

PAYMENT SERVICES

1.60

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Automating the video identification process	2022		√	
Issuing a qualified electronic certificate to PIs without the need for them to do so in person	2023			√
Establishment of a joint banking platform for the exchange of information during the account switching process.	2023		√	
Introducing e-bills of exchange for PIs	2019		√	
Amendment of regulations to reduce the volume of documentation in banking operations.	2022			√

CURRENT SITUATION

When it comes to the regulation of payment services, this year we would like to focus on the amendments to the Law on Payment Services, which were adopted at the end of July 2024, came into force in August 2024, and has been in application since May 2025. The Law on Payment Services was originally adopted at the end of 2014, and in the years following its adoption, there was a period of significant regulatory activity aimed at creating a modern, advanced, and digitalized system for the provision of payment services. Among other things, during that period, the Law on Amendments to the Law on Payment Services was adopted, along with a comprehensive set of by-laws

Following a period of stabilization, and in line with ongoing reforms and the modernization of the payment system in the Republic of Serbia, amendments to the Law on Payment Services were adopted at the end of July 2024.

These amendments aim to enhance the security, efficiency, and reliability of payment services, align the domestic legal framework with European standards—specifically the Payment Services Directive 2 (PSD2)—and provide additional protection for users.

Some of the most significant changes include the introduction of the concept of open banking, which enables greater integration and interoperability among various payment service providers. The new law introduces two innovative services: the initiation of payments from accounts held at other banks, allowing users to conduct transactions more easily and quickly, and a comprehensive overview of account information in one place, which contributes to better financial control and management.

In addition, the amendments establish prerequisites for Serbia’s accession to SEPA—the Single Euro Payments Area—which will further facilitate and accelerate cross-border payments in euros. On 22 May 2025, the Republic of Serbia was officially granted approval to join the SEPA system by the European Payments Council (EPC). According to the EPC’s timeline, Serbian financial institutions will be able to join the SEPA system as of November 2025, with the earliest operational readiness date set for May 2026. For the Serbian banking and financial sector, this accession means that, as participants in the system (with Serbia becoming the 41st member), financial institutions will be able to send and receive transfers through various SEPA payment schemes. This system will enable faster, more efficient, and more cost-effective cross-border transfers for clients.

The legislative amendments also introduce stricter security measures, including strong customer authentication, which requires the use of at least two out of the following three elements: knowledge, possession, and inherence. These changes are expected to significantly enhance the existing legal framework and enable further development and modernization of payment services in Serbia.

In addition, for the purpose of implementing the Law on Payment Services, a comprehensive set of by-laws has been adopted. The Decision on Technical Standards for Strong Customer Authentication and Common and Secure Open Standards of Communication prescribes the technical standards that ensure reliable user authentication in electronic transactions, as well as common and secure open communication standards between different systems, thereby ensuring the security and efficiency of data exchange. The Decision on Special Requirements for Credit Transfers and Direct Debits in Euro sets out the technical, operational, and security requirements for executing credit transfers and direct debits in euros, with the aim

of aligning with European regulations and preparing Serbia for accession to the Single Euro Payments Area (SEPA). Furthermore, certain regulatory provisions concerning payment institutions and electronic money institutions have been amended to ensure alignment with the Law on Payment Services.

Considering the above, the purpose of this document is to analyze the outcomes of previous recommendations and to propose further actions necessary to improve payment services in the Republic of Serbia, with a particular focus on the latest amendments to the Law on Payment Services and their practical implementation

POSITIVE DEVELOPMENTS

Regarding last year's recommendations, the following improvements have been made:

