide assistance to members of the cooperative and their families through support for voluntary health insurance, drug acquisition, financing the cost of treatment and other assistance.

Cooperatives may be established to carry out other activities not prohibited by law.

## Special protection

### Article 12

Cooperative enjoys special protection of the Republic of Serbia, autonomous province and local self-government in carrying out its core activities.

Special protection referred to in paragraph 1 of this Article is reflected in encouraging cooperative movement by measures of economic, agricultural and housing policy, as well as other development policies, including the provision of adequate incentives and benefits, which are determined by special regulations, as well as the possibility of establishing special funds (foundations) for the development of cooperatives by local self-government or the autonomous province or providing funds in the budget of the local self-government, autonomous province and the republic.

## Appropriate application

### Article 13

For all issues pertaining to cooperatives which are not specifically regulated by this Law, the provisions of the law regulating the legal status of limited liability companies shall apply appropriately.

## II. ESTABLISHMENT OF A COOPERATIVE

### Article 14

The cooperative shall be established at the constituent assembly, concluding an agreement on the establishment, adopting the cooperative rules and the election of authorities.

### The minimum number of founders

### Article 15

A cooperative can be established by at least five natural persons with legal capacity.

The minimum number of founders of the cooperative referred to in paragraph 1 of this Article may not include persons living in the same household with the founder.

Founders and members of the cooperative may be domestic and foreign legal entities in accordance with the law.

### Funds for the establishment and operation of the cooperative

### Article 16

Depending on the establishment objectives and the necessary funds for the establishment and operation, cooperatives may be established through contributions or membership fees, in accordance with the treaty on the establishment and the cooperative rules.

### Constituent assembly

### Article 17

The constituent assembly is convened by a representative of the founders who have decided to form a cooperative.

The constituent assembly may be held and valid decisions may be made if the assembly is attended by at least five founders.

The constituent assembly makes decisions by the majority of vote of those present, provided that it takes a minimum of five founders of the votes for making decisions.

The constituent assembly shall elect a president who shall lead the assembly session by the majority vote of the persons referred to in paragraph 2 of this Article.

The founders are obliged to make payments of the contributions, i.e. membership fees to the account of the cooperative within 30 days of the constituent assembly.

Minutes in written form are kept at the constituent assembly of the cooperative.

## Memorandum of association

### Article 18

Memorandum of association of a cooperative is an agreement on its establishment concluded in writing.

The signatures of the founders on the memorandum of association shall be certified in accordance with the law governing certification of signatures.

Memorandum of association shall contain the following:

- 1) business name and registered office of the cooperative;
- 2) personal name and residence, personal identity number of each founder or alien passport number and country of issuance and number of identity card for foreigners in accordance with the law governing the conditions of entry, movement and residence of foreigners in the territory of the Republic of Serbia, i.e. business name, address of the registered office and identification number of the cooperative which is a legal entity in the case of complex cooperatives;
- 3) industry of the cooperative;
- 4) personal name of the first director of the cooperative or the name of the person who shall represent the cooperative as the acting director;
- 5) data on whether the cooperative operates with contributions or membership fees;
- 6) the amount of share capital, the amount and time of payment of the contribution of each founder, description of the type, value, method and time of entering non-monetary contribution of each founder;
- 7) the amount, time and method of payment of membership fees for the founders of the cooperative, which was founded and operates without contributions;
- 8) the method of providing funds to cover the costs of establishment;
- 9) other issues of importance for the establishment of the cooperative.

The memorandum of association shall be modified by the decision of the assembly of the cooperative, in accordance with this Law.

Signature of the president of the assembly on an amended memorandum of association referred to in paragraph 4 of this Article shall be certified in accordance with the law governing certification of signatures, if so provided by the memorandum of association and if this obligation is registered in accordance with the law governing the registration of business entities.

The legal representative of the cooperative is obliged to prepare and sign a revised text of the document after each modification of the memorandum of association.



## Rules of the cooperative

### Article 19

Cooperative rules are a general act of the cooperative management of the cooperative, the internal organization of cooperatives and other issues in accordance with this Law.

Cooperative rules shall include provisions on the following:

- 1) business name and registered office of the cooperative;
- 2) activities of the cooperative;
- 3) goals and basic guidelines of the business policy of the cooperative;
- 4) conditions and manner of acquisition and termination of the status of its members;
- 5) designation of authorities that shall decide on accepting the application for accession to the cooperative and the exclusion of its members from the cooperative in accordance with the provisions of this Law;
- 6) rights and obligations of cooperative members to the cooperative and of the cooperative to cooperative members;
- 7) amount of share capital of the cooperative at the time of establishment, as well as the manner and conditions for its increase and decrease;
- 8) minimum value of the monetary contribution or membership fee of the founders and cooperative members who join the cooperative after its establishment, method and time of payment or the manner of determining the value and the manner and timing of introduction of non-monetary contribution of these cooperative members;
- 9) manner of decision-making on increase and decrease of the contributions, and rights and obligations of members, in terms of increasing the contributions and the manner of making the decision to increase or decrease the membership for those cooperatives that are established with memberships;
- 10) manner of determination and payment of contributions to cooperatives in the event of termination of the status of a cooperative member;
- 11) number of members, mode of election, i.e. dismissal of members of the management body of the cooperative;
- 12) election, recall, rights and obligations of representatives of cooperative members if the Assembly is composed of their representatives;
- 13) establishment of the board of directors and supervisory board if the cooperative has fewer than 20 members;
- 14) convening the session of the body of the cooperative, mode of operation and other issues related to the operation and decision-making body of the cooperative;

- 15) procedure and the competence of the cooperative body for filing objections to the report of auditors of the cooperative;
- 16) nature and amount of the guarantee, if mandatory bail is provided, except for cooperatives that are established by paying a membership fee;
- 17) distribution of profits and covering losses of the cooperative;
- 18) book of cooperative members;
- 19) informing cooperative members and business secrets of the cooperative;
- 20) cooperation between cooperatives;
- 21) facilitation and financing of education and informing cooperative members and other persons;
- 22) status changes and termination of the cooperative;
- 23) general acts of the cooperative and the manner of their adoption and
- 24) other issues of importance for the management and operation of the cooperative.

The legal representative of the cooperative and the president of the assembly of the cooperative are obliged to draw up and sign a revised text of the document after any amendment to the cooperative rules.

## Share capital and contributions of the cooperative members

### Article 20

If cooperative members invest in the cooperative with contributions, they can be monetary or non-monetary.

Objects and rights expressed in their cash equivalent are considered a non-monetary contribution.

The contributions of cooperative members shall constitute the basic capital of the cooperative.

The minimum share capital of the cooperative is 100 dinars.

Cooperative rules shall set out the minimum individual contribution.

Contribution and part of the contribution may not be returned to the cooperative member, pawned or be subject to enforcement or security for the obligations of cooperative members, for the duration of the status of cooperative members.

A cooperative member may have only one contribution in the cooperative.

The contributions of cooperatives do not have to be equal.

The contributions of cooperative members may not be transferred by legal transaction.

## Increase and decrease of share capital

### Article 21

Share capital of the cooperative may, by a decision of the assembly of the cooperative, be increased with the following: contributions of new cooperative members, increasing the contributions of the existing cooperative members, conversion of non-allocated profit or reserves available for this purpose, contributions by cooperative members.

Share capital of the cooperative may be reduced by a decision of the assembly of the cooperative, but not below the statutory minimum monetary initial capital referred to in Article 20, paragraph 4 hereof.

## Membership

### Article 22

For cooperatives which are established without contributions of cooperative members, funds for their establishment and operation shall be provided from the cooperative membership fee.

Amount of the membership fee shall be determined by cooperative rules in an equal amount for all the founders, as well as for cooperative members who join the cooperative after its establishment.

Upon termination of the status of a cooperative member, the membership fee is not refundable.

The provisions of this Law governing the share capital, shall not apply to cooperatives that are established and operate with membership fees.

