



COMMITTEE OF EXPERTS ON THE
EVALUATION OF ANTI-MONEY
LAUNDERING MEASURES AND THE
FINANCING OF TERRORISM
(MONEYVAL)

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Mutual Evaluation Report - Annexes

Anti-Money Laundering and Combating
the Financing of Terrorism

BOSNIA AND HERZEGOVINA

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Bosnia and Herzegovina

Central Bank of Bosnia and Herzegovina

Court of Bosnia and Herzegovina

Indirect Tax Administration of Bosnia and Herzegovina

Insurance Agency of Bosnia and Herzegovina

Koloseum Casino

Ministry of Justice of Bosnia and Herzegovina

Ministry of Security of Bosnia and Herzegovina

Office for Auditing Institutions in Bosnia and Herzegovina

Post Office

Prosecutors Office of Bosnia and Herzegovina

Security Intelligence Agency of Bosnia and Herzegovina

State Investigation and Protection Agency (SIPA)

Tenfore

Working Group of Institutions of Bosnia and Herzegovina for the Prevention of Money Laundering and Financing of Terrorist Activities

Federation of Bosnia and Herzegovina

Association of Banks and Compliance Officers

Association of Brokerage Houses

Banking Agency of the Federation of Bosnia and Herzegovina

Cantonal Court of the Federation of Bosnia and Herzegovina

Chamber of Lawyers of the Federation of Bosnia and Herzegovina

Chamber of Notaries of the Federation of Bosnia and Herzegovina

Indirect Tax Administration of the Federation of Bosnia and Herzegovina

Insurance Agency of the Federation of Bosnia and Herzegovina

Ministry of Finance of the Federation of Bosnia and Herzegovina

Ministry of Justice of the Federation of Bosnia and Herzegovina

Ministry of the Interior of the Federation of Bosnia and Herzegovina

Office for Auditing Institutions in the Federation of Bosnia and Herzegovina

Privatisation Agency the Federation of Bosnia and Herzegovina

Prosecutors Office of the Federation of Bosnia and Herzegovina

Sarajevo Stock Exchange

Securities Commission of the Federation of Bosnia and Herzegovina

Securities Registry of the Federation of Bosnia and Herzegovina

Tax Administration of the Federation of Bosnia and Herzegovina

Federation Union of Accountants & Auditors

Republic Srpska

Association of Brokers of Republic of Srpska

Banja Luka Stock Exchange

Banking Agency of Republic of Srpska

Central Registry of Securities of Republic of Srpska

Chamber of Lawyers of Republic of Srpska

Chamber of Notaries of Republic of Srpska

Insurance Agency of Republic of Srpska

Investment Development Bank of Republic of Srpska

Ministry of Finance of Republic of Srpska

Ministry of Interior of Republic of Srpska

Ministry of Justice of Republic of Srpska

Office for Public Sector Auditing of Republic of Srpska

Prosecutors Office of Republic of Srpska

Securities Commission of Republic of Srpska

Tax Administration of Republic of Srpska

Union of Accountants and Auditors of Republic of Srpska

Brčko District

Basic Court of Brčko District

Brčko District Finance Directorate

Brčko District Police

Judicial Commission of Brčko District

Privatisation Directorate of Brčko District

Prosecutor's Office of Brčko District

Securities Commission of Brčko District

Tax Administration of Brčko District

International Organisations

European Union Police Mission

International Criminal Investigative Training Assistance Program (ICITAP)

International Prosecutors from the Court of Bosnia and Herzegovina

Office of the High Representative

ANNEX II. Designated categories of offences based on the FATF Methodology

Bosnia & Herzegovina	
Designated categories of offences based on the FATF Methodology	Offence in domestic legislation
Participation in an organised criminal group and racketeering	Criminal offence of Associating for the Purpose of Perpetrating Criminal Offences, Article 249 and Organised Crime, Article 250 of CC-BiH
Terrorism, including terrorist financing	Criminal offence of Terrorism, Article 201 and related offences in Articles 197-198, Funding of Terrorist Activities, Article 202 of CC-BiH.
Trafficking in human beings and migrant smuggling Sexual exploitation, including sexual exploitation of children	Criminal offences of Establishment of Slavery and Transport of Slaves Article 185, Trafficking in Persons Article 186, International Procuring in Prostitution Article 187 and Smuggling of Persons Article 189 of CC-BiH
Illicit trafficking in narcotic drugs and psychotropic substances	Criminal offence of Illicit Trafficking in Narcotic Drugs, Article 195 of CC-BiH
Illicit arms trafficking	Criminal offence of Illicit Trafficking in Arms and Military Equipment and Products of Dual Use, Article 193 and Forbidden Arms and Other Means of Combat, Article 193a of CC-BiH
Illicit trafficking in stolen and other goods	Criminal offence of Illicit Trade, Article 212 of CC-BiH
Corruption and bribery	Criminal offence of Accepting Gifts and Other Forms of Benefits, Article 217, Giving Gifts and Other Forms of Benefits Article 218, Illegal Interceding Article 219, Abuse of Office or Official Authority Article 220 of CC-BiH
Fraud	<i>Only punishable pursuant to the Criminal Codes of both Entities and Brčko District (see below)</i>
Counterfeiting currency	Criminal offence of Counterfeiting of Money Article 205 of CC-BiH
Counterfeiting and piracy of products	Criminal offence of Breaches of Copyrights Article 242, Impermissible Use of Copyrights Article 243, Illegal Use of the Sound Recording Producers' Rights Article 244 of CC-BiH
Environmental crime	<i>Only punishable pursuant to the Criminal Codes of both Entities and Brčko District (see below)</i>
Murder, grievous bodily injury	<i>Only punishable pursuant to the Criminal Codes of both Entities and Brčko District (see below)</i>
Kidnapping, illegal restraint and hostage-taking	Criminal offence of Unlawful Deprivation of Freedom Article 147, Kidnapping of a Representative of the Highest Institutions of Bosnia and Herzegovina Article 168, Taking of Hostages, Article 191, Endangering Internationally Protected Persons Article 192 of CC-BiH
Robbery or theft	<i>Only punishable pursuant to the Criminal Codes of both Entities and Brčko District (see below)</i>
Smuggling	Criminal offence of Smuggling of Goods Article 214,

	Organising a Group or Association for Smuggling or Distribution of Goods on Which Duties were not Paid Article 215 of CC-BiH
Extortion	<i>Only punishable pursuant to the Criminal Codes of both Entities and Brčko District (see below)</i>
Forgery	Counterfeiting of Securities Article 206, Forging of Official Document Article 226 of CC-BiH
Piracy	Criminal offence of Piracy Article 196 of CC-BiH
Insider trading and market manipulation	Criminalised at the level of the entities and Brčko District.
Federation of Bosnia & Herzegovina	
Designated categories of offences based on the FATF Methodology	Offence in domestic legislation
Participation in an organised criminal group and racketeering	Criminal offence of Association for the Purpose of Perpetrating Criminal Offences Article 340, Participating in a Group of People which Perpetrates Criminal Offence 341, Organised Criminal Group Article 342 of CC-FBiH
Terrorism, including terrorist financing	Criminal offence of Terrorism Article 201, Funding of Terrorist Activities Article 202 of CC-FBiH
Trafficking in human beings and migrant smuggling Sexual exploitation, including sexual exploitation of children	<i>Trafficking in human beings etc. is only punishable pursuant to the state-level Criminal Code (CC-BiH) (see above)</i> A range of offences under Chapter XIX of CC-FBiH (Criminal Offences Against Sexual Freedom and Morality, Articles 203-213) including Sexual Intercourse with a Child Article 207 or Abuse of a Child or Juvenile for Pornography Article 211
Illicit trafficking in narcotic drugs and psychotropic substances	Criminal offence of Unauthorised Production and Sale of Narcotic Drugs Article 238, Possessing and Enabling Enjoyment of Narcotic Drugs Article 239 of CC-FBiH
Illicit arms trafficking	Criminal offence of Production Procurement of Weapons and Instruments for the Perpetration of Criminal Offences Article 343, Illicit Possession of Weapons and Explosive Substances Article 371 of CC-FBiH (covers sale and purchase as well)
Illicit trafficking in stolen and other goods	Criminal offence of Concealing Article 300, also Illicit Trade Article 267 (and the same as regards gold coins and gold in Article 266) of CC-FBiH
Corruption and bribery	Criminal offence of Accepting Gifts and Other Forms of Benefits Article 380, Giving Gifts and Other Forms of Benefits Article 381, Illegal Interceding Article 382, Abuse of Office or Official Authority Article 383 etc. of CC-FBiH
Fraud	Criminal offence of Fraud Article 294 and other offences like Fraud in Economic Operations Article 251, Computer Fraud Article 395 etc. of CC-FBiH
Counterfeiting currency	<i>Only punishable pursuant to the state-level Criminal Code (CC-BiH) (see above)</i>

Counterfeiting and piracy of products	Criminal offence of Breach of Inventor's Rights Article 262, Unauthorised Use of Another's Model and Pattern Article 263 of CC-FBiH
Environmental crime	A range of offences under Chapter XXVI of CC-FBiH (Criminal Offences against Environment, Agriculture and Natural Resources, Articles 303-322)
Murder, grievous bodily injury	Criminal offence of Murder Article 166 (and other offences against life up to Article 169) Aggravated Bodily Injury Article 172 of CC-FBiH
Kidnapping, illegal restraint and hostage-taking	Criminal offence of Unlawful Deprivation of Freedom Article 179, Kidnapping Article 180, Taking of Hostages Article 200 of CC-FBiH
Robbery or theft	Criminal offence of Theft Article 286, Aggravated Theft Article 287, Robbery Article 288, Aggravated Robbery Article 289 of CC-FBiH
Smuggling	<i>Only punishable pursuant to the state-level Criminal Code (CC-BiH) (see above)</i>
Extortion	Criminal offence of Extortion Article 295 and Blackmail Article 296 of CC-FBiH
Forgery	Criminal offence of Counterfeiting of Securities Article 256, Counterfeiting Credit Cards and Other Non-Cash Payment Cards Article 257 (and similar offences up to Article 261) Forgery of Document Article 373-374, Forging of Official Document Article 389, Computer Forgery Article 394 of CC-FBiH
Piracy	<i>Only punishable pursuant to the state-level Criminal Code (CC-BiH) (see above)</i>
Insider trading and market manipulation	Offence of Privileged information Article 259 Law on the Securities Market of the Federation of Bosnia and Herzegovina Articles 225 and 230 also apply. Offence of Manipulation on the market Article 260 Law on the Securities Market of the Federation of Bosnia and Herzegovina Articles 232 to 234 also apply.
Republic of Srpska	
Designated categories of offences based on the FATF Methodology	Offence in domestic legislation
Participation in an organised criminal group and racketeering	Criminal offence of Organised Criminal Group Article 383, Organised Crime Article 383a, Participating in a Group Committing Criminal Offence Article 386 of CC-RS
Terrorism, including terrorist financing	Criminal offence of Terrorism Article 299, Funding of Terrorist Activities Article 301 of CC-RS
Trafficking in human beings and migrant smuggling Sexual exploitation, including sexual exploitation of children	Trafficking in Human Beings for the Purpose of Prostitution Article 198 of CC-RS (<i>further offences related to trafficking in human beings etc. are punishable pursuant to the state-level Criminal Code (CC-BiH) (see above)</i>) A range of offences under Chapter XIX of CC-RS (Criminal Offences Against Sexual Integrity, Articles 193-201) including Sexual Abuse of a Child Article