1. **Automation of the video identification process** – With regard to this recommendation, we note that there has been no additional regulatory activity aimed at further automating the video identification process. However, the adopted amendments to the Law on Payment Services, along with the relevant by-law and the clear definition of strong customer authentication, open the possibility for reconsidering further automation. Accordingly, it can be stated that once the Decision on Technical Standards for Strong Customer Authentication and Common and Secure Open Standards of Communication begins to be applied in practice, a framework will be in place to take a further step in relation to this recommendation. A detailed proposal will be presented in the following sections of this document.
2. **Issuing certificates for a qualified electronic signature without the need for the physical presence of an individual** – With regard to this recommendation, we note that a regulatory framework directly enabling such a service has not yet been adopted. However, as previously mentioned, the amendments to the Law on Payment Services and the Decision on Technical Standards for Strong Customer Authentication and Common and Secure Open Standards of Communication represent the beginning of a process that should ultimately lead to the fulfillment of this recommendation. We sincerely hope that, soon, the possibility of issuing qualified electronic certificates without requiring the physical presence of the individual will be considered—both for the benefit of citizens of the Republic of Serbia and

for potential foreign investors.

3. **Establishment of a joint banking platform for the exchange of information during the account switching process** – A joint platform for the exchange of information between banks in the process of switching payment accounts has not yet been established, despite the existence of a regulatory framework that allows for such a possibility. This recommendation will be considered partially fulfilled, given that the establishment of such a platform is possible; however, there is currently no specific regulatory obligation to do so. Nevertheless, the potential for such a platform is of great importance to both citizens and the economy, and it would have a positive impact on competitiveness within the banking sector.
4. **Introduction of electronic bill of exchange for individuals** – In this regard, as noted in the previous year, we observe progress, as extensive and final activities are currently underway for the testing and implementation of the Central Register of e-Promissory Notes, which is a prerequisite for enabling the issuance of e-promissory notes by private individuals. As previously emphasized, the National Bank of Serbia has stated that, in the next phase of development of the Central Register of e-Promissory Notes, private individuals who do not perform business activities should also be included as issuers of e-promissory notes. We fully understand the regulator's need to first ensure the functionality and quality of the register in relation to legal entities and entrepreneurs, and that private individuals who do not perform business activities may be included in a subsequent phase of development.
5. **Amendments to the regulatory framework aimed at reducing the volume of documentation in banking operations** – Regarding this topic, it should be noted that no significant changes have been made toward fulfilling this recommendation. The adopted amendments to the Law on Payment Services have not affected this aspect in any way. Specifically, the number of required documents has neither been reduced nor increased.

REMAINING ISSUES

1. Automation of the video identification process

As in previous years, we would once again like to emphasize the importance of automating the video identification process in the context of client account opening. While fully

aware of the associated risks, we firmly believe that such automation would bring significant benefits to clients. We sincerely express our appreciation for the progress made in recent years around video identification, which has greatly facilitated account opening for both individuals and businesses. However, we also believe that, following the adoption of amendments to the Law on Payment Services and the enactment of relevant by-laws, all prerequisites are now in place to take the next step forward. Namely, although the current process indeed simplifies account opening, it still faces a number of technical limitations related to the client's environment (e.g., sound, lighting), internet signal strength, and the client's understanding of instructions provided by the agent (e.g., visual presentation of the ID document, rotation, finger covering, etc.). We believe that these technical limitations could be overcome through biometric client identification (e.g., face recognition), which would accelerate the process without compromising security.

Accordingly, we propose enabling video identification through various software solutions that would identify clients using biometric data. To improve the efficiency and security of the video identification process, we suggest the introduction of the following technical solutions: biometric authentication (real-time facial and voice recognition technology, with automatic comparison to the photo in the ID document, thereby reducing the need for manual verification and speeding up the identification process); automated document verification (integration with government databases such as the Ministry of Interior or the Business Registers Agency to verify the validity of ID documents and the legal status of individuals at the time of identification); AI-based behavioral analysis (application of algorithms to detect suspicious behavior during the video session, such as eye movement, facial expressions, or speech patterns, thereby further enhancing process security) etc.

While we support the view that human interaction is sometimes necessary to verify all relevant data, we believe that in a modern society where technology is advancing rapidly, we should place greater trust in such solutions. Furthermore, the amendments to the Law on Payment Services and the Decision on Technical Standards for Strong Customer Authentication and Common and Secure Open Standards of Communication introduce strong customer authentication. Therefore, it would be useful to consider introducing an additional verification layer alongside automated video identification to ensure full security. We also express our support for any form of pilot project on this topic, as well as any other proposal that would further simplify the account opening process (e.g., video iden-

tification conducted by another government authority, with the possibility for banks to retrieve the data).