## III. ACQUISITION AND TERMINATION OF THE STATUS OF A COOPERATIVE MEMBER

### Acquisition of the status of a cooperative member

#### Article 23

Status of a cooperative member is acquired by the establishment of the cooperative or by joining a cooperative, in the manner and under conditions prescribed by this Law and the cooperative rules.

Persons who join the cooperative after its establishment have the same status as the founders of the cooperative.

The status of a cooperative member may not be acquired solely on the basis of payment of a contribution or membership fee, i.e. contribution entry.

In order for a person to acquire the status of a cooperative member in a farming or agricultural cooperative, they are required to engage in work that is defined by cooperative industry, which is regulated by cooperative rules.

The status of cooperative member of a student-youth cooperative may be acquired by a person older than 15 and younger than 30.

Cooperative member of a student-youth cooperative under the age of 18 may perform temporary and occasional work under the conditions laid down in the provisions governing the rights, duties and responsibilities of employment or employment benefits.

## Accession

### Article 24

Status of a cooperative member by joining a cooperative may be acquired by any natural person with legal capacity, as well as a person referred to in Article 23 para. 5 and 6 of this Law, who submits a written request for accession in accordance with this Law and the cooperative rules.

## Acts of accession

### Article 25

The status of a cooperative member by joining the cooperative shall be acquired on the basis of a decision accepting the request for accession and signing a statement of accession.

Decision on accepting the request for accession to the cooperative shall be issued by the authority designated by the cooperative rules.

The cooperative shall, not later than 30 days from the date of receipt of the request, issue a written notice to the applicant if the request was granted.

If the cooperative does not inform the applicant of its decision within the period referred to in paragraph 3 of this Article, it shall be deemed that the request has been refused.

An applicant whose request has been rejected has the right to appeal to the assembly of the cooperative, within the deadline established by the cooperative rules.

The assembly of the cooperative must make a decision on the appeal at its first next session.

## Decision on accepting the request for accession

### Article 26

Decision on accepting the application for accession to the cooperative shall include the following:

1) personal name and residence, personal identity number of each founder or alien passport number and country of issuance or number of identity card for foreigners in accordance with the law governing the conditions of entry, movement and residence of foreigners in the territory of the Republic of Serbia;

2) the amount of monetary contribution or membership, i.e. the description of the type and value of the non-monetary contribution which is brought into the cooperative by the person joining the cooperative;

3) the type and amount of guarantee, if any;

4) the time of payment, i.e. the manner and time of introduction of non-monetary contributions and

5) other provisions set out by the cooperative rules.

The decision on accepting the request referred to in paragraph 1 of this Article and the cooperative rules shall be delivered to the person joining the cooperative.

## Statement of accession

### Article 27

A person whose request for accession to the cooperative is approved, shall access the cooperative by signing an access statement which contains the following: personal name, place of residence, personal identity number or alien passport number and country of issuance or number of identity card for foreigners in accordance with the law governing the conditions of entry, movement and residence of foreigners in the territory of the Republic of Serbia, statement of the signatory accepting the rights, obligations and responsibilities of cooperative members established by the cooperative rules, the provisions of the treaty on establishment, being familiar with the obligations of the cooperative incurred before the signing of the statement of accession and other provisions set out by the cooperative rules.

## Termination of the status of a cooperative member

### Article 28

The status of a cooperative shall be terminated in the following cases:

1) resignation;

2) exclusion;

3) death of a cooperative member;

- 4) termination of a cooperative and
- 5) other reasons determined by the cooperative rules in accordance with this Law.

## Resignation

### Article 29

A cooperative member shall resign from a cooperative on the basis of a written statement of resignation.

Status of a cooperative shall be terminated when the cooperative receives a written statement of resignation, unless a notice period is set out by the cooperative rules, which may not be longer than six months.

When the status of a cooperative member ceases for a cooperative member, he/she shall remain liable for obligations incurred by the cooperative.

## Exclusion

### Article 30

A cooperative member shall be excluded from the cooperative when they: endanger or hinder the achievement of common interests of the members of the cooperative intentionally or with gross negligence, when they do not ensure business cooperation with a cooperative from the cooperative industry in the time period specified by the cooperative rules, as well as other reasons prescribed by this Law and the cooperative rules.

Decision on exclusion of cooperative members shall be brought by a cooperative authority designated by the cooperative rules.

The decision referred to in paragraph 2 of this Article shall contain an explanation and legal remedy.

A cooperative member may appeal to the assembly of the cooperative against the decision on exclusion, within 15 days of receipt of the decision.

The assembly of the cooperative shall decide on the appeal at its next session.

If the assembly of the cooperative does not reach a decision on the appeal within the deadline referred to in paragraph 5 of this Article, it shall be deemed that the appeal has been approved.

Status of a cooperative member shall be terminated upon the expiry of the deadline for filing an appeal, i.e. on the day the assembly of the cooperative reaches a decision by which the appeal is rejected.

## The rights and obligations of cooperative members in the case of termination of a cooperative

### Article 31

On the date of termination of the status of a cooperative member, the rights and obligations of cooperative members shall cease, except the rights and obligations defined by this Law and the cooperative rules.

A cooperative member shall, prior to the termination of the status of a cooperative member, settle all his obligations to the cooperative in the manner and under the conditions established by the cooperative rules.

If the obligations under signed contracts and other individual transactions with the cooperative are due upon termination of the status of cooperative members, or are not settled within the deadline, the cooperative member and the cooperative are obliged to fulfill this obligation regardless of whether the status of the cooperative members has terminated.

Upon termination of the status of a cooperative member, the cooperative member or his heir or legal successor is entitled to payment or reimbursement of contributions in the manner and within the time limits specified by the cooperative rules.

Contributions may not be reimbursed until the termination of liability of cooperative members regarding the obligations of the cooperative.

Payment of contributions is made in cash, if the cooperative rules do not stipulate that the value of the role may be compensated for in things instead of payment in cash, on the basis of written agreements with the cooperative member.

The cooperative shall disburse non-allocated profits to a cooperative member whose status of a cooperative member has terminated, or his heirs or legal successors not later than six months after the expiry of the financial year in which the cooperative member lost this status.

## Book of the cooperative

### Article 32

The cooperative is obliged to keep a book of members.

The manner of keeping the book of cooperative members, collecting, keeping, processing and use of personal data is carried out in accordance with the provisions of the law governing the protection of personal data.

The following shall be entered in the book of cooperative members: name, personal identity number of cooperative members, or alien passport number and country of issuance and number of identity card for foreigners in accordance with the law governing the conditions of entry, movement and residence of foreigners in the territory of the Republic of Serbia, business name, address of registered office, identification number of a legal entity in cases of complex cooperatives; date of acquiring the status of a member; type, date and amount of the registered contribution of the cooperative member; date and amount of the paid or registered

contribution; date, amount and method of payment of membership fees; date and manner of termination of the status of a cooperative member and the payment date of contributions.

The cooperative is obliged to keep the book of cooperative members permanently and to update it regularly.

The cooperative is required to keep the book of cooperative members at the registered office of the cooperative.

Cooperatives that operate with membership fees shall, after the regular session of the assembly, submit to the Register the book of cooperative members in electronic form once a year for publication on the website of the Register.

Cooperative members are entitled to examining the book of cooperative members and the right to excerpts from the book of cooperative members.

Creditors of the cooperative and other authorized persons with legal interest shall have the right to examine the book of cooperative members on the basis of a written request.

Upon termination of the cooperative, on any basis, i.e. after deletion of the cooperative from the Register of Cooperatives, the cooperative's legal representative or other authorized person is obliged to hand over the book of cooperative members to the relevant archives in the territory in which the cooperative was established, in accordance with the provisions of the law regulating the obligations of bodies, institutions, companies and other legal entities in the course of whose work registry materials and archival materials arise.

#### IV. MANAGEMENT OF THE COOPERATIVE AND BODIES OF THE COOPERATIVE

##### Management of the cooperative

###### Article 33

The cooperative is managed by the cooperative members.

In the management of the cooperative, the cooperative members have equal voting rights on the principle of "one cooperative member - one vote" in the assembly of the cooperative.