	195 or Abusing Children and Juveniles for Pornographic Purposes Article 199
Illicit trafficking in narcotic drugs and psychotropic substances	Criminal offence of Unauthorised Sale and Production of Narcotics Article 224, Enabling Another to Enjoy Narcotics Article 225 of CC-RS
Illicit arms trafficking	Criminal offence of Manufacturing and Procuring Weapons and Instruments Designed for Commission of Criminal Offences Article 398, Illicit Possession of Weapons or Explosive Substances Article 399 of CC-RS (covers sale and purchase as well)
Illicit trafficking in stolen and other goods	Criminal offence of Concealment Article 246, also Illicit Commerce Article 281 of CC-RS
Corruption and bribery	Criminal offence of Unlawful Accepting of Gifts or Presents Article 267, Unlawful Giving of Presents or Gifts Article 268, Accepting Bribe Article 351, Giving Bribe Article 352, Unlawful Mediation Article 353 of CC-RS
Fraud	Criminal offence of Fraud Article 239 and other offences like Insurance Fraud Article 240, Fraud on Creditors Article 258 etc. of CC-RS
Counterfeiting currency	<i>Only punishable pursuant to the state-level Criminal Code (CC-BiH) (see above)</i>
Counterfeiting and piracy of products	Criminal offence of Unauthorised Use of Another's Trade-Name, Prototype or Model Article 272 Unauthorised Use of Another's Invention Article 273 of CC-RS
Environmental crime	A range of offences under Chapter XXXIII of CC-RS (Criminal Offences against Environment, Articles 415-437)
Murder, grievous bodily injury	Criminal offence of Murder Article 148 (and other offences against life up to Article 152) Grievous Bodily Harm Article 156 of CC-RS
Kidnapping, illegal restraint and hostage-taking	Criminal offence of Abduction Article 165, Unlawful Deprivation of Liberty Article 166, Taking Hostages Article 300 of CC-RS
Robbery or theft	Criminal offence of Theft Article 231, Aggravated Theft Article 232, Robbery Article 233, Aggravated Robbery Article 234 of CC-RS
Smuggling	<i>Only punishable pursuant to the state-level Criminal Code (CC-BiH) (see above)</i>
Extortion	Criminal offence of Extortion Article 242 and Blackmail Article 243 of CC-RS
Forgery	Criminal offence of Counterfeiting of Securities Article 275, Counterfeiting of Credit Cards and Other Non-cash Payment Cards Article 276 (and similar offences up to Article 279) Forging Documents Article 377 (and others like Forging or Destroying an Official Document Article 379) of CC-RS
Piracy	<i>Only punishable pursuant to the state-level Criminal Code (CC-BiH) (see above)</i>
Insider trading and market manipulation	Offence of Unauthorised usage and divulgence of privileged information Article 291 Law on Securities of the Republic Srpska.

	Offence of Manipulation of prices and spreading of false information Article 292 Law on Securities of the Republic Srpska.
Brčko District	
Designated categories of offences based on the FATF Methodology	Offence in domestic legislation
Participation in an organised criminal group and racketeering	Criminal offence of Association to Commit a Criminal Offence Article 334, Participation in a Criminal Group Article 335, Criminal Association (“Criminal Enterprise” in other version) Article 336 of CC-BD
Terrorism, including terrorist financing	Criminal offence of Terrorism Article 198, Funding of Terrorist Activities Article 199 of CC-BD
Trafficking in human beings and migrant smuggling Sexual exploitation, including sexual exploitation of children	<i>Trafficking in human beings etc. is only punishable pursuant to the state-level Criminal Code (CC-BiH) (see above)</i> A range of offences under Chapter XIX of CC-BD (Criminal Offences Against Sexual Integrity and Moral, Articles 200-210) including Sexual Intercourse with a Child Article 204 or Abuse of a Child or a Minor for Pornographic Purposes Article 208
Illicit trafficking in narcotic drugs and psychotropic substances	Criminal offence of Unauthorised Production and Distribution of Narcotics Article 232, Enabling the Consummation of Narcotics Article 233 of CC-BD
Illicit arms trafficking	Criminal offence of Manufacturing and Purchase of Weapons and Instruments for Crime Article 337, Unlawful Possession of Weapons or Explosive Substances Article 365 CC-BD (covers sale and purchase as well)
Illicit trafficking in stolen and other goods	Criminal offence of Concealment Article 294, also Illicit Trade Article 261 (and the same as regards gold coins and gold in Article 260) of CC-BD
Corruption and bribery	Criminal offence of Accepting Gifts and Other Benefits Article 374, Giving Gifts and Other Benefits Article 375, Unlawful Intermediation Article 376, Abuse of Office or Official Authority Article 377 etc. of CC-BD
Fraud	Criminal offence of Fraud Article 288 and other offences like Fraud in Economic Transactions Article 245, Computer Fraud Article 389 etc. of CC-BD
Counterfeiting currency	<i>Only punishable pursuant to the state-level Criminal Code (CC-BiH) (see above)</i>
Counterfeiting and piracy of products	Criminal offence of Violation of Other’s Patent Right Article 256, Unauthorised Use of Other Person’s Model or Pattern Article 257 of CC-BD
Environmental crime	A range of offences under Chapter XXVI of CC-BD (Criminal Offences against Environment Agriculture and Natural Resources, Articles 297-316)
Murder, grievous bodily injury	Criminal offence of Murder Article 163 (and other offences against life up to Article 166) Grievous Bodily Harm Article 169 of CC-BD
Kidnapping, illegal restraint and hostage-taking	Criminal offence of Unlawful Deprivation of Freedom Article 176, Abduction Article 177, Taking of

	Hostages Article 197 of CC-BD
Robbery or theft	Criminal offence of Larceny Article 280, Grand Larceny Article 281, Robbery Article 282, Armed Robbery Article 283 of CC-BD
Smuggling	<i>Only punishable pursuant to the state-level Criminal Code (CC-BiH) (see above)</i>
Extortion	Criminal offence of Extortion Article 289 and Blackmail Article 290 of CC-BD
Forgery	Criminal offence of Counterfeiting of Securities Article 250, Counterfeiting Credit Cards and Other Non-Cash Cards Article 251 (and similar offences up to Article 255) Counterfeiting of Documents Article 367-368, Counterfeiting of Official Documents Article 383, Electronic Forgery Article 388 of CC-BD
Piracy	<i>Only punishable pursuant to the state-level Criminal Code (CC-BiH) (see above)</i>
Insider trading and market manipulation	Criminal offence of insider dealing in Article 79 of the Law on Securities of Brčko District, Article 75 also applies. Prohibition of market manipulation in Article 76 of the Law on Securities of Brčko District but no criminal sanctions under the law.

ANNEX III. LAW ON THE PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORIST ACTIVITIES

I - GENERAL PROVISIONS

Article 1

(Subject of the Law)

This Law shall determine measures and responsibilities for detecting, preventing and investigating money laundering and financing of terrorist activities by State Investigation of Protection Agency - Financial-Intelligence Department of (hereinafter: FID), persons under obligation, other governmental bodies and legal persons with public authorisations and it shall also prescribe measures and responsibilities of FID for international cooperation for the prevention of money laundering and the financing of terrorist activities.

Article 2

(Definition of Money Laundering and Financing of Terrorist Activities)

For the purpose of this Law the terms shall have the following meaning:

1. "Money laundering" means:
 - a. The conversion or transfer of property, when such property is derived from criminal activity, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in such activity to evade the legal consequences of his or her action;
 - b. The concealment or disguise of the true nature, source location, disposition, movement, rights with respect to, or ownership of property, when such property is derived from criminal activity or from an act of participation in such activity;
 - c. The acquisition, possession or use of property derived from criminal activity or from an act of participation in such activity;
 - d. Participation in, association to commit, attempts to commit and aiding, abetting, facilitating and counselling the commission of any of the actions mentioned above. .
 - e. Money laundering also covers the activities performed on the territory of other state that resulted in acquiring property subject to laundering.
2. "Financing of terrorist activities" means:
 - a. Securing or collecting funds, in any manner, directly or indirectly, with intention or knowledge that it shall be utilised, completely or partially, for performing of terrorist acts by individual terrorists and/or terrorist organizations.
 - b. Financing of terrorist activities also means encouraging and assistance in securing and gathering of property, regardless whether the terrorist act was committed and whether the property was utilised for performing a terrorist act.
3. "Terrorist act" includes one of the following deliberate actions which, given its nature or its context, may cause serious damage to a state or international organisation, with aim of serious frightening or residents or forcing governmental bodies of the government of u Bosnia and Herzegovina, governments of other country or international organization, to perform or not to perform something ,or with the goal of serious destabilisation or destroying primary political, statutory, economic or social structures of Bosnia and Herzegovina, other country or international organisations:
 - a. Attack on life of person which may cause its death;
 - b. Attack on physical integrity of person;
 - c. Illegal closure, maintaining closed or taking over or limiting freedom of movement of other person otherwise, with aim to force him/her or somebody else to perform not to perform or to bear (kidnapping) or taking of hostages;
 - d. Inflicting great damage to facilities of Bosnia and Herzegovina, government of other state or public institutions, transport system, an infrastructural buildings,

- including information system, fixed platform located on the continental zone, public place or private property, for which it is probable that it shall jeopardize human life or cause significant economic damage;
 - e. Aircraft hijacking, boat jacking or hijacking of other means of public transportation or means for the goods transportation;
 - f. Production, possession, acquisition, transport, supply, utilisation or training for the use of weapons, explosives, nuclear, biological-chemical weapons or radioactive material, as well as research and development of biological-chemical weapons or radioactive material;
 - g. Releasing dangerous substances, or causing fire, explosion or floods with consequence of jeopardizing human lives;
 - h. Disruption or blocking water supply, power supply or any other primary natural resources with a consequence of jeopardizing human lives;
 - i. Threatening to commit some act referred to in item a) to h) of this paragraph.
4. "Terrorist" is a person who independently or with other persons:
 - a. directly or indirectly, with intention, performs or tries to perform a terrorist act;
 - b. encourages or assists in performing a terrorist act;
 - c. with intention, or knowledge on intention of the group of persons to perform a terrorist act, contributes, or is contributing to performance of a terrorist act.
 5. "Terrorist organization" is an organized group of persons which:
 - a. Intentionally, directly or indirectly, performs or tries to perform a terrorist act;
 - b. Encourages or assists in performing of a terrorist act or an attempt to perform a terrorist act;
 - c. With intention, or knowledge about the intention of the group of persons to perform a terrorist act, contributes, or is contributing to performance of a terrorist act.

Article 3

(Definition of other terms)

Definitions of other terms for the purpose of this Law are:

1. "Transaction" is any type of receiving, keeping, exchange, transfer, disposal or other handling with money or property by the person under obligation.
2. "Suspicious transaction" is any transaction for which a person under obligation or competent body evaluates that, in relation with transaction, there are grounds for suspicion of committing a criminal act of money laundering or financing of terrorist activities or that transaction includes assets which result from illegal activities. Suspicious transactions also include transactions which depart from normal models of the clients' activities, as well as each complex and unusually large transaction that has no evident economic, business or legal purpose.
3. "Cash transaction" is any transaction where the person under obligation physically receives or gives cash to the client.
4. "Connected transactions" are two or more transactions originating from or destined to an account or a legal or natural person in which the amounts the transactions are below the amount for conducting the identification or reporting according to provisions of this Law, but which together exceed the amount referred to in Article 6 of this Law, and can be considered to be related to each other due to the time span in which they have been made, the recipient or the originator of the transactions, the method of the transactions, the reason for which the transactions have been made, or other factors due to which the transactions can be considered connected.
5. "Property" means assets of any kind, whether material or immaterial, movable or immovable and includes the legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in such property.