2. Issuance of certificates for qualified electronic signatures without the need for the physical presence of an individual

In the modern digital environment, the procedure for issuing a qualified electronic certificate in the Republic of Serbia—which currently requires the physical presence of the user at the premises of certification authorities such as the Public Enterprise 'Pošta Srbije', the Serbian Chamber of Commerce, or the Ministry of the Interior—represents a significant obstacle to the broader adoption of electronic signatures and digital identification. Although this recommendation is not directly related to the provision of payment services, it has a strong indirect impact on the efficiency and accessibility of establishing business relationships with clients, particularly in the banking sector. The current solution not only slows down digitalization but also discourages foreign investors, managers, and individuals residing outside the territory of Serbia, as they are required to be physically present solely for the purpose of collecting the certificate. We believe that this requirement is one of the key reasons why qualified electronic certificates have not been fully adopted, despite their importance for e-business, e-government, and secure communication. Introducing the possibility of issuing certificates without physical presence—through video identification and biometric verification—would enable faster, more secure, and more accessible establishment of business relationships, reduce administrative costs, increase the number of issued certificates, and stimulate the development of digital services. The technological framework for such a solution already exists, and the security standards applied in the EU can be adapted to the domestic legal system. In the context of the digital transformation of public administration and the financial sector, such a change would not merely be a technical improvement, but a strategic step toward the modernization and inclusiveness of the electronic identification system. Taking all the above into account, we propose that the regulatory framework be amended to allow for the issuance of qualified electronic certificates without the physical presence of the user, by applying modern identity verification methods. This would significantly improve the availability, efficiency, and security of digital services in the Republic of Serbia. We consider it of utmost importance that regulatory changes enable the issuance of qualified electronic certificates without requiring the user to physically visit the premises of the certification authority. In line with current trends in digitalization and market needs, we propose

that the certificate issuance process be carried out via video identification conducted by the certification authority, as well as through biometric data verification of the user, thereby ensuring a high level of security and reliability. Additionally, we propose that the legal recognition of qualified electronic signatures issued in EU member states be considered, which would enable cross-border use of electronic identification in accordance with EU best practices. Although Article 40 of the Law on Electronic Document, Electronic Identification and Trust Services in Electronic Business (Official Gazette of RS, No. 94/2017) provides for the possibility of reciprocity with foreign trust service providers, this possibility is currently limited to agreements signed by the Republic of Serbia only with Montenegro and North Macedonia. Such a limitation significantly reduces the potential for broader use of qualified electronic signatures, particularly in the context of international business and digital service accessibility.

By introducing more flexible and technologically advanced identification methods, banks—as payment service providers—would be able to open accounts for clients without the need for additional video identification, relying instead on the identification already carried out by the certification authority. Such clients would automatically possess a qualified electronic signature, enabling them to access all banking products and services without the need to physically visit a branch. This would allow for fully digital contracting of products and services, significantly improving the availability, efficiency, and speed of financial service delivery. Such a solution would contribute to the development of e-business, increase the competitiveness of domestic financial institutions, facilitate access to services for citizens in the diaspora and foreign investors, and align the domestic regulatory framework with European standards. We believe that such a change would represent an important step toward modernizing the electronic identification system and would further stimulate the development of the digital economy in the Republic of Serbia.

3. Establishment of a joint platform for banks to exchange information during the account switching process

In an effort to once again express our support for the development of a joint platform for the exchange of information between banks in the process of switching payment accounts, we emphasize the highly positive experiences that bank clients have had with the refinancing of loans through the existing joint banking platform. The system itself functions exceptionally well. Based on these positive practical experiences

and considering the new Law on Payment Services, we consider the establishment of a joint platform for the exchange of information in the account switching process to be a necessary step toward further digitalization and the enhancement of the user experience. The platform already successfully implemented for loan refinancing has proven to be an extremely effective model of interbank cooperation, facilitating communication, accelerating processes, and increasing transparency. Although the account switching procedure was defined through amendments adopted in 2018, it has not been implemented in practice to the expected extent. This clearly indicates the need for an additional technical and organizational framework that would enable automated, secure, and reliable data exchange among banks. The current practice of exchanging information via email reveals several weaknesses—including inconsistent procedures, difficulties in tracking requests, and risks of errors and delays. The new law introduces the concept of open banking, which entails the mandatory sharing of certain information between banks and other payment service providers, with the user's consent, through secure software solutions.