##### Bodies of the cooperative

###### Article 34

The bodies of the cooperative are the following: assembly, board of directors, supervisory board and director.

The responsibility of members of the body of the cooperative towards the cooperative is subject to the provisions of the law regulating the status of



companies in the part regulating special duties to the company, unless this law provides otherwise.

President of the assembly, the president and members of the board of directors, supervisory board and director shall be elected for a period specified by the cooperative rules, which may not be longer than five years, with the possibility of re-election.

For a cooperative which has fewer than 20 cooperative members, it may be determined by the cooperative rules that the function of the board of directors and the supervisory board be performed by the assembly of the cooperative.

## Requirements for valid decision-making of the bodies of the cooperative

### Article 35

The assembly of the cooperative, the board of directors and the supervisory board may make valid decisions if their meetings are duly convened in accordance with the cooperative rules.

The assembly of the cooperative, the board of directors and the supervisory board may make valid decisions if the session is attended by more than half of the total number of members, and decisions are made by majority vote of all members present, unless this Law provides otherwise.

## Manner of decision-making

### Article 36

Notwithstanding Article 35, paragraph 2 of this Law:

1) the competent body of the cooperative shall decide by majority vote of all its members regarding the status changes, the sale of real property, the adoption of amendments and additions to the memorandum of association and cooperative rules;

2) the competent body of the cooperative shall decide by a two-thirds majority of all members regarding the initiation of the liquidation procedure.

## 1. Assembly of the cooperative

### Composition and competence

#### Article 37

The assembly consists of all the cooperative members.

The assembly is the highest body of the cooperative.

The assembly:

1) shall adopt a memorandum of association;

2) shall adopt the cooperative rules;

3) shall adopt amendments to the memorandum of association and rules of the cooperative;

4) shall decide on the change of registered office, business name, predominant activity, type of cooperative, establishing or closing branches of the cooperative;

5) shall decide on status changes and termination of the cooperative;

6) shall decide on the establishment of the company or other legal entity;

7) shall decide on the increase and decrease of the share capital of the cooperative;

8) shall decide on the establishment or closing of the funds for different purposes, the amount of the allocation and management of funds;

9) shall determine the policies and adopt the annual report on the operations and implementation of business policy;

10) shall adopt a working plan, financial plan and development program;

11) shall adopt financial reports;

12) shall decide on the distribution of profits and covering losses;

13) shall make investment decisions;

14) shall appoint and dismiss the director of the cooperative;

15) shall decide on performing cooperative auditing and selection of the audit union;

16) shall consider the final report on performed cooperative auditing and actions taken to eliminate the irregularities detected ascertained in the report of the cooperative auditor;

17) shall decide on initiating liquidation proceedings;

18) shall decide on the disposal of assets;

19) shall decide on the appointment and dismissal of the dissolution trustee;

20) shall appoint and dismiss the members of the board of directors and supervisory board from the ranks of cooperative members, as well as the president of the assembly;

21) shall adopt its rules of procedure;

22) shall decide on other issues in accordance with this Law and the cooperative rules.

The exception to paragraph 3, item 13) of this Article are housing cooperatives in which investment decisions related to the performance of their activities are made by the board of directors.

The assembly of the cooperative has a president, who is elected by the cooperative members from among themselves.

## Method of working

### Article 38

Sessions of the assembly of the cooperative may be ordinary and extraordinary.

Regular session of the assembly of the cooperative is held once a year and before the deadline for submission of annual financial reports.

The extraordinary session of the assembly of the cooperative shall be held when necessary or when specified by the cooperative rules.

The session of the assembly of the cooperative shall be convened by the president of the assembly.

President of the assembly of the cooperative is obliged to convene an extraordinary session of the assembly of the cooperative and at the request of the director, board of directors, supervisory board or at the request of a third of the cooperative members, unless specified otherwise by cooperative rules otherwise.

If the president of the assembly of the cooperative is unable or refuses to convene an assembly of the cooperative, according to the requirements of paragraph 5 of this Article, the assembly of the cooperative may be convened by the applicant referred to in paragraph 5 of this Article.

## Representation in the assembly of the cooperative

### Article 39

If the cooperative has more than 100 members, cooperative rules may determine the manner of their representation in the assembly.

Representative of the cooperative members may not be a person who is not a cooperative member.

Representatives may not decide on status changes of the cooperative, termination of the cooperative and disposal of the assets of the cooperative.

The representatives of the assembly are elected by cooperative members by direct vote at the assembly of the cooperative, and the assembly of the cooperative shall confirm their authorization for representation by adopting the proposal of cooperative members.

Representatives of the cooperative members are elected for a time which may not be longer than five years with the possibility of re-election.

Notwithstanding paragraph 3 of this Article, in housing and student-youth cooperatives that have more than 50 members, representatives can decide on all matters, if so provided by the cooperative rules.

## 2. Board of directors

### Composition and election

#### Article 40

The board consists of at least three members.

The number of members, election and dismissal of members of the board shall be regulated by cooperative rules.

Board members shall be elected by the assembly of the cooperative from among the cooperative members.

The president of the assembly, the members of the supervisory board and the director of the cooperative may not be elected as members of the board of directors.

The board of directors has a president, who is elected by members of the board amongst themselves.

### Competence

#### Article 41

The board of directors shall:

1) propose and implement the business policies and prepare reports on the implementation of business policies;

2) consider and propose a working plan, financial plan and development program;

3) consider and propose the business report;

4) consider and propose the adoption of the financial reports;

5) propose the distribution of profit and manner of loss coverage to the assembly;

6) prepare draft decisions for the assembly of the cooperative and implement decisions of the assembly of the cooperative;

7) propose the election and dismissal of director of the cooperative to the assembly of the cooperative;

8) propose investment decisions to the assembly of the cooperative;

9) propose decisions on the disposal of assets in accordance with the cooperative rules to the assembly of the cooperative;

10) adopt its rules of procedure;

11) make decisions and perform other duties in accordance with this Law and the cooperative rules.

The exception to paragraph 1, item 8) of this Article are housing cooperatives, in which investment decisions are made by the board of directors.

## Liability

### Article 42

Members of the board of directors are obliged to perform their functions conscientiously, honestly and responsibly towards the cooperative, with due diligence and in accordance with the interests of the cooperative and its members.

Members of the board are responsible, in accordance with the law, for the damage caused to the cooperative.

## 3. Supervisory board

### Composition and election

#### Article 43

The supervisory board consists of at least three members.

The number of members, election and dismissal of members of the supervisory board shall be governed by the cooperative rules.

Members of the supervisory board are elected by the assembly of the cooperative from among the members of the cooperative.

The president, members of the board of directors, the director of the cooperative, and the president of the assembly may not be elected as members of the supervisory board.

The supervisory board has a president who is elected by the members of the supervisory board with the majority of the total number of members.

### Competence

#### Article 44

The supervisory board shall:

- 1) supervise the work of the board of directors and directors;
- 2) review the financial and other reports and reports on the operations and report to the assembly of the cooperative on the financial reports of the cooperative;
- 3) control the compliance of the operations of the cooperative with the law and the cooperative rules and principles;
- 4) engage, as appropriate, other experts in their respective areas when an expert analysis of financial and other reports and reports on the operations of the cooperative is necessary;

5) report to the cooperative members on each annual assembly of the cooperative, and if necessary, at an extraordinary session of the cooperative when it is deemed necessary or when requested by the assembly, the board of directors or the director of the cooperative;

6) adopt its rules of procedure;

7) perform other duties in accordance with this Law and the cooperative rules.

## Authorizations

### Article 45

The board of directors and director of the cooperative are obliged to give to the supervisory board all information and data on the operations of the cooperative, as well as to provide access to documentation of the cooperative and smooth operation.

The supervisory board shall submit a request to convene a session of the assembly of the cooperative, if it determines, during exercising supervision, that interests of the cooperatives have been affected, and particularly if it finds irregularities in the activities and operations of the cooperative or serious violation of laws, rules or decisions of the assembly of the cooperative.