6. Reference to value in “KM” means also the equivalent value in any foreign currency according to the official exchange rate in use at the time of the transaction.
7. “Cash” means coins or banknotes which are in circulation as the legal means of payment in Bosnia and Herzegovina, as well as any other means of payment (travellers' checks, personal checks, bank checks, money orders, or other forms of payment in such form that title thereto passes upon delivery).
8. “Predicate criminal act” is a criminal act with which the property which is the subject of a criminal act of money laundering was acquired.
9. “Risk of money laundering and financing of terrorist activities” is the risk that the client shall use financial system or activity of the person under obligation for committing criminal acts of money laundering, i.e. that some business relationship, transaction, service or product shall be used directly or indirectly for the above-mentioned criminal acts.
10. “Business Relationship” is every business or other agreed relationship established by the person under obligation or concluded with the client and it is connected with performing of activity of the person under obligation.
11. “Correspondent Relationship” is the relationship between the local credit institution and foreign credit institution, i.e. other institution which is established by opening account of foreign credit institution in the local credit institution.
12. The “Shell Bank” is a foreign credit institution or another institution engaged in the same activity, which is registered in the country in which it does not perform its activity, and which is not related to any financial group which is subject to monitoring for detecting and preventing of money laundering or terrorism financing.
13. Person offering entrepreneur services (trust) is every legal or natural person which as its business activity for third persons performs some of the following services:
 - a. Establishes a legal person;
 - b. Performs function of the Chairman or Management Board member, or partner, and that thereby it is not actual performance of business function, that is, that person does not undertake a business risk in relation to the capital stake in legal person in which it is formally a member or partner;
 - c. Secures to legal person a registered seat, or rents a business mailing or administrative address and other services related to it;
 - d. Performs function or enables to other person to perform function of Manager of the institution, fund or another similar foreign legal person which receives, manages or shares property assets for particular purpose, where definition excludes companies for managing investment and pension funds;
 - e. Uses or enables to other person utilisation of other shares for exercising the voting right, except in case of a company whose financial instruments are traded on the market or other regulated public market, for which, in accordance with the EU regulations or international standards, request for information publication are valid.
14. The client's “beneficial owner” is:
 - a. The client's beneficial owner and/or natural person in which name the transaction or activity is performed.
 - b. Beneficial owner of the company, that is, other legal person is:
 - natural person, who directly or indirectly owns at least 20% of the business share, stocks, voting right, or other rights, on which grounds he/she participates in management of the legal person or the funds thereof, i.e. participates in the capital of legal person with 20% or more share, or it has dominant position in managing property of a legal person;
 - natural person, who indirectly secures or is securing assets to the company, and who on those grounds has the right to significant influence on decision - making of bodies managing the company, when making decisions on financing and business activities.

- c. beneficial owner of a foreign legal person, who receives, manages, or assigns property for particular purposes is:
 - natural person, who is director indirect beneficiary of more than 20% of property that is the subject of management, under condition that future beneficiaries are determined;
 - natural person or group of persons in which interest a foreign legal person was established or operates, under condition that such person or group of person can be determined;
 - natural person who directly or indirectly manages without limitation with more than 20% of property with foreign legal person.
- 15. Non-profit organizations are associations, institutions, services, and religious communities, founded in accordance with the Law, and who mostly engage in activity which does not make profit.
- 16. “Factoring” is sale of accounts receivable with or without recourse.
- 17. “Forfeiting” is export financing based on purchase of long-term undue receivables, secured by financial instruments with discount and non-recourse.
- 18. “Foreign legal person” is the legal person who has state affiliation of the country in which area he/she is seated.

Article 4

(Persons under Obligation of implementing measures)

1. Measures for detecting and preventing money laundering and financing of terrorist activities shall be carried out according to this Law, when conducted by persons under obligation as listed below:
 - a. Banks
 - b. Post offices
 - c. Investment and mutual pension companies and regardless of the legal form;
 - d. Authorised intermediaries trading in money market instruments, foreign exchange, exchange, interest rate and index instruments, transferable securities and commodity futures trading;
 - e. Insurance companies, brokerage companies in insurance, insurance representation companies and insurance representatives having the license for performing life insurance operations;
 - f. Casinos, gambling houses and other organizers of games of chance and special lottery games, particularly betting games, games of chance on machines, internet games and other telecommunication means;
 - g. Currency exchange offices;
 - h. Pawnbroker offices;
 - i. Public notaries, lawyers, accountants, auditors and legal or natural persons performing accounting and services of tax advising;
 - j. Privatisation agencies;
 - k. Real estate agencies;
 - l. Legal and natural persons performing the following activities:
 - Receiving and/or distributing money or property for humanitarian, charitable, religious, educational or social purposes,
 - Transfer of money or value,
 - Factoring,
 - Forfeiting,
 - Safekeeping, investing, administering, managing or advising in the management of property of third persons;
 - m. Issuing, managing and performing operations with debit and credit cards and other means of payment,
 - n. Financial leasing;
 - o. Issuing financial guarantees and other warranties and commitments;

- p. Lending, crediting, offering and brokering in the negotiation of loans;
- q. Underwriting, placement and brokering in insurance policies;
- r. Organizing and executing auctions;
- s. Trade in precious metals and stones and products made from these materials;
- t. Trading with works of art, boats, vehicles and aircrafts;
- u. Persons referred to in Article 3, item 13 of this Law.

II -TASKS AND DUTIES OF PERSONS UNDER OBLIGATION

Article 5

(Risk Assessment)

1. Person under obligation is obliged to make a risk assessment which shall determine the risk level of group of clients or individual client, business relationship, transaction or product with possibility of misuse for the purpose of money laundering or terrorism financing.
2. The assessment referred to in paragraph 1 of this Article shall be prepared in accordance with guidelines on risk assessment, established by FID and competent supervisory bodies, in accordance with sub-legal acts which determine closer criteria for creation of guidelines (type of person under obligation, scope and type of operations, type of clients, i.e. products, etc.) as well as the type of transactions for which, due to non-existence of risk of money laundering and terrorism financing, it is necessary to perform a simplified identification of the client within the meaning of this Law.

Article 6

(Customer Due Diligence CDD)

1. A person under obligation is obliged to undertake a customer due diligence of a client when:
 - a. Establishing a business relationship with a client;
 - b. Performing transaction in the amount of 30,000 KM or more, regardless of whether the transaction was made in one operation or in several obviously related transactions;
 - c. Existence of doubt in the validity and adequacy of previously received information about the client or the beneficial owner;
 - d. Existence of doubt of money laundering or financing of terrorist activities in terms of transaction or client, regardless the amount of transaction.
2. During the Customer Due Diligence referred to in paragraph 1, item b. of this Article, is performed based on previously established business relationship with person under obligation, the person under obligation shall, within the framework of customer due diligence measures, only to check the client's identity, that is, the identity of persons conducting the transaction and collect data which are missing referred to in Article 7 of this Law.

Article 7

(Elements of Customer Due Diligence)

1. Unless stipulated otherwise under this Law, measures of customer due diligence consist of:
 - a. Determining identity of the client and verification of its identity based on documents, data, or information obtained from authentic and objective sources;
 - b. Identifying the beneficial owner;
 - c. Acquiring data on the purpose and intention of nature of a business relationship or transaction, as well as other data prescribed by this Law;
 - d. Regular monitoring of undertaken business activities of the client through persons under obligation.

2. The person under obligation shall define procedure for implementation of measures of Customer Due Diligence referred to in paragraph 1 of this Article as its internal provision.
3. The person under obligation shall not establish a business relationship, or perform transaction if nit is unable able to implement measures referred to in paragraph 1 of this Article.

Article 8

(Subsidiaries, Branch Offices and other organizational Units of person under obligation)

1. Persons under obligation are obliged to completely implement provisions of this Law in their seat, in all Branches and other organizational units in the country, and in all international Branches or other organizational units.
2. Persons under obligation are obliged to implement enhanced customer due diligence measures over activities of international Branches and other international organizational units, and particularly in countries which do not apply internationally accepted standards in the area of prevention of money laundering and terrorism financing, or which do perform such measures but insufficiently, as far as they are permitted under the Laws and regulations of foreign countries.

Article 9

(Identifying and determining the identity of natural person)

1. Person under obligation shall determine and verify the identity of a client who is a natural person as well as its legal representative, and the client, who is a entrepreneur or a person engaged in other independent activity, by obtaining data referred to in Article 7 of this Law, by scrutinizing valid identification document of the client in his/her presence.
2. If a person under obligation is unable to collect all prescribed data by scrutinizing valid identification document, missing data shall be obtained from other valid public documents provided by the client, that is, either directly from the client, otherwise.
3. Person under obligation can determine and check the identity of a client, who is a natural person, i.e. his/her legal representative, tradesman, and person engaged in other independent activity, and otherwise, if the Minister of Security of BiH (hereinafter: Minister) determines such activity under Book of Rules.

Article 10

(Identifying and determining identity of legal person)

1. Person under obligation shall determine and verify the identity of a client, who is a legal person, by obtaining data referred to in Article 7 of this Law, by scrutinizing the original or certified copy of documentation from the Court Registry or other public registry, which is submitted to him/her in the name of the legal person by a legal representative or authorised person on behalf of the legal person.
2. Documentation referred to in Article 1 of this Article, when submitted to the person under obligation, must be up-to-date and accurate, and must reflect the client's actual situation.,
3. The person under obligation can determine and check the identity of legal person by collecting data referred to in Article 7 of this Law, by direct examination in the court registry or other public registry. A person under obligation shall enter the date, time, and the surname of the person who performed examination in the form of a note in the statement from the registry in which the examination was made. A person under obligation shall keep statement from the register in accordance with provisions of this Law which relate to protection and keeping of data.
4. A person under obligation shall acquire other data referred to in Article 7 of this Law, except for data on beneficial owner, by examining the original or certified copies of

documents and other business documentation. If it is not possible to collect all data referred to in Article 7 of this Law from those documents and records, a person under obligation shall acquire the missing data directly from the legal representative or authorized person.

5. If, during the identification and verifying of the legal person's identity, a person under obligation questions the validity of collected data or validity of documents and other business documentation from which data were obtained, he/she must request a written statement from the legal representative or authorized person prior to establishment of a business relationship or performance of transaction.
6. If a client is a foreign legal person who performs activity in Bosnia and Herzegovina through his/her business unit –Subsidiary, a person under obligation shall establish and verify identity of a foreign legal person and its Subsidiary.
7. If a foreign legal person, with exception of international governmental organizations, performs transactions, a person under obligation is obliged to repeat, at least once a year, identification by obtaining data from Article 7 of this Law and new authorizations referred to in Articles 11 and 12 of this Law.

Article 11

(Identifying and determining the identity of a legal person's representative)

1. A person under obligation shall establish and verify identity of the legal person's representative by obtaining of data from Article 7 of this Law, and examining the official identification document of the legal representative, in his/her presence. If it is not possible to obtain all required data from the official personal documents, missing data shall be obtained from other valid public document proposed by a client, i.e. submitted by legal representative.
2. If, when identifying and verifying identity of a legal person's representative, a person under obligation suspects the validity of obtained data, he/she must request a written statement from the legal representative.

Article 12

(Establishing and determining the identity of the legal person's authorized person)

1. If a business relationship on behalf of legal person instead of the legal representative from Article 11 of this Law is established by authorized person, a person under obligation shall establish and verify identity of authorized person by examining official identification document of authorized person in his/her presence.
2. If it is not possible to obtain all prescribed information from the document referred to in paragraph 1 of this Article, missing data shall be obtained from other valid public identification document submitted by authorized person, or directly from authorized person. A person under obligation shall obtain data referred to in Article 11 of this Law on legal representative who, on behalf of a legal person, issued authorization based on data from certified authorization.
3. If authorized person shall perform the transaction referred to in Article 6 of this Law on behalf of a client who is legal person, natural person, tradesman, or person who engaged in other independent activity, a person under obligation shall establish and verify identity of authorized person by obtaining the data referred to in Article 7 of this Law.
4. A person under obligation shall gather data referred to in Article 10 of this Law on the client who is legal person, and who is represented by authorized person, based on data from certified authorization.
5. If a legal person, when establishing and verifying identity of authorized person, suspects the truthfulness of obtained data, he/she must request the written statement from authorized person.