This legal and technological framework creates the opportunity to establish a joint platform for account switching, which would enable the simple, fast, and transparent transfer of information regarding the user, standing orders, direct debits, and other relevant data. Such a platform would allow users to switch banks without complications or the need for personal involvement in the data transfer process, while enabling banks to operate more efficiently and reduce operational costs. Moreover, this solution would directly stimulate competition in the banking sector by lowering barriers for users to switch from one bank to another, thereby increasing the motivation of banks to improve their services and offerings. In the context of fintech development, interoperability, and digital transformation, a joint platform for account switching represents a logical and necessary step that would further strengthen the domestic payment system. Ultimately, such a platform would contribute to greater consumer protection, reduced risk of errors, faster processes, and increased trust in digital services—all of which are fully aligned with the objectives of the new Law on Payment Services: enhancing competition, transparency, and security in the provision of payment services.

4. Introduction of electronic promissory notes for individuals

Given that the launch of the Central Register of e-Promissory Notes for legal entities and entrepreneurs is expected in the

near future, the authors of this text are of the opinion that enabling natural persons to issue e-promissory notes would represent another important step in the comprehensive process of digitalizing payment services. Private individuals, as users of various banking products, are often required to issue promissory notes when entering into contracts. Additionally, when loans are granted to legal entities, private individuals—typically owners—frequently act as guarantors, meaning that despite the digitalization of the overall process, they are still required to submit original promissory notes to the bank.

Accordingly, it would be significantly more convenient for both banks and clients to allow private individuals to issue electronic promissory notes. This is especially relevant considering that nearly all banks on the market already utilize the option of concluding credit agreements remotely, in accordance with the provisions of the Law on the Protection of Financial Services Consumers in Distance Contracts. Furthermore, under the newly adopted Law on the Protection of Financial Services Consumers, it is stipulated that a user may sign a remote agreement for an amount up to RSD 1,200,000, and exceptionally, a remote deposit agreement up to RSD 2,400,000, provided that the service provider has verified and confirmed the user's identity using at least two authentication elements or high-assurance electronic identification schemes, in accordance with applicable laws and regulations. This effectively increases the risk in banking operations, as the amount of remote lending has grown while no collateral is typically provided. Legally speaking, such agreements are often unsecured, as promissory notes are not even collected from clients. Moreover, when a contract is concluded remotely, it is not practical to require the client to visit the bank's premises solely to issue a promissory note. Considering that private individuals are a significantly more vulnerable category of payment service users compared to legal entities and entrepreneurs, and that they require additional protection, we believe that a compromise solution tailored to private individuals is the most appropriate approach.

It is true that the function of the Central Register of e-Promissory Notes is to enable the enforcement of promissory notes without the need to submit a motion for enforcement to the competent court. However, it is indisputable that allowing this mechanism to apply to private individuals at this stage would expose them to an increased risk of forced collection. Therefore, we propose that private individuals be allowed to issue e-promissory notes through the Central Register, but without the possibility for creditors

to activate them without submitting a motion for enforcement to the competent court. Such e-promissory notes could only be enforced upon submission of a motion for enforcement and confirmation by the Central Register that the note has been issued and registered. We believe that the proposed regulatory framework for e-promissory notes issued by natural persons would facilitate access to credit and other banking products without exposing individuals to the risk of enforcement outside of a court decision, while also simplifying the process of concluding credit agreements with legal entities.