## Liability

### Article 46

Members of the supervisory board are obliged to perform all their functions conscientiously, honestly and responsibly towards the cooperative, with due diligence and in accordance with the interests of the cooperative and all its members.

Members of the supervisory board shall be responsible, in accordance with the law, for the damage caused to the cooperative.

## 4. Director

### Article 47

The director of the cooperative does not have to be from the ranks of cooperative members of the cooperative.

The competent body of the cooperative is required to elect the director of the cooperative.

## Competence

### Article 48

The director shall:

- 1) represents the cooperative;
- 2) organize operations and conduct the business of the cooperative;
- 3) ensure legality and be responsible for the lawful operation of the cooperative;
- 4) prepare a working plan and development program;
- 5) prepare and submit a report on operations;
- 6) prepare and submit financial reports;
- 7) execute the decisions of the assembly, the board of directors and the supervisory board and
- 8) perform other duties in accordance with this Law and the cooperative rules.

## Acting director

### Article 49

If the director of the cooperative is not elected, the assembly of the cooperative shall elect an acting director for a period not longer than one year.

## Reasons for dismissal and liability

### Article 50

The director may be dismissed for reasons that are prescribed by the law determining the legal status of companies, or by reason of certain cooperative rules.

The director is responsible, in accordance with the law, for damages caused to the cooperative.

## Restriction on election and ban on competition

### Restriction on election

#### Article 51

A person who has been convicted of a crime against the economy may not be elected as president and member of the board of directors, supervisory board, director and president of the assembly, over a period of five years from the date the judgment becomes final, taking into account the fact that this period does not include the time spent serving a prison sentence, as well as a person who has been

served the security measure of prohibition of performance of the activity which is the activity of the cooperative, during the period of such prohibition.

## Prohibition on competition

### Article 52

The president and members of the board of directors, supervisory board and director of the cooperative, president of the assembly and employees in the cooperative may not be cooperative members, employees or under a contract with the authority to manage the affairs of other cooperatives of same or similar activities, i.e. may not have more than 20% of the ownership in a company or other legal entity that performs the same or similar activity as a cooperative, unless property rights are acquired on the basis of free shares in accordance with the law governing privatization.

## V. ASSETS AND BUSINESS OF THE COOPERATIVE

### Assets of the cooperative

#### Article 53

The assets of the cooperative shall include the right of ownership to movable and immovable property, funds, securities and other property rights that the cooperative has acquired through business or other legal matters and they represent assets in cooperative ownership.

The assets of the cooperative shall be formed from the contributions of its members or membership fees, funds generated from operations and business of the cooperative, and resources that the cooperative acquired in other approved ways.

The assets of the cooperative are in cooperative ownership.

The cooperative shall manage, use and dispose of its assets, in accordance with the law, the memorandum of association, i.e. the cooperative rules.

In case of sale of real estate in cooperative ownership, funds generated from the sale of these assets may not be distributed to cooperative members and employees, and may not be paid to members or employees on the basis of membership in the cooperative, contributions or the rights arising from employment.

### Business of the cooperative

#### Article 54

The cooperative operates in its own name and on its own behalf, in its own name and on behalf of cooperative members or in the name and on behalf of cooperative members, in accordance with the memorandum of association or the cooperative rules.



The cooperative uses the property of the cooperative in its operations, and may use the work of its members and assets owned by cooperative members and other legal entities and individuals on the basis of special agreements concluded in accordance with the law and the cooperative rules.

The cooperative may, within the registered activities or activities specified in the memorandum of association, conduct operations with persons who are not members of the cooperative and for them, in the manner and to the extent that it does not call into question the cooperative principles and objectives of its activities, in accordance with a separately executed agreement and the cooperative rules.

### Obligations liability

#### Article 55

The cooperative is liable for its obligations with all its assets in legal transactions.

The cooperative member is liable for the obligations of the cooperative to the amount of their investment.

### Misuse of the cooperative

#### Article 56

Cooperative members are liable to third parties personally, with their own property, for the obligations of the cooperative if they misuse the cooperative for illegal or deceptive acts or if they dispose of the assets of the cooperative as of their own property.

### Bookkeeping and preparation of financial reports

#### Article 57

The cooperative shall keep business books, prepare and submit financial reports in a manner and under conditions prescribed by the law regulating accounting.

The audit of the financial reports of the cooperative shall be performed in accordance with the law governing audits.

## VI. FUNDS, ALLOCATION OF PROFIT AND LOSS COVERAGE

#### Article 58

The cooperative may establish a cooperative fund to be used for investment or increasing the working capital of the cooperative.

The cooperative may establish a reserve fund from which funds are used to cover the losses of the cooperative and payment of the contributions of the cooperative members, as well as for other purposes.

The assembly of the cooperative shall decide on the amount of funds allocated to the cooperative fund, reserve fund and other funds, as well as on available funds.

## Allocation of profit

### Article 59

The assembly of the cooperative shall decide on the allocation of annual profit upon the adoption of the financial reports.

Profit from paragraph 1 of this Article shall be allocated in the following order:

- 1) to cover losses carried forward from previous years;
- 2) for funds for various purposes, if they have been established;
- 3) for payment of the net profit or attribution of profit to contributions of cooperative members, except in the case of cooperatives that operate with membership fees.

The amount of non-allocated profit shall be transferred to the next fiscal year or used for the promotion of the cooperative.

The cooperative members shall participate in the allocation of profits in proportion to their contribution in the cooperative and the value of the payment operations through the cooperative in accordance with the established principles of profit allocation established by the cooperative rules.

The right of cooperative members to participate in the profit exists only for the duration of the status of a cooperative member.

## Loss coverage

### Article 60

Loss is covered from non-allocated profit from previous years.

If the loss cannot be covered out of the non-allocated profit from previous years, it shall be covered from the reserve fund if it has been established by a cooperative.

If the loss cannot be covered out of the reserve fund and non-allocated profit, it shall be covered from other funds for different purposes or by reducing the share capital of the cooperative, in accordance with the cooperative rules.

## VII. TERMINATION OF THE COOPERATIVE

### Grounds for termination of the cooperative

#### Article 61

The cooperative shall cease to exist by deletion from the register, on the grounds of:

- 1) completion of the procedure of liquidation or forced liquidation, in accordance with the law that regulates these procedures;
- 2) completion of the bankruptcy proceedings in accordance with the law governing bankruptcy;
- 3) status changes that have resulted in the termination of the cooperative.

### Liquidation

#### Article 62

The liquidation procedure of the cooperative shall be initiated by the decision of the assembly of the cooperative.

The decision referred to in paragraph 1 of this Article shall be made by the assembly of the cooperative by two-thirds majority of the total votes of all its members and the cooperative union of which the cooperative is a member shall be informed thereof.

When the cooperative is terminated pursuant to paragraph 1 of this Article, the assembly of the cooperative may decide not to terminate the cooperative unless at least five members of cooperative, before making a decision on the termination of the cooperative, submit a written response that the cooperative shall not be terminated.

In the case referred to in paragraph 3 of this Article, the voting is public, so that every member personally declares their opinion on the termination of the cooperative, and cooperative members who voted for the termination of the cooperative shall be deemed to have stepped out of it.

Property of the cooperative in cooperative ownership remaining after liquidation shall be subject to the provisions of the law governing bankruptcy in the part relating to the treatment of the surplus of the bankruptcy estate.

### Forced liquidation

#### Article 63

Forced liquidation shall be initiated:

- 1) on the basis of a final decision of a court or other authority;
- 2) if a cooperative has been prohibited from performing activities, because it does not meet the requirements for performing the activity, and the cooperative

does not fulfill these conditions in a period set by the imposed measure, i.e. does not change the activity or begins the process of voluntary liquidation;

3) if the number of cooperative members decreases below the statutory minimum, and the number of cooperative members is not increased and new cooperative members do not sign up in the Registry within six months;

4) if the monetary part of share capital decreases below the prescribed minimum, and does not increase to the minimum prescribed by this Law within six months;

5) if it is not organized in accordance with this Law, the cooperative rules and principles.

