

**JPM Newsletter March 2014****Law on deadlines for settlement of financial liabilities in commercial transactions****– solvency crisis ongoing**

Avoiding the lengthy public debate and hard process of the drafting, Law on deadlines for settlement of financial liabilities in commercial transactions entered into force in December 2012 while it gained its place among positive regulations on the date of 31.03.2013 when its implementation has started. Prior to its enactment, this act was already postulated by 45 out of 48 European countries with the same or similar content. At that time the average payment period was almost 5 months and such bad statistic was the driving force for the ambitious lawgiver who was impatient to rapidly enact this progressive act not allowing the establishment and coordination of the appropriate bodies which would ensure that the implementation is efficient and supervised. With such impulsively enacted law, very hard task was assigned to the state and market participants – reduction of the payment period in the commercial transactions for more than a half of the average time required for the debtor to settle his liabilities. As the intended decrease of the debt payment interval was 55%, the actual results in the first 300 days of application were absolutely disappointing since the reduction is hardly above 5%. However, something that concerns more is the complete absence of the monitoring system which leads us to misgiving that the situation might become even worse in the following period. Besides, if we recall that the banks are not willing to issue the collaterals and that the level of liquidity of the Serbian economy is still extremely low, it is unquestionably that the solvency crisis remediation has not yet been started. In the atmosphere of hard disbelief of the bankers expressed towards the market players and within the structure which fails to penalize the participant which does not pay his debts, it is unrealistic to expect that the improvement of the market wealth shall be achieved soon enough. Actually, according to the statistics and considering the lack of the active monitoring, if it is noticed that the current situation is not satisfactory, the future one might be catastrophic in the case of absence of prompt and fundamental measures.

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