Article 13

(Establishing and determining the identity of other legal persons)

1. For associations, foundations and other legal persons who don't perform economic activities and for religious communities and associations which don't operate in the capacity of a legal person but act independently in legal transactions, a person under obligation is obliged to:
 - 1.1 Establish and check the identity of a person authorized to represent or to be representative:
 - Obtain a representation authorization
 - Collect data referred to in Article 10 of this Law
2. A person under obligation shall establish and check the identity of a representative referred to in paragraph 1 of this Article by collecting data referred to in Article 10 of this Law, and scrutinizing official identification document of the representative, in his presence. If it is not possible to obtain from the document required data, missing data shall be collected from other valid public document submitted by a representative or directly from a representative.
3. Data referred to in Article 10 of this Law on each natural person who is a member of an association or any other subject referred to in paragraph 1 of this Article shall be collected by a person under obligation from authorization for representation which is submitted to him by a representative. If it is not possible to obtain all data referred to in Article 10 of this Law, missing data shall be acquired directly from representative.
4. If, while establishing and checking of the identity of a person from paragraph 1 referred to in this Article, a person under obligation suspects the validity of collected data or credibility of identification documents from which the data have been obtained, prior to establishing of business relationship or performing of transaction, he/she must also request written statement from a representative.

Article 14

(Specific Cases Related to Determining and Establishing of Client's Identity)

1. A person under obligation, who performs activity of safe keeping in safe deposit boxes, must establish and check identity of a client when establishing a business relationship with a client which is based on renting a safe-deposit box. Client's identity must be established and checked also on every access to the safe-deposit box.
2. While establishing and checking of client's identity based on paragraph 1 of this Article a person under obligation shall collect data referred to in Article 7 of this Law.
3. Provisions of this Article in relation to obligation to check client's identity when his accessing to the safe-deposit box relate to each natural person who actually makes access to safe-deposit box, regardless of whether it is the safe deposit box user according to the Safe Deposit Box Agreement , or her/his legal representative or authorized person.
4. Insurance company and other legal and natural person brokering in the sale of life insurance policies shall identify the client in relation to life insurance, for which individual jobs or several instalments of the premium which should be paid in one year, amount to 2.000 KM or more, or i the payment of the single premium is 5, 000 KM or more. Identification shall also be performed when individual instalment or several instalments of the premium to be paid within one year are increased to 2, 000 KM or more.
5. Insurance company and natural and legal person brokering in the sale of insurance policies shall conduct the customer due diligence of the client in relation to pension insurance, if insurance policy can be transferred or used as collateral for taking loan.
6. Legal or natural persons who perform activities of organizing or conducting auctions or trade with works of art boats, vehicles or aircrafts shall conduct the identification when carrying out a cash transaction or several connected transactions in amount of 30, 000 KM or more.

7. Casinos, gaming houses and other organizers of games of chance and special lotteries are obliged to establish and check a customer's identity when conducting transactions in amount of 5, 000 KM or more.
8. A person under obligation shall identify the owner of the bankbook for every transaction which is performed based on a bankbook.

Article 15

(Determining and Establishing the Identity of a Beneficial Owner)

1. In order to establish identity of beneficial owner legal person, a person under obligation will collect data by examining the originals and verified documents from court register or other public records which have to be updated and correct and it must reflect the actual condition of a client. A person under obligation can obtain those data by direct examination in the court or other public register, acting in accordance with provisions from Article 10 paragraph 3 of this Law.

2. If all necessary data about beneficial owner cannot be obtained from the court or other public register, a person under obligation will collect missing data by reviewing the original or verified documents and business records submitted by legal representative or his/her authorized person. When a person under obligation cannot obtain data in a way described in this Article, he will get them from written statement by legal representative or his/her authorized person.

Article 16

(Third Party)

1. Third parties, within the meaning are:
 - 1.1 Organization mentioned in items a, c, d and e of paragraph 1 referred to Article 4 of this Law
2. Other persons who meet conditions set by the Minister in Book of Rules. Among others, the Minister will take a report on technical criteria adopted by European Commission in accordance with Article 40 of Directive 2005/60/EC, data from competent international organizations and data from the FID.
3. Apart from the above-mentioned in paragraph 1 of this Article, audit companies referred to in Article 38 of this Law will also be considered as third parties
4. Third persons referred to in paragraph 1 of this Article will not include outsourcing and agents.
5. Minister will make a list of countries which introduce and accept standards against money laundering and financing of terrorist activities, as defined under Directive 2005/60/EC and in parallel, he/she shall check reports adopted by European Commission as an instrument in accordance with Article 40 of Directive 2005/60/EC, data from competent international organizations and data from FID.
6. Notwithstanding paragraph 1 of this Article, a person under obligation cannot rely on third parties when implementing of customer due diligence procedure of client if a client is:
 - a. Foreign legal person who is not engaged or cannot engage in trade, production or other activities in the country of registration
 - b. Fiduciary or other similar foreign legal person with unknown or hidden owners or managers.

Article 17

(Customer due Diligence of Clients through Third Parties)

1. A person under obligation can, under conditions determined under this Law and other regulations adopted in accordance with this Law, when establishing a business relationship with a client, entrust to the third party establishing and checking of the client's identity, establishing of the identity of the client's beneficial owner and

collecting of data on the purpose and anticipated nature of business relationship or transaction.

2. A person under obligation is obliged to previously verify whether the third party, to whom implementing measures of customer due diligence shall be entrusted, meets conditions prescribed by this Law.
3. A person under obligation shall still bear the final responsibility for implementing measures of customer due diligence entrusted to the third party.

Article 18

(Regular Monitoring of the Client's Business Activities)

1. A person under obligation shall monitor business activities undertaken by a client by implementing customer due diligence measures with application of the principle to get to know your client including the origin of assets that are used in business operations.
2. Monitoring of business activities undertaken by a client through a person under obligation includes:
 - a. Establishing of client's business activities in accordance with purpose and intention of business relationship established between a client and a person under obligation
 - b. Monitoring and establishing of client's business activities in accordance with the scope of his/her work
3. A person under obligation should determine the scope and frequency of measures referred to in paragraph 2 of this Article which corresponds to the risk of money laundering or financing of terrorist activities to which he/she is exposed in performing individual transactions or business activities of individual client. A person under obligation will evaluate such risk in accordance with Article 5 of this Law.

Article 19

(Forms of Customer due Diligence)

1. During customer due diligence of client's activities, a person under obligation, depending on the risk of each client, can apply:
 - a. enhanced customer due diligence
 - b. Simplified customer due diligence

Article 20

(Enhanced Customer due Diligence of a Client)

1. Enhanced measures of customer due diligence, apart from measures referred to in Article 7, also include additional measures prescribed by this Law when:
 - a. Establishing a correspondent relationship with the Bank or other similar foreign credit institution
 - b. Establishing a business relationship or performing transactions referred to in Article 6 of this Law with a client who is politically exposed person referred to in Article 22 of this Law
 - c. The client was not present during determination and verification of the identity during carrying out of customer due diligence measures
2. The obliged person may apply enhanced customer due diligence measures in some other cases when, due to nature of a business relationship and the manner of performing transaction, the client's business profile or other circumstances related to the client, the risk of money laundering or financing of terrorist activities exists.

Article 21

(Correspondent Relationship with Foreign Loan Institutions)

1. When establishing a correspondent business relationship with the Bank or similar foreign loan institution, a person under obligation shall apply the measures referred to in Article 7

of this Law, related to procedure on customer due diligence of the client, and furthermore, the following data, information and documentation:

- a. Data on the issue and valid period of authorization for offering banking services, name and seat of competent body who issued authorization;
 - b. The description of implementing internal procedures relating to detecting and preventing money laundering and financing of terrorist activities, especially procedures for customer due diligence of the client, procedures determining the beneficial owner, for data concerned with report on suspicious transactions to competent bodies, for keeping of report, internal control and other procedures adopted by the Bank or similar credit institution for detecting and preventing money laundering or financing of terrorist activities;
 - c. The description of relevant legislation in area of detecting and preventing of money laundering and financing of terrorist activities applied in countries in which the Bank or other similar credit institution was founded or registered;
 - d. Written statement that the Bank or other similar loan institution does not perform business with the shell banks;
 - e. Written statement stating that the Bank or similar loan institution has no established relationship or it does not enter into business relationship with the shell banks;
 - f. Written statement stating that the Bank or similar loan institution has no administrative supervision in the country of its seat or registration and that it is obliged, pursuant to legislation of that country, to harmonize its operations with the laws and provisions concerned with detection and prevention of money laundering and financing of terrorist activities.
2. Employees of a person under obligation, who establishes relationship with the correspondent Bank referred to in Paragraph 1 of this Article and implements enhanced customer due diligence of the client, shall collect all verbal consents from their superior and responsible person of the person under obligation prior to entering in such relationship.
 3. The person under obligation shall collect all data referred to in Paragraph 1 of this Article, making in public or other available registers and by reviewing documents and business reports enclosed by the Bank or other similar foreign loan institution.
 4. The person obligation shall not enter or proceed with correspondent relation with the Bank or other similar foreign loan institution if:
 - a. Data referred to in items a, b, c, d, e, of Paragraph 1 of this Article are not obtained in advance
 - b. Employees of the person under obligation, who did not receive previously written approval from their supervisor for entering into a correspondent relationship;
 - c. The bank or other similar foreign loan institution f does not apply the system for detection and prevention of money laundering and financing of terrorist activities, or in accordance with legislation of the country of its seat or registration, is not obliged to apply the laws and other relevant regulations concerned with detection and prevention of money laundering and financing of terrorist activities.
 - d. The Bank or other similar foreign loan institution f operates as the shell bank or enters into correspondent or other business relationships, and performs transactions with the shell banks.

Article 22

(Foreign Politically Exposed Parties)

1. Persons under obligation shall establish appropriate procedure for determining whether the foreign person is politically exposed. They shall define such procedures through their internal act, while following guidelines of bodies in charge for supervision referred to in Article 68 of this Law.

2. A foreign politically exposed party referred to in Paragraph 1 of this Article includes any natural person which is entrusted or was entrusted with significant public function in the previous year, including closest family members and close associates.
3. A natural person having or which had entrusted significant public function is:
 1. Head of the State, Prime Minister, Ministers and their Deputies or Assistants;
 2. Selected representatives in legislation bodies;
 3. The judges of the Supreme or Constitutional Court and other high judicial institutions;
 4. Members of Audit and Governing Board of the Central Bank;
 5. Ambassadors and high-ranking military officers;
 6. Members of the Management or Supervisory Boards of companies which are in the majority ownership of the state.
4. Closest family members of persons referred to in Paragraph 2 of this Article are: spouses, parents, siblings, children and their spouses.
5. Close associates referred to in Article 2 are all natural persons participating in profit from the property or are in business relationship or connected to business otherwise.
6. When the client, who enters a business relationship or makes transaction, or if the client on whose behalf a business relationship is entered into or transaction is being performed, is a foreign politically exposed person, a person under obligation will undertake the following measures, apart from measures referred to in Article 20 of this Law, within the procedure of enhanced customer due diligence of the client:
 1. Obtain data on the source of assets and property that are or will be the subject of business relationship or transaction from documents and other documents submitted by the client. Once those data cannot be obtained in aforementioned manner, a person under obligation shall obtain them directly from a written statement of the client.
 2. Employees of the person under obligation, who performs procedure for establishment of business relationship with the client who is a foreign politically exposed person, shall secure a written consent from its supervisor for entering into a correspondent relationship.
 3. Upon entering into a business relationship, a person under obligation will monitor transactions and other business activities of a foreign politically exposed person, which are performed through persons under obligation using customer due diligence procedure.

Article 23

(Determining and Establishing the Identity without the Client's Physical Presence)

1. When the client is not physically present before the person under obligation when determining and establishing identity, a person under obligation, apart from measures referred to in Article 7 of this Law, within customer due diligence procedure, shall undertake one or several measures referred to in Paragraph 2 of this Article.
2. When determining and verifying identity, the person under obligation will implement the following measures:
 - a. Obtain additional documents, data, or information based on which the client's identity shall be verified.
 - b. Additionally verify submitted documents or confirm them additionally by the credit or financial institution.
 - c. Apply measure that the first payment in business activity is made through account opened on behalf of the client or other credit institution.
3. It is not allowed to establish a business relationship without the client's presence, if the person under obligation applies the measure referred to in Paragraph 2 item c of this Article.