In the case referred to in paragraph 1. items 1) and 2) above, the registry officer who keeps the Register shall initiate the procedure of involuntary liquidation ex officio, upon receipt of notice from the authority that issued the final decision or the notification by the authority which imposed the prohibition of performance of activity that the cooperative has not fulfilled the required conditions within the deadline.

In the case referred to in paragraph 1, item 5) of this Article, the registry officer who keeps the Register shall initiate the procedure of involuntary liquidation ex officio, on the basis of the notice of a competent audit association.

## Bankruptcy

### Article 64

The bankruptcy procedure of the cooperative is subject to the provisions of the law governing bankruptcy.

## Status changes

### Article 65

The status change of the cooperative in terms of this Law shall be consolidation, merging, division and separation, subject to the decision of the assembly of the cooperative.

Status changes of cooperatives are permitted only if cooperatives participate in them or arise from them.

## Loss of legal personality

### Article 66

The cooperative shall lose legal personality by deletion from the Register.

## VIII. COMPLEX COOPERATIVE

### Article 67

The complex cooperative is a legal entity which is a special form of organization of cooperatives, which exercises economic, social and cultural interests, operating by cooperative principles, and performs activities transferred by the founders through the memorandum of association and the cooperative rules.

Complex cooperative may be established by at least two cooperatives.

Representation in complex cooperative bodies is specified by the founders with the memorandum of association and the cooperative rules in accordance with this Law.

The cooperative referred to in paragraph 1 of this Article shall acquire legal personality by registration in the Register with an obligation to include the word "complex cooperative", name and registered office of the cooperative, as well as the type of cooperative.

Complex cooperatives are subject to the provisions of this Law, in the part related to the establishment, operation and registration of cooperatives.

## IX. COOPERATIVE UNION

### Article 68

Cooperative union is an independent, interest, business and professional organization, formed by cooperatives and other cooperative unions with the purpose of realization, harmonization, promotion, business connections, protecting and representing the common interests of the cooperative and its members.

### Establishment

#### Article 69

Cooperative union is a legal entity formed by cooperatives or other cooperative unions.

Cooperative unions are established according to types of cooperatives, i.e. for a particular territory.

It takes at least ten cooperatives to establish of a new cooperative union.

Cooperative union shall acquire the status of a legal person after being entered in the Register, in accordance with the law regulating the procedure of registration of business entities.

Cooperative union shall be founded at the constituent assembly by adopting the rules of the cooperative union, concluding a contract on the establishment and election of authorities.

The memorandum of association shall regulate the following in particular: the conditions and manner of establishment, tasks and activities of the union, business name, registered office and funding of the cooperative union.

## Tasks

### Article 70

Tasks of the cooperative union are the following:

- 1) encouraging cooperatives and improving the cooperative principles;
- 2) providing professional and other assistance to cooperatives and cooperative members during the establishment, operation and termination of the cooperative;
- 3) representing the interests of cooperatives before the national authorities, territorial autonomy and local self-government authorities, holders of public powers and other institutions and organizations;
- 4) launching regulatory initiatives before regulatory bodies;
- 5) representing the cooperatives abroad, establishing cooperation with cooperatives and cooperative associations from abroad;
- 6) arbitration;
- 7) cooperative audit in accordance with the law;
- 8) organizing and encouraging professional training, scientific research and information-publishing and marketing activities of interest for the promotion of cooperatives;
- 9) keeping records on cooperatives (books of cooperatives) and cooperative statistics;
- 10) management of assets in cooperative ownership, submitted to the unions in accordance with the provisions governing the procedure of bankruptcy or liquidation;
- 11) performing informational and advisory functions for the member of cooperatives;
- 12) performance of intermediating and promotional activities for its members;
- 13) other tasks, in accordance with the law and rules of the cooperative union.

## Entrustment of tasks

### Article 71

Cooperatives may entrust the cooperative unions, of which they are member, to carry out certain tasks in their name and on their behalf.

## Cooperative union bodies

### Article 72

Cooperative unions are managed by members, through their representatives.

The bodies of the cooperative union are the following: assembly, board of directors, supervisory board and the president.

The president of the cooperative union represents the cooperative union.

The assembly of the cooperative union shall set out the rules of the union.

## Cooperative union rules

### Article 73

The rules of the cooperative union shall include the following in particular:

- 1) business name and registered office of the cooperative union;
- 2) tasks and activities of the cooperative union;
- 3) terms and conditions for the acquisition and loss of membership status of the cooperative union;
- 4) rights and obligations of the cooperative to the cooperative union and cooperative union to the cooperative;
- 5) provisions on means of work of the cooperative union;
- 6) selection, dismissal and scope of work of the cooperative union, number of members of the body, mandate, and the manner of convening and decision-making of the bodies;
- 7) representation and presentation of the cooperative union;
- 8) manner of performing professional and other jobs for cooperatives;
- 9) provisions on transparency;
- 10) manner of notification of cooperatives;
- 11) provisions of the general acts of the cooperative union and the manner of their adoption and
- 12) provisions on other issues of importance for the work of the cooperative union.

## Book of cooperatives

### Article 74

Cooperative union shall keep a book of its cooperative members, which contains the name and registered office of the cooperative or cooperative union,

registration and tax identification number of members of the cooperative union, cooperative data for cooperative statistics and other data in accordance with the rulebook on bookkeeping of cooperatives.

Status changes of members, temporary or permanent termination of operations, bankruptcy proceedings and other essential elements of the legal status of members shall be entered into the book of cooperatives.

Data for the book of cooperative members shall be submitted to the cooperative union within 30 days from the date of entry in the Register, and data for the cooperative statistics within 30 days from the submission of final accounts for the previous year.

Cooperative union is obliged to meticulously keep and permanently save the book of cooperatives.

Cooperative union where data have been entered in the book of cooperatives is obliged to issue a certificate of registration.

Cooperative unions are obliged to submit data from the books of cooperatives of the cooperative union, at the request of state authorities.

#### Funds for the work of the cooperative union

##### Article 75

Funds for the work of the cooperative union shall be provided in accordance with the memorandum of association or the rules of the cooperative union.

## X. REGISTRATION OF THE COOPERATIVE AND COOPERATIVE UNIONS

#### Registration of cooperatives and cooperative unions

##### Article 76

Establishment, modification of data on cooperatives and cooperative unions and their termination shall be entered into the Register.

Registration of cooperatives and cooperative unions, i.e. registration of data and documents prescribed by this Law shall be performed in accordance with the law governing the registration of business entities.

Cooperative or cooperative union may start its operations from the moment of registration in the Register.

#### Data entered into the Register

##### Article 77

The following data on the cooperative shall be entered into the Register:



- 1) designation of the type of cooperative;
- 2) business name;
- 3) address of the registered office;
- 4) date and time of establishment;
- 5) date and time of changes;
- 6) identification number assigned by the Republic Institute for Statistics;
- 7) tax identification number (TIN);
- 8) code and description of predominant activity;
- 9) bank account numbers;

10) personal name and personal identity number of the cooperative member who is a natural person, i.e. business name, address of the registered office and identification number of the cooperative which is a legal entity in cases of complex cooperatives;

11) personal name and personal identity number of the director or acting director;

12) personal name and personal identity number of representatives and the limits of his powers;

13) information on whether a cooperative is established/operates with contributions or membership fees;

14) information about the role of each cooperative member.

The following data on the cooperative shall be entered into the Register, if any:

1) personal name and personal identity number of members of the board of directors or supervisory board;

2) data on the branch of the cooperative;

3) address for receiving mail;

4) abbreviated business name;

5) business name in a foreign language.

The following shall also be entered into the Register:

1) information on liquidation and bankruptcy of the cooperative, in accordance with the law;

2) records of data relevant for the legal transaction of the union.

Other information on the cooperative shall be entered into the Register in accordance with the law.

All changes of data on the cooperative contained in the Register shall also be entered into the Register.