5. Amendments of regulations to reduce the volume of documentation in banking operations

We would once again like to draw the regulator's attention to the need to relieve banking operations—particularly in the area of account opening documentation—of unnecessary bureaucracy, which not only fails to contribute to legal certainty but, on the contrary, often discourages clients from reading the information that is truly important to them due to the excessive volume of documents. Banking operations are already burdened with many documents, which poses a significant challenge for clients who frequently struggle to identify which information is essential. Practice shows that clients often express dissatisfaction with the extensive documentation they receive during the pre-contractual and contractual phases of opening a current account. To ensure client protection and full transparency, it would be both desirable and more efficient to reduce the number of documents provided, thereby enabling clearer and more concise communication with clients. Within this recommendation, we once again emphasize the need to reconsider the volume of documentation delivered to clients during the account opening process.

We propose that regulatory amendments be introduced to rationalize the scope of documentation provided to clients when opening a current account, with the aim of improving legal clarity, procedural efficiency, and consumer protection. We believe that the obligation to deliver a separate offer is redundant, as the delivery of a draft agreement, General Terms and Conditions, and the Price List already satisfies the legal standard of an offer under the Law on Obligations. Such a solution would simplify the process without compromising clients' rights. Additionally, we propose that the document titled 'Overview of Services and Fees' be replaced with a unified informational document containing aggregate monthly fees for a set of the 5 to 10

most used services, as defined by the National Bank of Serbia. This document would be made available on the NBS website, and banks would be required to provide it to clients during the pre-contractual phase. This would ensure transparency, comparability of offers, and genuine client awareness, in line with the regulator’s objectives. Although banks offer various account packages, modern technologies allow applications to automatically identify the most favorable package for the client based on a predefined set of services. This approach not only simplifies the process but also empowers clients to make informed decisions while reducing the administrative burden on banks. The introduction of these changes would align with European practices and contribute to greater legal certainty, accessibility, and efficiency in the provision of payment services.

Finally, we once again emphasize that it would be highly beneficial to establish a working group comprising representatives of the National Bank of Serbia and commercial banks. Through joint discussion and analysis, this working group could review the entire account opening process and consider potential regulatory changes regarding the volume of documentation provided to clients.

6. Amendment of Article 9, Paragraph 2 of the Law on Interbank Fees and Special Rules of Business for Payment Transactions Based on Payment Cards concerning the existence of a specific client request

This is a recommendation we have made in previous years, and last year it was included as part of the broader recommendation concerning the reduction of documentation in banking operations. However, practice has shown that it deserves to be highlighted once again as a separate recommendation. Specifically, this provision is a clear example of

unnecessary bureaucracy, the sole purpose of which is to generate an additional document—namely, a specific written request from the client. We propose amending the Law on Interbank Fees and Special Rules of Business Conduct for Payment Card-Based Transactions so that the issuance of cards for which the processing, clearing, and settlement of payment orders in domestic transactions are not carried out within the Republic of Serbia is no longer conditioned upon a prior specific request from the payment service user. The authors of this text fully recognize the importance of Article 9, Paragraph 2 of the Law. However, we once again propose that part of the provision stating that such a card may only be issued upon a specific written request from the user be deleted.

The proposed wording of Article 9, Paragraph 2 is as follows:

“A payment card that may be used to initiate payment transactions from a current account, and for which the operations referred to in Paragraph 1 of this Article are not carried out within the Republic of Serbia in domestic payment transactions, may be issued only if the user has already been issued, or is simultaneously being issued, a payment card referred to in Paragraph 1 of this Article for initiating payment transactions from the same current account.”

The proposed amendment in no way undermines the purpose or intent of the original provision. On the contrary, by eliminating the requirement for a specific written request, it reduces unnecessary administrative burdens on banks, which are currently required to prepare and obtain additional documentation for issuing payment cards that clients need to conduct transactions at physical or online points of sale abroad.

FIC RECOMMENDATIONS

- Automating the video identification process
- Issuing a qualified electronic certificate to PIs without the need for them to do so in person
- Establishment of a joint banking platform for the exchange of information during the account switching process.
- Introducing e-bills of exchange for PIs

- Amendment of regulations to reduce the volume of documentation in banking operations
- Amendment of Article 9, Paragraph 2 of the Law on Interbank Fees and Special Rules of Business for Payment Transactions Based on Payment Cards concerning the existence of a specific client request