Article 24

(Simplified Customer due Diligence of the Client)

1. Procedure of simplified customer due diligence of the client is possible if the client is:
 - a. the body of Bosnia and Herzegovina (hereinafter: BiH), Federation of BiH, Republika Srpska (hereinafter: RS) or District of BiH or institution with public authorizations;
 - b. the Bank, insurance company or other legal and natural person engaged in brokering in the sale of insurance policies, and investment and pension funds, without regard to legal form, with seat in Bosnia and Herzegovina or seat or headquarters in EU member countries or in countries which, according to information obtained from FID, international organizations and other competent international bodies, meet the necessary accepted standards in area of prevention and detection of money laundering and financing of terrorist activities, and which was determined by the Minister as such.
 - c. Classified by the person under obligation in the group of clients with the low risk level.

Article 25

(Gathering and Identifying data on the Client within Simplified Procedure for Customer due Diligence)

1. Data on the client, which are gathered and verified within simplified customer due diligence when establishing a business relationship, are:
 - a. Name, address, and seat of the legal person that establishes a business relationship i.e. legal entity for which a business relationship is established;
 - b. Name and surname of the legal representative or authorized person which establishes a business relationship for the legal person;
 - c. Purpose and apparent nature of a business relationship and date of establishing a business relationship;
2. A person under obligation is obliged to obtain data referred to in paragraph (1) of this Article by examining the original or verified copy of documentation from the official public register, which is submitted by the client i.e. by direct examination in the official public register.
3. If it is not possible to obtain data in the manner defined under paragraph 2 of this Article, missing data will be obtained from the original or verified copies of documents and other business records submitted by the client. The person under obligation shall acquire the missing data, which cannot be obtained in aforementioned manner, directly from the written statement of representative or authorized party.
4. Documentation referred to in paragraphs 2 and 3 of this Article must be up-to-date and correct, and it must reflect only the actual state of client.

Article 26

(Electronic Cash Transfer)

1. Credit and financial institutions, including companies performing particular payment operations services or cash transfer (hereinafter: payment service providers), are obliged to obtain correct and complete data on payer and include them in application or note which follows the electronic cash transfer, sent or received in any currency. Thereby, those data must follow the transfer all the time during transmission through the payment chain.
2. The Minister shall stipulate under the Book of Rules the content and type of data that are gathered on the payer, and other obligations of the payment service provider, and exceptions from obligation to gather data during the cash transfer that represents an irrelevant risk for money laundering or financing of terrorist activities.

3. Payment service providers, which are intermediates or recipients of cash, will refuse the cash transfer which does not contain complete data on the payer referred to in paragraph 2 of this Article, or will request that data on the payer are completed in a particular period.
4. Payment service providers can limit or terminate a business relationship with those payment service providers who frequently do not meet conditions referred to in paragraphs 1 and 2 of this Article, therewith that they can warn them on thereof, prior to undertaking such measures. Payment service provider will notify FID on any long-term limitations or termination of a business relationship.
5. Payment service providers, which are intermediates or recipients of cash, will consider the lack of data on the payer, with regard to assessed risk level as a possible reason for applying measures for enhanced customer due diligence.
6. Provisions of paragraphs 1 to 5 of this Article relate to electronic cash transfer which is performed by the local and foreign payment service providers.
7. When obtaining data referred to in paragraph 1 of this Article, payment service providers shall identify the payer using official identification document, and valid and reliable sources of documentation.

III - LIMITATIONS IN CASE OF CLIENTS OPERATIONS

Article 27

(Ban of Using Hidden Accounts)

1. A person under obligation will not open, issue or own hidden accounts, saving account on bearers or other products that enable, directly or indirectly, hiding of the client's identity.

Article 28

(Ban of Performing Operations with the Shell Banks)

1. A person under obligation will not enter into or continue relation with correspondent banking with correspondent bank that operates or can operate as the shell bank or other similar credit institution known for allowing the use of accounts of shell banks.

Article 29

(Limitations of Cash Payments)

1. Persons which are not persons under obligation referred to in Article 4 of this Law, who perform activities of sale of goods and services in Bosnia and Herzegovina, will not accept cash payment if it exceeds 30.000 KM from their purchasers or third parties in case of sale of individual goods and services. Persons performing activity of the goods sale also include legal and natural persons, who organize or perform auctions, which concern works of arts, noble metals or precious stone or similar products, and other legal and natural persons receiving cash for goods and services.
2. Cash payment limitation, referred to in the previous paragraph, shall be applied even when the payment is performed in several connected cash transactions, and when its total value does not exceed 30.000 KM.
3. Persons who are not persons under obligations referred to in Article 4 of this Law, and which are engaged in activity of the sale of goods and provide services, will receive a payment referred to in paragraphs 1 and 2 of this Article from the client or third party on his/her transaction account, except if not anticipated otherwise by some other Law.

IV - REPORTING FINANCIAL INTELLIGENCE DEPARTMENT ON TRANSACTIONS

Article 30

1. (Reporting) A person under obligation shall be obliged to forward is to the FID information referred to in Article 44, paragraph 1 of this Law regarding:
 - a. Each attempt and performed transaction, client or person that is suspicious of money laundering and funding of terrorist activities;
 - b. A cash transaction whose value amount to 30,000 KM or more;
 - c. Connected cash transactions which together amount to 30,000 KM or more.
2. When the person under obligation reports a suspicious transaction, it submits data to the FID that:
 - a. Transaction according its characteristics related with the client's status or other client's characteristics, assets, or other characteristics, obviously departs from usual transactions of the same client, and that it corresponds to the necessary number and type of indicators which indicate that there are reasons for suspicion of money laundering or funding of terrorist activities.
3. The FID shall notify persons under obligation, referred to in Article 4 of this Law, who reported a transaction, on results of data analysis which relate to transaction or person in relation to which reasons established for suspicion of money laundering or funding of terrorist activities was identified, unless if it evaluates that it might harm further development and outcome of the procedure.
4. The Minister shall further prescribe what information, data and documentation shall be forwarded to the FID in accordance with the provisions of Article 44, paragraph 1 of this Law.
5. Upon consultations with the FID, the Minister shall determine the conditions with a sub-legal act under which a person obligation will not be required to forward to the FID information about the transactions of a particular client in the same amounts or higher than those referred to in paragraph 1, items b. and c. of this Article.

Article 31

(Deadline for Reporting on Transactions)

1. In such cases as referred to in Article 30, paragraph 1, item a. of this Law, a person under obligation shall forward to the FID information, data and documentation immediately when suspicion has arisen and before the transaction is completed, and shall state the period during which the transaction is expected to be executed.
2. Exception to the general rule of submitting notification to the FID on suspicious transactions prior to their completion are situations when the person under obligation, due to nature of transactions or other objective reasons or if their non-execution would probably disable efforts in detecting the reason for suspicion of money laundering operations or funding of terrorist activities. Person under obligation is obliged to deliver notification not later than the following working day, with explanation of reasons for inability to submit report on suspicious transactions prior to their completion.
3. In such cases as referred to in Article 30, paragraph 1, items b. and c. of this Law, the person under obligation shall forward to the FID the information, data and documentation immediately upon completion of a transaction, but not later than 3 days after the completion of the transaction.
4. Persons under obligation can submit information to the FID through the application software for registering transaction in electronic form (hereinafter: the AMLS), through persons authorised for operations of mail traffic, and through person authorised for submitting documentation-messenger.
5. The notification referred to in the paragraph 1 of this Article may be also delivered by fax, but it is necessary to submit a copy in the manner referred to in paragraph 4 of this Article.

6. The notification referred to in paragraph 1 of this Article may also be given by telephone, but the FID must be informed subsequently in writing not later than the following working day.
7. If an obliged person cannot, in such cases as referred to in Article 30, paragraph 1, item a. of this Law, due to the nature of the transaction or because a transaction was not completed or due to other justifiable reasons, act in accordance with the provision referred to in the paragraph 1 of this Article, he/she shall be obliged to forward the information, data and documentation to the FID as soon as possible, i.e. immediately after the suspicion of money laundering or funding of terrorist activities is raised. The person under obligation shall explain the reasons for not acting in accordance with the provisions of the paragraph 1 of this Article.

V - AUTHORISED PERSON, PROFESSIONAL TRAINING, LIST OF INDICATORS AND INTERNAL CONTROL

Article 32

(Authorised Person and His/Her Deputy)

1. For the purpose of delivering the information to the FID and for the performance of other duties in accordance with the provisions of this Law, the person under obligation shall appoint an authorised person. It shall also to appoint one or several deputies of the authorised person and shall notify the FID about these appointments within 7 days from the day of the appointment, i.e. change of data on authorised person or a deputy of authorised person.
2. Notwithstanding paragraph 1 of this Article, those persons under obligation with four or less employees shall not be required to appoint an authorised person and shall not be required to conduct internal control as prescribed in this Law.

Article 33

(Requirements for Authorised Person and Deputy)

1. The person under obligation shall secure that the job of authorised person is entrusted exclusively to the person who should meet the following conditions:
 - a. Occupying a position within systematization of job which is ranked high enough as to enable a fast, efficient and timely fulfilment of tasks as prescribed under this Law and provisions arising thereafter;
 - b. That is was not sentenced by a valid verdict or that criminal proceeding is not conducted against it;
 - c. That it has appropriate professional qualifications for the tasks of preventing money laundering and funding of terrorist activities, and characteristics and experience necessary for performing the function of an authorised person;
 - d. That it is well acquainted with the nature of business activities of the person under obligation in areas exposed to the risk of money laundering and funding of terrorist activities.
2. Deputy to an authorised person should also meet requirements stipulated under the items b. c. and d. referred to in the paragraph 1 of this Article.

Article 34

(Tasks of an Authorised Person and Deputy)

1. Authorised person referred to in Article 32 of this Law shall perform the following tasks:
 - a. Ensure the establishment, functioning and development of the system for detection and prevention of money laundering and funding of terrorist activities in case of person under obligation;
 - b. Ensure proper and timely reporting towards the FID in accordance with this Law and the provisions arising thereafter;

- c. Participate in defining and altering of operational procedures and in preparation of internal provisions that relate to prevention and detection of money laundering and funding of terrorist activities;
 - d. Participate in development of guidelines for implementation of control related to prevention of money laundering and funding of terrorist activities;
 - e. Monitor and coordinate the activities of persons under obligation in the area of detection and prevention of money laundering and funding of terrorist activities;
 - f. Participate in the establishment and development of the IT support in connection with activities which refer to detection and prevention of money laundering and funding of terrorist activities;
 - g. Make proposals for the Management or other administrative bodies of persons under obligation, with the aim to improve the system for detection and prevention of money laundering and funding of terrorist activities;
 - h. Participate in preparation of a professional education and training programs for the employees in area of prevention and detection of money laundering and funding of terrorist activities.
2. Deputies shall replace the authorised persons in their absence in the performance of all tasks as stipulated in the paragraph 1 of this Article and perform all the other tasks as prescribed by this Law.

Article 35

(Professional Training)

1. Person under obligation is required to ensure regular professional education, training and specialisation of employees performing duties on prevention and detection of money laundering and funding of terrorist activities;
2. Professional education, training and specialisation refers to familiarising with the provisions of the Law and regulations issued on its basis and internal official documents, with the professional literature on prevention and detection of money laundering and funding of terrorist activities, with a list of indicators for identifying of the client and transactions for which there are basis for suspicion of money laundering and funding of terrorist activities.
3. Person under obligation is required to develop the program of annual professional education, training, and specialisation of the employees working on prevention and detection of money laundering and funding of terrorist activities, not later than the end of March for the current year.