Notwithstanding paragraph 5 of this Article, cooperatives operating with membership fees are required to enter only founders and changes of founders and not all members of the cooperative in the Register.

If data pertaining to a foreign legal entity or natural person are entered in the Register, the Register shall contain the passport number and country of issuance for a foreign natural person or the number of identity card for foreigners in accordance with the law governing the conditions for entry, movement and residence of foreigners in the territory of the Republic of Serbia, and the country of registered office, address of the registered office and number under which the legal entity is entered in the civil registry for a foreign legal entity.

The following data on the cooperative union shall be entered in the Register:

- 1) business name;
- 2) address of registered office;
- 3) date and time of establishment;
- 4) date and time of changes;
- 5) identification number assigned by the Republic Institute for Statistics;
- 6) tax identification number (TIN);
- 7) code and description of predominant activity;
- 8) bank account numbers;
- 9) business name, address and personal identity number of the founder, i.e. member of the cooperative union;
- 10) personal name and personal identity number of the president of the cooperative union;
- 11) personal name and personal identity number of members of the board of directors;
- 12) personal name and personal identity number of the supervisory board;
- 13) records of data of importance for legal transactions of the cooperative union;
- 14) termination of the cooperative union.

Other information on the cooperative union shall be entered in the Register in accordance with the law.

All changes to data on the cooperative union contained in the Registry shall also be entered into the Register.

If data pertaining to a foreign legal entity or natural person are entered in the Register, the Register shall contain the passport number and country of issuance for a foreign natural person or the number of identity card for foreigners in accordance with the law governing the conditions for entry, movement and residence of foreigners in the territory of the Republic of Serbia, and the number

under which the legal entity is entered in the civil registry and the country of the registry for a foreign legal entity.

## Registration and publication of documents

### Article 78

The following documents of the cooperative, i.e. the cooperative union shall be entered into the Register:

- 1) memorandum of association;
- 2) amendments to the memorandum of association and the revised text of the document after any such amendments;
- 3) cooperative rules or the rules of the cooperative union;
- 4) changes to the cooperative rules or the rules of the cooperative union and the revised text of the document after any such changes;
- 5) book of the cooperative in paper or electronic form for cooperatives that operate with membership fees.

The cooperative is obliged to submit the following to the Register for publication, in accordance with this Law:

- 1) book of cooperative members in electronic form;
- 2) conclusion with the assessment and explanation of the final report of the cooperative auditor.

## Application of the registration provisions

### Article 79

The provisions of this Law governing the registration of cooperatives shall apply to complex cooperatives accordingly.

## XI. COOPERATIVE AUDIT

### Concept of cooperative audit

#### Article 80

Cooperative audit is control of the harmonization of business, management and organization of the cooperative with the provisions of this Act, cooperative principles and cooperative values.

In addition to the control function, the cooperative audit also has a preventative and instructive function in order to protect the interests of cooperatives, cooperative members and improvement of the cooperative movement.

## Reporting entity of the cooperative audit

### Article 81

The reporting entity of the cooperative audit is the cooperative.

## Types of cooperative audits and mandatory cooperative audit

### Article 82

Cooperative audit is mandatory for all cooperatives and may be ordinary and extraordinary.

Ordinary cooperative audit is conducted at the request of the cooperative, every two years.

Extraordinary cooperative audit is conducted as the need arises.

The cooperative is obliged to undergo an extraordinary cooperative audit referred to in paragraph 3 of this Article, at the request of: any body of the cooperative, at least 50 cooperative members, and at least 30% of its members if the cooperative rules do not set a higher number of cooperative members, the cooperative union of which the cooperative is a member, the competent ministries and creditors of the cooperative.

## Audit union

### Article 83

Cooperative audit is performed by the cooperative union (hereinafter: Audit Union), which holds a license issued by the ministry responsible for cooperatives (hereinafter: the Ministry), in accordance with the provisions of this Law.

## Requirements for audit unions

### Article 84

Cooperative audit may be performed by a cooperative union which is organizationally and technically adequately equipped, which meets the following conditions:

- 1) it was established and registered in accordance with the provisions of this Law;
- 2) it uses appropriate office space and other resources to effectively carry out cooperative audit;
- 3) it has an employment contract or it has engaged at least two persons on any other basis, of whom at least one person is with a university degree that meets the requirements for performing cooperative audit.

## Requirements for auditors

### Article 85

In order for a person from Article 84, paragraph 1, item 3) of this Law (hereinafter: the cooperative auditor) to perform cooperative audit, they must meet the following requirements:

1) he/she has acquired higher education at second level studies in accordance with the law governing higher education, or at undergraduate studies lasting at least four years;

2) he/she has at least three years of practical work experience in the field of cooperatives in jobs with higher education;

3) he/she has a certificate of the competent cooperative union to have met the requirements in terms of expertise for performing cooperative audit;

4) he/she has not been convicted of crimes that make him unworthy of performing these jobs.

## Licence for performing cooperative audit

### Article 86

Request for issuing a licence for performing cooperative audit shall be submitted to the Ministry by the cooperative union.

Along with the request, the cooperative union shall also submit the following:

1) evidence on fulfillment of conditions from Art. 84 and 85 of this Law;

2) general act of performing cooperative audit.

The general act of performing cooperative audit referred to in paragraph 2 item 2) of this Article defines the following: submitting requests to cooperatives to join the audit, the conclusion of agreements on the performance of cooperative audit, the process of performing cooperative audit, the subject matter of cooperative audit, the contents of the report on cooperative audit, defining the order of the cooperative auditor to correct irregularities, defining the conclusion and evaluation of cooperative auditor, dealing with documentation in connection with cooperative audit and preservation of business secrets and other issues of importance for performing cooperative audit.

The Ministry may require other documents on the basis of which it is possible to determine whether the cooperative union is organizationally and technically equipped for performing cooperative audit.

### Article 87

At the request of the cooperative union under Article 86 of this Law, the Ministry shall bring a decision for the issue of license for performing cooperative audit or denial of the request for the issue of license.

The license for performing cooperative audit may be revoked by the decision of the Ministry, if the cooperative union does not meet the requirements for performing cooperative audit stipulated by this Law.

An appeal may not be filed against the decision of the referred to in para. 1 and 2 of this Article, but an administrative dispute may be initiated in accordance with the law.

## Contract on performing cooperative audit

### Article 88

Contract on performing cooperative audit shall regulate the mutual rights and obligations of the Audit Union and the cooperative.

The contract referred to in paragraph 1 of this Article shall be concluded in writing.

In addition to the elements prescribed by the law governing contractual relations, the contract referred to in paragraph 1 of this Article shall contain the following:

1) name and registered office of the Audit Union and the name of the cooperative auditor;

2) the time period in which the cooperative audit shall be carried out and the type of cooperative audit;

3) the total cost for the service of performing cooperative audit that may not be greater than the amount of half the monthly minimum wage in the Republic of Serbia at the time of conclusion of the contract;

4) the provision relating to the obligation of the cooperative auditors and Audit Union to keep confidential all information, facts and circumstances that they have acquired during the performance of cooperative audit.

The Audit Union may not cede the contracted operations of cooperative audit to other cooperative unions.

### Article 89

Cooperative audits may be carried out at the premises of the cooperative or in the premises of the Audit Union.

## Obligations of the cooperative, cooperative auditors and Audit Union in the process of cooperative audit

### Article 90

The cooperative is obliged make available the necessary documents to the cooperative auditor and provide information and explanations which are needed to

perform cooperative audit and reporting on performed cooperative audit, in the opinion of the cooperative auditor.

The cooperative is obliged to enable the cooperative auditor to participate in the session of the assembly of the cooperative and other bodies of the cooperative, providing answers and opinions on all matters that are the subject of cooperative audit.

#### Article 91

Cooperative auditor may not perform an audit in a cooperative in which they are a cooperative member or in which they are employed.

#### Article 92

Cooperative auditor shall compile a written report on performed cooperative audit containing an assessment of whether the cooperative operates in accordance with the provisions of this Law, the cooperative principles and values, with an adequate explanation.

The report referred to in paragraph 1 of this Article shall also include the following:

- general data on the cooperative which is the subject of cooperative audit;
- personal name of the cooperative auditor who performed the audit and the names of persons who attended the audit, time and place of performing cooperative audit;
- information on the type of audit;
- noticed irregularities in the cooperative, with an explanation;
- irregularities that were removed during the cooperative audit;
- irregularities that need to be removed and deadlines;
- policies, guidelines and instructions given by the auditor during the audit of the cooperative;
- date of preparation of reports on cooperative audit;
- instruction on legal remedy.

Cooperative auditor shall, at the request of the cooperative, provide additional clarifications in connection with the subject of the report.

#### Article 93

The cooperative auditor is obliged to submit the report referred to in Article 92 of this Law, with an evaluation and an explanation, within 15 days from the date on which the cooperative audit was carried out, to the cooperative that is subject to cooperative audit and to the cooperative union of which the cooperative is a member and to the Audit Union.

#### Article 94

The director of the cooperative which was the subject of cooperative audit shall, within 15 days of receipt of the report on cooperative audit, notify the members of the board of directors and supervisory board of the cooperative, i.e. assembly of the cooperative in those cases where cooperatives do not have a board of directors and a supervisory board, of the content of the report on the cooperative audit.

#### Article 95

The cooperative may submit a complaint to the report on performed cooperative audit referred to in Article 92 of this Law to the Audit Union, within 20 days of receipt of the report.

The complaint of the cooperative shall be decided upon by the board of directors of the Audit Union within 15 days.

If the board of directors of the Audit Union accepts the complaint of the cooperative, the cooperative auditor is obliged to correct and submit the report to the cooperative within seven days.

The report on performed cooperative audit becomes final on the day of the deadline for the submission of the complaint, the day on which the cooperative receives the response of the board of directors of the Audit Union on the rejection of the complaint, as well as the date on which the cooperative receives the corrected report on cooperative audit referred to in paragraph 3 of this Article.

The cooperative is obliged to submit to the Register the conclusion from the final report of the auditor of the cooperative referred to in paragraph 4 of this Article with the assessment and justification for publication.

#### Article 96

The cooperative shall, within 60 days from the date when the report on the audit becomes final, act upon the findings and opinion of the report and inform the auditor of the cooperative, cooperative union of which the cooperative is a member and the Audit Union thereof.

#### Article 97

At the annual assembly of the cooperative, the director of the cooperative is obliged to present a final report on performed cooperative audit and actions taken to correct any identified irregularities ascertained in the report of the auditor of the cooperative.



## Article 98

If the cooperative auditor assesses that a criminal act, economic offense or misdemeanor has been performed, they are obliged to notify the board of directors of the Audit Union, which shall, on the basis of the final report of the cooperative auditor, decide on the submission of the application to the competent authority, or on the request to initiate proceedings.

Upon receipt of the final report of the cooperative auditor on the performed audit of the cooperative and the cooperative notice of acting on the findings and opinions of the report of the auditor of the cooperative, the board of directors of the Audit Union shall decide on the eventual initiation of liquidation proceedings of the cooperative in accordance with Article 63 of this Law, of which they are bound to inform the Ministry.

## Costs of cooperative audit

### Article 99

The cooperative shall bear the costs of regular cooperative audit.

If the report on performed extraordinary cooperative audit determines that the request for an extraordinary revision was established on the basis of irregularities, the cooperative shall bear the final cost of the extraordinary cooperative audit, and if the extraordinary audit showed no irregularities, the costs shall be borne by persons who have requested the extraordinary audit, i.e. these persons are obliged to reimburse the costs of the cooperative extraordinary cooperative audit, which the cooperative paid before the performance of extraordinary cooperative audit.

## Obligations of the Audit Union to the Ministry

### Article 100

The Audit Union shall submit to the Ministry a report on the performance of cooperative audit for the previous year by 31 January of the current year, containing the following:

- 1) a list of claims submitted by the cooperatives for ordinary and extraordinary cooperative audit;
- 2) a list of performed regular and extraordinary cooperative audits;
- 3) evidence confirming that the Audit Union and the auditor shall continue to meet the requirements of Art. 84 and 85 of this Law, for performing cooperative audit;
- 4) a list of cooperatives that have not acted on the orders of the auditor and the Audit Union;
- 5) a list of cooperatives for which the application to the competent authority has been submitted for a criminal offense, economic offense or misdemeanor;

6) other information of relevance to the work of the Audit Union.

#### Article 101

Ministry for cooperative affairs shall supervise the implementation of cooperative audit.

## II. PENAL PROVISIONS

### Economic offense

#### Article 102

A fine of 50,000 to 3,000,000 dinars shall be imposed on the cooperative or cooperative union for an economic offense, if it exercises its activity without entry in the Register (Article 5).

For the acts referred to in paragraph 1 of this Article, the responsible person in the cooperative or cooperative union shall be fined with 20,000 to 200,000 dinars.

A fine of 100,000 to 3,000,000 dinars shall be imposed on the cooperative for an economic offense:

- 1) if it has not elected a director (Article 47);
- 2) if it has not elected an acting director (Article 49);
- 3) if it disposes of the property in the cooperative ownership contrary to the provisions of Article 53 of this Law;
- 4) if it fails to undergo regular or extraordinary cooperative audit with its own fault (Article 82).

For the acts referred to in paragraph 3, item 3) of this Article, the responsible person in the cooperative shall be fined with 50,000 to 200,000 dinars.

For the acts referred to in paragraph 3, items 1), 2) and 4) of this Article, the responsible person in the cooperative shall be fined with 20,000 to 200,000 dinars.

### Misdemeanors

#### Article 103

A fine of 100,000 to 1,000,000 dinars shall be imposed on the cooperative:

- 1) if the business name does not contain the label "cooperative", as well as the label of the type of cooperative, name and registered office of the cooperative (Article 7);
- 2) if it does not keep, does not keep in the registered office of the cooperative or does not protect the book of cooperative members (Article 32);

3) if the Registry does not report data or documents which it is obliged to register or publish, in accordance with this Law (Art. 77 and 78);

4) if the auditor fails to produce the documents and supporting documentation and to provide other information necessary to perform the audit and preparation of reports on the performed audit (Article 90);

5) if, within 60 days of when the report on the audit has become final, it does not comply with the findings and opinion of the report and inform the auditor of the cooperative, cooperative union of which it is a member and the Audit Union (Article 96).

For the acts referred to in paragraph 1 of this Article, a fine of 5,000 to 50,000 shall be imposed on the responsible person in the cooperative.

A fine of 100,000 to 1,000,000 dinars shall be imposed on any other legal entity, if it uses the word "cooperative" in its business name (Article 7).

For the acts referred to in paragraph 3 of this Article, a fine from 5,000 to 50,000 shall be imposed on the responsible person in the legal entity.

#### Article 104

A fine from 200,000 to 1,000,000 dinars shall be imposed on the Audit Union if it:

1) fails to submit the report on the performance of cooperative audit for the previous year (Article 100) by 31 January of the current year;

2) if it fails to submit the decision on the initiation of liquidation proceedings to the Ministry (Article 98).

For the acts referred to in paragraph 1 of this Article, a fine of 10,000 to 50,000 shall be imposed on the responsible person in the Audit Union.

A fine from paragraph 1 of this Article shall be imposed on the cooperative union if it does not keep, does not keep in the registered office of the union or does not protect the book of the cooperatives (Article 74).

For the acts referred to in paragraph 3 of this Article, a fine of 10,000 to 50,000 shall be imposed on the responsible person in the cooperative union.

#### Article 105

A fine of 5,000 to 50,000 dinars shall be imposed on the cooperative auditor:

1) if, at the request of the cooperative, he/she does not provide additional explanations to the cooperative in connection with the subject of my report (Article 92);

2) if he/she fails to draw up and deliver a written report on the performed audit to the cooperative that is subject to cooperative audit, the cooperative union of which the cooperative is a member and to the Audit Union (Article 93).