Article 36

(Internal Control and Audit)

1. Person under obligation is required to ensure a regular internal control and audit of performing of operations for prevention and detection of money laundering and funding of terrorist activities;
2. Compliance of operations of person under obligation with the provisions of this Law shall be the subject to activities of internal control and audit, which include assessment of adequacy of policies and procedures of persons under obligation and training of authorised and responsible persons from the aspect of standards that define the prevention of money laundering and funding of terrorist activities.

Article 37

(List of Indicators)

1. The persons under obligation referred to in Article 4 of this Law shall draw up a list of indicators for identification of clients and transactions in respect of which there are basis for suspicion of money laundering and funding of terrorist activities, in cooperation with the FID and other supervisory bodies.

2. Persons under obligation are required to submit a list referred to in the paragraph 1 of this Article to the Financial Intelligence Department within six months from the day when this Law comes into effect.

VI -OBLIGATIONS AND TASKS OF LAWYERS, LAW FIRMS, NOTARIES, AUDIT COMPANIES AND INDEPENDENT AUDITORS, LEGAL AND NATURAL PERSONS WHO PERFORM ACCOUNTING SERVICES AND TAX CONSULTING SERVICES

Article 38

(General Provisions)

1. Lawyer, lawyer company, notary and audit company and independent auditor, legal and natural persons who perform accounting services and tax consulting services (hereinafter: the persons conducting professional activities), when performing operations from their scope of activity, as set by other laws, are required to enforce measures of prevention and detection of money laundering as well as funding of terrorist activities, and act according to the provisions of this Law and the regulations issued on the basis of this Law, which regulate the tasks and obligations of other persons under obligation, if not stipulated otherwise by this chapter.

Article 39

(Tasks and Obligations of the Persons Performing Professional Activities)

1. Notwithstanding provisions of Article 6 of this Law, lawyer, law companies and their staff shall act in accordance with the provisions of this Law when:
 - 1.1. They assist in planning or transactions for a client in relation to:
 - 2.1. buying and selling of a real estate or a shares of the company;
2. Managing of cash, financial instruments or other assets owned by the client;
3. Opening and managing of bank accounts, saving deposits or the accounts for operations with financial instruments;
4. Collecting of assets necessary for establishment, operations and management of company; and
5. Establishment, operation or management of institution, fund, company or other similar legal-organisational form;
6. They perform on behalf and for the account of a client a financial transaction or transactions related to real estates

Article 40

(Procedure of Customer due Diligence of a Client)

1. The persons who perform professional activities in the framework of procedure of customer due diligence of a client, when establishing business relationships under Article 6, paragraph 1, item a, and when performing transactions referred to in Article 6, paragraph 1, item b. of this Law, shall gather data referred to in Article 7 of this Law.
2. The persons who perform professional activities in the framework of procedures of customer due diligence a client, are to collect data as referred to in Article 7. of this Law in case when there is a suspicion in credibility and veracity of previously collected data on clients or the beneficial owner, and always when there are reasons for doubt of money laundering or funding of terrorist activities in relation to transaction or client- as referred to in Article 6. paragraph 1. item d. of this Law.
3. Within identification of a client, persons performing professional activities shall determine the identity of a client or his/her legal representative, authorized person and collect data as referred to in Article 7. of this Law by examining the valid identification document of a client, i.e. original documents, verified copy of the document or verified documentation

- from a court or other public register, which must be up-to-date and accurate, and it must reflect the actual state of a client.
4. Persons performing professional activities shall determine the beneficial owner of the client that is a legal person or other similar legal entity, based on information as referred to in Article 7. of this Law, by examining original or verified copy of the documentation from a court or other public register which must be up-to-date and accurate and which must reflect the actual state of a client. If, based on an excerpts from a court or other public register, it is not possible to collect all data, missing data are to be collected by examining the original or verified copies of documents and other business documentation presented by the legal representative or authorized person of the legal entity.
 5. Persons performing professional activities shall collect other data, as referred to in Article 7 of this Law, by examining the original or verified copies of documents and other business documentation.
 6. If it is not possible to collect all data on the manner determined in this Article, missing data are to be collected immediately based on a written statement of a client or his/her legal representative.
 7. Persons performing professional activities are implement the procedure of customer due diligence of a client as referred to in paragraphs 1. to 6.of this Article, in extent and scale appropriate to their scope of work.

Article 41

(Responsibility of Persons Performing Professional Activities on Informing the Financial-Intelligence Department)

1. When performing duties as referred to in Article 39.of this Law, the lawyer, law companies, notary, audit company, independent auditor, legal and natural persons who perform accounting or tax consulting services establish that there are reasons to suspect money laundering or funding of terrorist activities, in connection with transaction or certain person, they are obliged to inform the FID without delay, in accordance with provisions of Article 30.of this Law.
2. Each time when a client requests an advice in relation to money laundering or funding of terrorist activities, persons performing professional activities shall be obliged to inform the FID immediately and not later than three working days from the date when the client requested such advice.
3. When reporting on a suspicious transaction, persons performing professional activities shall forward to the FID the data as referred to in Article 7.of this Law in the manner that Minister stipulated under the Book of Rules.

Article 42

(Exceptions from Reporting)

1. The provisions as referred to in Article 41.of this Law shall not apply to persons who perform professional activities in relation to data which they receive from a client or collect from a client during determining the legal status of a client or when representing the client in connection with a court proceeding, which includes consulting for proposal or avoidance of judicial procedures, regardless of whether the data were obtained or collected before, during or after completion of judicial procedures, except if, in connection with the client, there are reasons to suspect a money laundering or funding terrorist activities.
2. In case referred to in paragraph 1.of this Article, persons performing professional activities are not obliged to deliver data, information and documentation on request of the FID, as pursuant to Article 30.of this Law. In that case, they are obliged to explain immediately in writing the reasons for not acting in accordance with the request of the FID, and not later than fifteen working days as of receipt of the request.

3. Apart from the obligations stipulated by this Law, persons performing professional activities are not obliged to:
 1. Inform the FID on cash transactions referred to in Article 30. paragraph 1. Items b. and c. of this Law, unless if in connection with transaction or the client there are reasons to suspect money laundering or funding of terrorists activities in,
 2. Appoint authorized persons and its deputy,
 3. Implement internal audit on performance of tasks in prevention of money laundering and terrorist activities funding.

Article 43

(List of Indicators for Facial Recognition and Transactions for which there are basis for Suspicion on Money Laundering or Terrorists' Activities Funding)

1. Persons performing professional activities shall be responsible to develop, in cooperation with the FID and other supervisory bodies, are a list of indicators for facial recognition and transactions for which there are basis for suspicion on money laundering or terrorists' activities funding.
2. When developing a list as referred to in paragraph 1. of this Article, persons performing professional activities shall take into consideration the complexity and scope of execution of transactions, unusual method of execution, value or connection of transactions which do not have economically or legally based purpose, i.e. which are not harmonized or which are in disproportion with its normal, expected operations of a client, as well as other circumstances that are connected with the status or other characteristics of a client.
3. When establishing the basis for suspicion of money laundering or funding of terrorists activities and other circumstances relating to it, persons performing professional activities are obliged to apply the list of indicators as referred to in paragraph 1. of this Article.

VII - RECORD

Article 44

(Content of the Record)

1. The record on conducted procedure of customer due diligence of clients and transactions, referred to in Article 7. paragraph 1. of this Law, shall, as minimum, include the following information:
2. The company's name, seat and registration number of a legal person having a business relationship or conducting the transaction, i.e. legal person on whose behalf a business relationship is being established or the transaction is being performed;
3. The name, surname, address, date and place of birth, social security number of an employee or authorized person who establishes a business relationship or carries out a transaction on behalf of a legal person, as well as the name of the authority that issued the official personal identification document;
4. The name, surname, address, date and place of birth, social security number of a natural person who establishes a business relationship, enters in the premises of a casino, gaming house or other concessionaire for special lottery games, or carries out a transaction, i.e. or of the natural person on whose behalf the business relationship is being established or for whom a transaction is being carried out, as well as the number and name of the authority that issued the official personal identification number;
5. Reasons for establishing of a business relationship or conducting a transaction and information about a client's activities;
6. Date of establishing a business relationship or conducting a transaction;
7. Time of execution of transaction;
8. Amount of a transaction and the currency used in execution of a transaction;
9. The purpose of transaction, as well as the name, surname and address, i.e. name and seat of the company to which the transaction is being directed;

10. Manner of executing transaction;
11. Name, surname or company and seat of the person sending the order in case of transfers from abroad;
12. Data about the source of money or property which is the subject of a transaction;
13. The reasons why a transaction, person or client is suspicious;
14. Name, surname, permanent address, date and place of birth of each natural person who directly or indirectly owns at least 20% of business share, stocks, i.e. other rights based on which he/she participates in management of the legal entity i.e. the funds thereof.
15. For their own requirements, persons under obligation shall leave copies of the documents based on which identification of a client was made, on which they shall be stated that the inspection of original documents was performed.
16. The Minister shall give guidelines about what information referred to in paragraph 1. of this Article will be included in the records on conducted identification of clients and transactions.
17. Records as well as information, referred to in Article 59. of this Law, related to transport of cash and assets across the state border shall include the following data:
 - a. Name, surname, permanent address, date and place of birth of a natural person on whose behalf cash or assets are being transported across the state border;
 - b. Name of the company and seat of a legal person or name, surname, and permanent address of a natural person on whose behalf cash or assets are being transported across the state border;
 - c. Amount, currency, type and purpose of transaction and place, date and time of the state border crossing;
 - d. Data on whether transaction was reported to the customs authorities.
18. All data, information and documentation from client identification records shall be delivered to the FID free of charge.

VIII - TASKS AND COMPETENCES OF THE FINANCIAL-INTELLIGENCE DEPARTMENT

Section A – FID Procedure

Article 45

(General Provisions on the Financial-Intelligence Department)

The Financial-Intelligence Department (FID) from the BiH State Investigation and Protection Agency under supervision of director of State investigation and Protection Agency (hereinafter: Director) performs the tasks related to prevention, investigation, detection of money laundering and funding of terrorist activities in accordance with the provisions of the Law on SIPA, this and other laws, promotion of cooperation between competent bodies of the BiH, Federation of Bosnia and Herzegovina (hereinafter: Federation), Republika Srpska (hereinafter: the RS) and the BiH Brcko District (hereinafter: District) in the area of prevention of money laundering and funding of terrorist activities, as well as promotion of cooperation and exchange of information with competent bodies of other states and international organizations in charge for prevention of money laundering and funding of terrorist activities.

Article 46

(Detection and Investigation of Money Laundering and Funding of Terrorist Activities)

1. FID shall receive, gather, record, analyse and, when stipulated by this or other Law, forward to competent prosecutor's office data, information and documentation received according to the provisions of this law.

- 2.If the FID, based on data, information and documentation obtained from paragraph 1. of this Article, estimate that there are basis to doubt on criminal act, related to certain transaction or person, the FID is responsible to submit a written report with gathered documentation to the competent prosecutor's office. On demand of prosecutors, the FID shall continue on further collection of data, information and documentation in order to determine the basis for suspicion that there is a criminal act of money laundering and funding of terrorist activities.
- 3.The FID, in notification from paragraph 1.of this Article, shall not state data on the employee or persons under obligation which imparted information to it pursuant to this Law, or who were in any other way involved in performing of transaction on behalf of person under obligation, unless there are reasons for suspicion that the person under obligation or its employee has committed a criminal act, or if that information is required for determination of facts during a judicial proceeding.
- 4.After detailed collection of data, information and documentation from paragraph 2.of this Article, the FID shall make a report on a perpetrator and reasons for suspicion of committed a criminal act of money laundering and funding of terrorist activities with a proposal of measures and actions necessary to be undertaken by competent prosecutors by its judgment during of investigation.

Article 47

(Request to Persons under Obligation to Submitting Data on Suspicious Transactions or Persons)

- 1.If the FID suspects money laundering or funding of terrorist activities in reference to transaction or person, the FID may demand in written form from the person under obligation information stated in Article 44.of this Law, information on property and on bank deposits of such person, as well as other information, data and documentation, necessary for performing the tasks of the FID pursuant to the provisions of this Law. In urgent cases, the FID may request information, data and documentation verbally, and may inspect documentation in the premises of person under obligation however, the FID shall be obliged to submit a written request to person under obligation not later than the following working day.
- 2.The person under obligation shall forward information, data and documentation referred to in paragraph 1.of this Article to the FID without delay, or within 8 working days from the day the FID received the request.
- 3.Should persons performing professional activities, referred to in Article 38.of this Law, decline to forward information, data and documentation based on a request from the FID referred to in paragraph 1.of this Article, they shall inform the FID in writing about the reasons due to which they did not act upon the request from the FID within the deadline prescribed in paragraph 2.of this Article.
- 4.In cases of extensive documentation or due to other justifiable reasons, the FID, upon a written request, may extend deadline determined in paragraph 2. of this Article upon a written request and it may, in such cases, inspect the documentation in the premises of the person under obligation.

Article 48

(Temporary Suspension of Transactions)

- 1.If the FID suspects money laundering or funding of terrorist activities in reference to a certain transaction, account or person, it may issue a written order for a temporary suspension of transaction or transactions, lasting not longer than 5 working days, and the deadline of duration of temporary suspension of transaction starts to run from the moment of issuing of order for suspension of transaction by the FID , i.e. from the moment of reporting on suspicious transaction, when reporting is performed before transaction, and confirmed by the FID. The FID may provide additional instructions to the person under obligation in connection with the transaction, suspension of transaction, execution of

- transaction as well as communication with the person or persons who are connected with transaction or transactions.
2. In order to perform its duties in accordance with the provisions of this Law, in urgent cases, the FID may, if it suspects on money laundering or funding of terrorist activities in relation to transaction, account or person, issue a verbal order for temporary suspension of transaction or transactions, however, the FID is obliged to submit a written order to person under obligation not later than the following working day.
 3. The FID may issue both, either verbal or written order for temporary suspension of a suspicious transaction or transactions referred to in paragraphs 1. and 2. of this Article at request of the BiH Law enforcement agencies, other bodies and institutions in the BiH mentioned in Article 51. paragraph 1. as well as foreign financial-intelligence units.
 4. Order on temporary suspension of transaction or transactions contains:
 - a. Date and time when the deadline for temporary suspension has started;
 - b. Number of transaction account;
 - c. Data about the owner of account;
 - d. Name of person under obligation and its other data;
 - e. Amount of financial transaction or transactions that are temporarily suspended or suspended from execution;
 - f. Other data related to person under obligation and suspicious transaction or transactions.
 5. After the deadline referred to in paragraph 1. of this Article expires, financial transaction may be temporarily suspended only by resolution of the court pursuant to the BiH Law on Criminal Procedure.

Article 49

(Cessation of Order for Temporary Suspension of Transactions)

1. Should FID, after issuing the order for temporary suspension of transaction/s, within the time limits provided in Article 48, Item 1 of this Law, determines that there is no further suspicion on money laundering or financing of terrorist activities, it will without delay inform the person under obligation in writing, which may then execute the transaction immediately.
2. If FID does not undertake measures provided in the previous paragraph, the person under obligation may proceed with the transaction immediately.

Article 50

(Order to the Person under Obligation for Continuous Monitoring of Financial Operations of Client)

1. FID may, in written form, order the person under obligation to continually monitor financial operations of client in respect of which there are grounds for suspicion on money laundering or financing of terrorist activities; or other person for which it is possible to conclude that he/she aided or took part in transactions or affairs conclude that it has supported or participated in transactions or operations of persons for which there is a doubt, and regular reporting to the FID on the transactions or operations which are performed, or intended to be performed with the person under obligation by specified persons. In the request, the FID must specify deadlines in which persons under obligation must provide requested information.
2. The person under obligation must submit data from the paragraph 1 of this Article prior to transaction or establishing of the business relationship; and if because of the nature of transaction or business relationship, or for other justified reasons, the person under obligation has not performed in requested manner, person under obligation must submit the report to FID, which must include reasons for such actions.
3. Enforcement of measures referred to in paragraph 1 of this Article may last not longer than three months, and in justified cases, duration of measures may be extended each time for one month, but the enforcement of measures in total may last not longer than six months

Article 51

(Inter-institutional Cooperation)

1. FID can request the bodies of Bosnia and Herzegovina, Federation of BiH, Republika Srpska, Brčko District and from other organizations with public authorizations to provide information, data and documentation needed to execute the duties of FID in accordance with Provisions of this Law.
2. Bodies and Institutions with public authorizations, referred to in paragraph 1 of this Article shall, without compensation, submit to the FID are obliged to deliver data, information and documentation and allow the FID direct electronic access to the information, data and documentation.
3. Authorizations and organizations with public authorization referred to in paragraph 1 of this Article, shall forward data, information and documentation referred to in the previous paragraphs to FID, not later than eight working days upon from the date of receipt of request.
4. In cases of extensive documentation or due to other justifiable reasons, and upon the written request, the FID can extend the deadline set in paragraph 3 of this Article, and in such cases, it can inspect documentation in the premises of the authorities and organizations with public authorization mentioned in paragraph 1 of this Article.
5. Upon the approval of SIPA Director, and upon a detailed request, the FID can provide bodies and institutions referred to in paragraph 1 of this Article with data and information related to money laundering and financing of terrorist activities, only if such information and data may be significant to these bodies and institutions when issuing decisions of their competence and investigation purposes.

Article 52

(Other Obligations of the FID)

1. Except from obligations previously mentioned in this Law, the FID has the following obligations in relation to money laundering and financing of terrorist activities:
 - a. to suggest to the competent bodies changes and amendments of regulations which refer to prevention and detection of money laundering and financing of terrorist activities;
 - b. Participate in development of list of indicators for recognizing suspicious transactions and list of countries applying internationally recognized standards in the prevention and detection of money laundering and financing of terrorist activities;
 - c. Participate in the professional training of employees and authorized persons in persons under obligation, authorized bodies of BiH, FBiH, RS, District and organizations with public authorizations.
 - d. At least once a year, publish statistics from the area of money laundering and financing of terrorist activities, and in other appropriate manner inform the public on occurring forms of money laundering and financing of terrorist activities.
 - e. submit the annual reports to the Manager and Minister on general FID activities, and on activities related to preventing of money laundering and financing of terrorist activities, and even more often on their request.

Section B - International Cooperation

Article 53

(Request to Foreign Body to Submitting of Data, Information, and Documentation)

1. FID can request from foreign Law enforcement, prosecutorial or administrative bodies, financial-intelligence units and international organizations involved in prevention of money laundering and financing of terrorist activities data, information and documentation needed for performing the duties of the FID in accordance with provisions of this Law.

2. FID can not submit or give access to data, information and documentation obtained in accordance with paragraph 1 of this Article to third natural or legal person, i.e. to other body or use them for purposes contrary to the conditions and restrictions set by the body, unit or organization referred to in paragraph 1 of this Article, to which the request is sent.

Article 54

(Submission of Data, Information, and Documentation by the FID to other Financial-Intelligence Units)

1. FID can submit data, information and documentation obtained in Bosnia and Herzegovina to financial-intelligence units from other countries, as per their request and upon its own initiative, in accordance with provisions of this Law, provided they are subject to similar confidentiality requirements.
2. Prior to forwarding data to foreign financial-intelligence units, the FID shall obtain writing assurance that the aforementioned shall use the information, data and documentation solely for purposes defined by provisions of this Law. For any further forwarding of data, information and documentation to foreign police and judicial bodies, previous written consent of the FID is required.

Article 55

(Submission of Data to Foreign Bodies Involved in Money Laundering and Financing of Terrorist Activities)

1. FID can forward data, information and documentation obtained in Bosnia and Herzegovina to other foreign agencies for implementation of the Law only in those cases when the explanation of suspicion is provided and concrete connections to money laundering and financing of terrorist activities, but under conditions that similar confidentiality is provided.
2. Prior to forwarding of data to other foreign Law enforcement agencies, the FID shall request a written assurance that information, detail and documentation will be used solely for purposes defined by provisions of this Law.

Article 56

(Proposal for Temporary Delay of Transaction to Foreign Financial-Intelligence Unit)

1. During enforcement of measures and activities for preventing and detecting criminal acts of money laundering and financing of terrorist activities, in accordance with provisions of this Law, FID can submit a written proposal for temporary delay of conducting certain transaction or transactions to foreign financial-intelligence unit if there is a suspicion for money laundering or financing of terrorist activities in relation to certain person or transaction(s).

Article 57

(Temporary Delay of Transaction Conducting on Proposal to Foreign Financial-Intelligence Unit)

1. As per written proposal from foreign financial-intelligence unit, under conditions set by this Law and on the basis of actual reciprocity, FID can, by written order, order to a person under obligation temporary delay of conducting of suspicious transaction to a maximum of 5 working days.
2. FID will immediately inform BiH Prosecutor's Office on written order referred to in paragraph 1 of this Article.
3. FID will act in accordance with provisions of paragraph 1 of this Article if, on basis of reasons for doubt mentioned in written proposal of foreign financial-intelligence unit, it assesses that:
 - a. Transaction is related to money laundering or financing of terrorist activities, and

- b. Transaction would be temporary suspended if that transaction is subject to domestic report on suspicious transaction in accordance with provisions of the article 30 of this Law.
- 4. FID will not accept a proposal from foreign financial-intelligence unit if on basis of facts and circumstances, mentioned in proposal referred to in paragraph 1 of this Article, it assess that the reasons for suspicion on money laundering and financing of terrorist activities are not explained. FID will inform, in writing, a foreign financial-intelligence unit on non-acceptance of proposal, stating the reasons why the proposal is not accepted.
- 5. In connection with order for temporary delay of transaction conducting in accordance with this Article, provisions of the Articles 48 and 49 of this Law shall be applied accordingly.

Section C - Record Management by FID

Article 58

(Type of Records)

- 1. FID shall manage the following records:
 - 1.1 Record of information and notifications in accordance with provisions of Article 46 of this Law which includes the following information:
 - a. Name, surname, date of birth and address of natural person, or the name and seat of the company in connection with which the FID submitted notification or information;
 - b. Information on the amount, currency, date or period of conducting of transaction in connection to which there are reasons for suspicion of committing a criminal act;
 - c. Reasons for suspicion of committing a criminal act.
 - 1.2. Record on issued orders for temporary suspension from conducting of transaction or transactions that contains information referred to in the Article 48, paragraph 4 of this Law.
 - 1.3. Records on information forwarded abroad as stipulated by the provisions of the Article 53, 54, 55, 56, 57 of this Law that include the following information:
 - a. Name, surname, date of birth and address of a natural person, or the name and seat of the company whose data are sent abroad;
 - b. Name of the country and name of the competent body to which these information are sent.

IX - DUTIES OF OTHER AUTHORITIES UNDER THIS LAW

Article 59

(Indirect Taxation Authority of BiH)

- 1. Indirect Taxation Authority of BiH is obliged to submit information to the FID on each transaction of cash over the state border in amount of 10.00 KM or more, not later than three days as of the date of transaction.
- 2. Indirect Taxation Authority is obliged to submit to the FID information on undertaken measures and activities against persons in connection to which the request for initiating misdemeanour procedure is submitted.

Article 60

(Forwarding of statistical data by the Prosecutor's Office and Courts)

- 1. In order to enable centralization and analysis of all data related to money laundering and financing of terrorism, competent Prosecutor's Offices will be obliged to forward, twice a

year to the FID, the following information on subjects for which the indictment is confirmed:

- a. Name, surname, date of birth and permanent address of a natural person and name and seat of the company against which an indictment for money laundering or financing terrorism was confirmed;
 - b. Place, time and manner of perpetrating the suspected act, which has the elements of a criminal act;
 - c. stage of procedure; and
 - d. the amount of money or value of other property, which is the subject of a temporary seizure, and the date of decision.
2. Authorized Courts of BiH are obliged to send to FID, twice a year, the following information on:
- a. valid court cases for criminal acts of money laundering and financing terrorism;
 - b. offences in accordance with provisions of the Articles 72 and 73 of this Law.