### III. TRANSITIONAL AND FINAL PROVISIONS

#### Existing cooperatives and cooperative unions

##### Article 106

On the effective date of this Law, existing cooperatives and cooperative unions shall continue to operate in the manner and under conditions under which they were entered in the Register.

Existing cooperatives and cooperative unions are obliged to adjust their organization, operations and general acts with this Law no later than one year from the date of entry into force of this Law.

Existing cooperatives and cooperative unions are obliged to report to the Register the changes made in the process of harmonization, which are subject to registration, within 15 days of their occurrence.

The registry officer who keeps a register of legal entities shall, within 90 days from the date of entry into force of this law ex officio and without passing a special act, remove data from the register of cooperatives that contains registered data on the assets of the cooperative that are not contributions of the cooperative members.

#### Initiated procedures

##### Article 107

The procedures for the restitution of the property of the cooperative or cooperative union, which started in accordance with the Law on Cooperatives ("Official Gazette of SFRY", no. 3/90 and "Official Gazette of FRY", no. 24/94 – other law), the Law on Cooperatives ("Official Gazette of FRY", nos. 41/96 and 12/98 and "Official Gazette of RS" no. 101/05 – other law and 34/06) and the Law on conditions of return of property acquired through work and business of cooperatives and cooperative members after July 1, 1953 ("Official Gazette of SRS", no. 46/90), at the request of the cooperative or cooperative union until the entry into force of this Law, and that have not been validly terminated, shall be completed in accordance with the provisions of these laws.

The valid decision on restitution of property or an agreement on the restitution of cooperative property, which was adopted in the paragraph 1 of this Article, shall constitute the basis for the entry of cooperative ownership on that property in favor of the cooperative or cooperative union into a public register of real estate and rights on them.

If the subject of the agreement referred to in paragraph 2 of this Article is agricultural land, the provisions of Article 108 of this Law shall apply to registering cooperative ownership on the mentioned land.

## Registration of cooperative ownership on real estate in social ownership

### Article 108

Cooperative ownership shall, without a reassessment of documents on acquisition by the competent authority for registration of property rights, be registered on agricultural land on which a list of property in social ownership or state ownership is made and confirmed, in accordance with the Law on transforming social ownership of agricultural land to other forms of property ("RS Official Gazette", nos. 49/92, 54/96 and 62/06 – other law), and which is, on the basis of certain documents, registered as social property in the public register of real estate and rights thereof, at the request of the cooperative, which is registered as the holder of the rights to the land.

Decision on registration of cooperative property referred to in paragraph 1 of this Article shall be adopted by the competent authority for registration of rights to real estate, within 60 days from the date of application referred to in paragraph 1 of this Article.

Cooperative ownership, based on the evaluation of documents the acquisition by the competent authority for registration of property rights, shall be registered on the agricultural land which is registered as public property in the public register of real estate and rights thereof, at the request of the cooperative, which is registered as the holder of the rights to the land that was purchased or acquired by other encumbered legal transactions, for the acquisition of which the cooperative has evidence and on which a list of property in social ownership or state ownership has not been made and confirmed, in accordance with the Law on transforming social ownership of agricultural land to other forms of property, in the public register of real estate and rights thereof. If the competent authority for registration of rights on real estate does not possess a document on the basis of which it was established that the cooperative has acquired agricultural land by encumbered legal transactions, the cooperative is required to act by a competent authority, and deliver the documents.

### Article 109

The competent authority for registration of rights on real estate, shall register cooperative property at the request of the cooperative or cooperative union, on real estate that are, at the day of entry into force of this Law, entered as social or public property in the public register of real estate and rights thereof, and for which cooperatives or cooperative unions possess a credible document in terms of final decisions of the bodies of state administration, the court or agreement on property restitution, which establish cooperative ownership in favor of the cooperative or cooperative union.

If the competent authority for registration of rights on real estate, in the collection of documents does not possess a document on the basis of which the cooperative ownership of real estate referred to in paragraph 1 of this Article was established, the cooperative is required to act by a competent authority, and deliver the documents.

## Article 110

Facilities that are entered in the public register of real estate and rights thereof at the day of entry into force of this Law as social or public property, and for which the cooperative or cooperative union is the holder of rights, shall be entered in the register by the competent authority for registration of rights to real estate at the request of the cooperative or cooperative union, if the license for using these facilities has been issued to registered cooperative or cooperative union as an investor.

If the competent authority for registration of rights on real estate in the collection of documents does not possess the exploitation permit for the mentioned facilities, the cooperative is required to act by a competent authority, and deliver the documents.

The competent authority for registration of rights on real estate shall enter the cooperative property in the register on facilities where, on the date of entry into force of this Law, social or public property is entered in the public register of real estate and rights thereof, and on which the cooperative or the cooperative union is registered as the holder of rights, at the request of registered cooperative or cooperative union, as follows:

1) on facilities in cities or urban settlements built until 3 June 1948, when the Basic Regulation on Construction entered into force ("Official Gazette of the SFRY", no. 46/48);

2) on residential buildings that were built in the countryside until 21 March 1961, when the Law on the conditions for the construction of residential buildings in the village entered into force ("Official Gazette of NRS", no. 7/61), or until the entry into force of the regulation on conditions for the construction of residential buildings, if the municipal People's Committees adopted them within the deadline prescribed by that Law;

3) on other types of facilities that were built in the countryside until 8 July 1973, when the Law on construction of investment buildings entered into force ("Official Gazette of SRS", no. 25/73), or until the entry into force of the decision of the municipality or the city, if it was adopted within the deadline prescribed by that law.

## Procedure and documents for registration of cooperative property

### Article 111

Cooperative or cooperative union shall, within three years from the date of entry into force of this Law, submit to the competent authority for registration of rights on real estate, the request for registration of cooperative ownership on facilities and land, which are, at the date of entry into force of this Law, entered as public property or public property in the public register of real estate and rights to them, and which, in accordance with Art. 108, 109 and 110 of this Law, are claimed by cooperatives or cooperative unions.

Cooperative or cooperative union which conducts administrative or judicial proceedings, including proceedings under extraordinary legal remedies in connection with the restitution of the cooperative in accordance with Article 107 of this Law, shall, within a period of three years from the date of final completion of the procedure, submit a request for the registration of cooperative ownership of property over the right of ownership of the cooperative was established, i.e. the right of the cooperative to restitution of property.

After the expiry of the deadline referred to in para. 1 and 2 of this Article, property that has been registered as public property to which the cooperative is the holder of rights, for which no request for the registration of cooperative property has been submitted or the request has been validly rejected in the process of proving cooperative ownership, the competent authority for registration of real estate rights, shall, ex officio, enter rights of public ownership of the Republic of Serbia on that real estate.

#### Article 112

Decision on registration of cooperative property under Art. 108, 109 and 110 of this Law shall be submitted by the competent authority for registration of rights on real estate, to the cooperative and to the competent State Attorney's Office.

#### Privatization procedures

#### Article 113

Regulations on privatization shall not apply to the translation of social capital in cooperatives into other forms of property are not subject to regulations on privatization, and with the date of entry into force of this law, the privatization procedures initiated in cooperatives in the past shall be dismissed.

#### Nullity of disposal

#### Article 114

The cooperative, which is the holder of the property which is registered in the public register of real estate and real estate rights as public property, may not make decisions on the disposal of the mentioned property in accordance with the provisions of this Law, until the registration of cooperative ownership or public ownership.

Decisions made in contravention of paragraph 1 of this Article shall be null and void.

## Repealing of earlier legislation

### Article 115

On the date of entry into force of this Law, the Law on Cooperatives ("Official Gazette of FRY", nos. 41/96 and 12/98 and "Official Gazette of RS" no. 101/05 – other law and 34/06) and Law on Cooperatives ("Official Gazette of SRS", no. 57/89 and "Official Gazette of RS", no. 46/95 and 101/05 – other law) shall be repealed.

## Entry into force

### Article 116

This Law shall enter into force eight days after its publication in the "Official Gazette of the Republic of Serbia".