X - DATA PROTECTION AND STORAGE

Article 61

(General Provisions)

FID shall use information, data and documentation obtained in accordance to this Law only for the purposes defined by this Law.

Article 62

(Protection of Data Secrecy)

1. A person under obligation and its staff, including the members of the Board, supervisory, and other executive bodies or other persons which have access to secret data, shall not reveal to the client or third person the forwarding of information, data or documentation about the client or to FID or that the FID in accordance to article 48 of this Law temporarily suspended transaction, or gave instructions to a person under obligation.
2. Information about FID requests, or about forwarding information, data or documentation to FID, and about the temporary suspension of a transaction or instructions in accordance to paragraph (1) of this Article, shall be treated as secret information.
3. The FID, other official person, or Prosecutor cannot give information, data and documentation collected in accordance with this Law to persons to which they refer to.
4. The FID shall decide on removing the classification of secret information.

Article 63

(Exceptions to the Principle of Keeping the Data Secrecy)

1. When forwarding data, information and documentation to the FID in accordance with this Law, the obligation to protect bank, business, official, lawyer, notary or other professional secrecy shall not apply to the person under obligation, authorities of BiH, Federation of BiH, RS and Brčko District; organisations with public authorisation, prosecutors, court and their personnel, unless stipulated otherwise in this Law.
2. The person under obligation or its personnel shall not be liable for any damage caused to clients or third person or held criminally or civil liable due to their submission of information, data or documentation to FID, or due to the implementation of the FID's order to temporarily suspend a transaction or for complying with the instructions issued in connection with the aforementioned order in accordance with provisions of this Law or in accordance with regulations passed on the basis of this Law.

Article 64

(Use of Collected Data)

1. FID, persons under obligation referred to in Article 4 of this Law, state bodies, legal persons with public authorisations and other subjects and their employees, may use the data, information and documentation obtained in accordance to this Law only for the purpose of prevention and detection of money laundering and financing of terrorist activities, if not stipulated otherwise by this Law.

Article 65

(Deadline for Keeping Data by the Person under Obligation)

1. A person under obligation is required to keep information, data, and documentation obtained in accordance to this Law for at least 10 years after identification, completion of a transaction, closing of an account or termination of business relationship.
2. A person under obligation shall keep information and corresponding documentation on authorised person and deputy authorised person mentioned in Article 32 of this Law, on the professional training of employees and conducting of internal control for at least 4 years after the appointment of the authorised person and deputy authorised person, after the completion of professional training and conducting of internal control.

Article 66

(Deadline for Keeping Data by Indirect Taxation Authority of BiH)

1. Indirect Taxation Authority shall keep the information of transport of cash and assets across the state border, for 10 years from the date the transport occurred. This information and data shall be destroyed after the expiry of the 10-year period.

Article 67

(Deadline for Keeping Data by the FID)

FID shall keep the information, data, and documentation collected and disseminated in accordance with this Law for 10 years from the date it was obtained or disseminated and it shall be destroyed after the expiry of 10-year period.

XI - SUPERVISION

Article 68

(General Provisions)

The supervision over person under obligation in relation to the implementation of this Law and other laws which regulate obligations of implementing measures for prevention of money laundering and financing of terrorist activities, is implemented by special agencies and bodies in accordance with provisions of this and special Laws which regulated the work of certain persons under obligation and competent agencies and bodies.

1. Supervision over implementation of provisions of this Law with the person under obligation, whose work are not supervised by the special agencies and bodies, are implemented by the FID.
2. The FID and the supervising bodies shall cooperate in supervising of implementation of the provisions of this Law, within their individual competencies.

Article 69

(Procedure of the Supervising Bodies in Case of Irregularities in Work of a Person under Obligation)

1. If supervising bodies detects violation referred to in Articles 72 and 73 of this Law or other Laws that regulate work of a persons under obligation, they will order the implementation of adequate control measures and they shall, without delay, notify the FID in writing about detected violations.
2. Notification referred to in paragraph 1 of this Article especially contains the following data:

- a. Name, surname, date and place of birth and permanent address of natural person i.e. name of company and seat of the legal person that is suspected of violation or minor offence;
- b. Place, time and manner of committing the suspected violation or minor offence and
- c. Information as to whether supervising bodies ordered any control measures under their competences.

Article 70

(Procedure of the FID in Case of Irregularities in Work of a Person under Obligation)

- 1. FID shall monitor implementation of provisions of this Law by gathering and checking of information, data and documentation submitted in accordance with provisions of this Law.
- 2. If the FID discovers the case of breaching provisions of this Law, it can:
 - a. Request that the person under obligation removes irregularities, provided that consequences of breaching the Law can be eliminated subsequently;
 - b. Propose to supervising bodies to implement, under within their competencies, adequate monitoring measures;
 - c. Request the competent authority to initiate offence proceedings.
- 3. While making a decision about the measure referred to in paragraph 2 of this Article, the FID shall take into consideration the circumstances under which the offence was committed, repetition of offence and control measures that another supervisory body imposed against a person under obligation.
- 4. Eliminating breach of the Law referred to in paragraph 2 item 1 of this Article shall be conducted within 8 working days.

Article 71

(Notifying the Supervising Body)

- 1. FID shall notify competent supervising body upon filling a request for initiation of offence proceedings.

XII - PUNITIVE PROVISIONS

Article 72

(Penalty of Legal Persons and Responsible Persons of the Legal Person for Severe Forms of Offence)

- 1. Legal person, referred to in Article 4 of this Law, shall be fined for offence in the amount from 20.000 KM up to 200.000 KM if:
 - a. Fails to identify a client or if identification is not done in accordance with provisions of the article 7 of this Law;
 - b. Opens, issues or enables a client to have a hidden account and other products referred to in Article 27 of this Law;
 - c. Establishes a business relationship with shell banks referred to in Article 28 of this Law;
 - d. Allows cash payment in the amount exceeding 30.000 KM contrary to provisions of the Article 29 of this Law;
 - e. Does not inform FID or does not submit information, data or documentation as defined by the Articles 30 and 31 of this Law;
 - f. Does not implement order of FID on temporary suspension of transaction or does not implement instructions issued by FID in connection with the order as prescribed Article 48 of this Law;
 - g. Does not keep information, data and documentation in accordance with provisions of the Article 65 of this Law at least for 10 years after identification, transaction or closing of an account;

2. For the offence referred to in paragraph 1 of this Article a responsible person of the legal person shall be fined from 2.000 KM to 15.000 KM.
3. For the offence referred to in paragraph 1 of this Article a self-employed natural person conducting activities shall be fined from 5.000 KM to 20.000 KM.

Article 73

(Penalty of Legal Persons and Responsible Persons of the Legal Person for Minor Offence)

1. For the offence referred to in the Article 4 of this Law, a legal person shall be fined with amount from 10.000 KM to 100.000 KM if:
 - a. Does not obtain all required information for identification in accordance with provisions of the Article 7 of this Law or if identification is not done as per methods referred to in Articles 10, 11, 12, 13, 14, 15 and 17 of this Law;
 - b. Does not re-check identification of foreign legal person at least once a year in accordance with provisions of the Article 10 paragraph 7 of this Law;
 - c. Does not forward information to FID or does not submit information as defined by provisions of the Article 47 of this Law;
 - d. Does not ensure internal control or does not draw up a list of indicators that show suspicious transactions within deadline or in the manner prescribed in Articles 36 and 37 of this Law;
 - e. Does not appoint an authorised person and his/her deputy and to notify the FID on such appointment as prescribed in Article 32 of this Law;
 - f. Does not ensure professional training of personnel in accordance with provisions of the Article 35 of this Law;
 - g. Does not keep information on authorized person and his/her deputy, on professional training of employees and on internal control carried out at least four year after appointment of authorized person and his/her deputy, after completion of professional training and carrying out of internal control in accordance with provision of the Article 65 paragraph 2 of this Law;
2. For a minor offence referred to in paragraph 1 of this Article, a responsible person of the legal person shall be fined an amount from 1.000 KM to 5.000 KM.
3. For a minor offence referred to in paragraph 1 of this Article, a self-employed natural person conducting activities referred to in Article 4 of this Law, shall be fined an amount from 2.000 KM to 20.000 KM.

XIII - JURISDICTION FOR ISSUING SUB-LEGAL ACTS

Article 74

(Sub-legal acts for Implementation of this Law)

1. The Minister will pass a decision and instruction defined by the Articles 26, 30, 41 and 44 of this Law after consultations with FID and in accordance with international standards on prevention of money laundering and financing of terrorist activities within 3 months as of the date of enforcement of this Law.
2. The Minister can further prescribe additional instructions on issues referred to in paragraph 1 of this Article.

XIV - TRANSITIONAL AND FINAL PROVISIONS

Article 76

(Deadline for Development of the List of Indicators)

1. Persons under obligations are obliged to draw up a list of indicators for recognizing suspicious transactions in accordance with provisions of this Law, not later than six months after this Law enters into force.

Article 76

(Implementation of other regulations)

1. If some issues are not regulated by this Law, appropriate measures of other Law regulations shall be implemented.
2. Within the year from the date of entering into force of this Law, other Law regulations, by which this matter is governed, shall be complied with.

Article 77

(Taking out of force)

On the day of entry into force of this Law, the Law on the Prevention of Money Laundering (Official Gazette of Bosnia and Herzegovina, No. 29/04) shall cease to be applied.

Article 78

(Entry into force)

1. This Law shall enter into force on the eight day after its publication in the "Official Gazette of BiH".

PABiH no. 362/09

June 15th 2009, Sarajevo

Chairman of the House of Representatives

of Parliamentary Assembly of BiH

Beriz Belkić, s.r.

Chairman of the House of Peoples

of Parliamentary Assembly of BiH

Ilija Filipović, s.r.

I certify herewith that this is a true and faithful rendering of the original text written in Bosnian language.

Reg. No. 1809/2009

Sarajevo, September 18, 2009

Orhan Pašalić, certified court

interpreter for English language

Pursuant to Article IV 4 a) of the Constitution of Bosnia and Herzegovina, the Parliamentary Assembly of Bosnia and Herzegovina at the session of the House of Representatives held on 24 April 2004 and at the session of the House of Peoples held on 4 May 2004, has adopted the

ANNEX IV. THE LAW ON THE PREVENTION OF MONEY LAUNDERING

In line with Article IV 4. a) of the Constitution of Bosnia and Herzegovina, the Parliamentary Assembly of Bosnia and Herzegovina, during the session of House of Representatives, held on 4th of May 2004 as well as during the session of the House of People, held on 4th of May 2004, adopted

I-GENERAL PROVISIONS

Article 1

This Law shall determine measures and responsibilities for detecting, preventing and investigating money laundering and the funding of terrorist activities and shall also prescribe measures and responsibilities for international cooperation for the prevention of money laundering and the funding of terrorist activities.

Article 2

For the purpose of this Law terms shall have the following meaning:

1. "Money laundering" means:

The conversion or transfer of property, when such property is derived from criminal activity, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person involved in such activity to evade the legal consequences of his or her action;

- a. The concealment or disguise of the true nature, source location, disposition, movement, rights with respect to, or ownership of property, when such property is derived from criminal activity or from an act of participation in such activity;
- b. The acquisition, possession or use of property derived from criminal actions or from an act of participation in such activity;
- c. Participation in or association to commit, attempts to commit and aiding, abetting, facilitating and counselling the commission of any of the actions mentioned above.

2. "Funding of terrorist activities" means acts as defined by criminal legislation.

3. "Transaction" means account opening, deposit, withdrawal, transfer between accounts, exchange of currency, loans, extension of credit, purchase or sale of any share, stock, bond, certificate of deposit, or other monetary instruments or investment security, real estates or any other payment, transfer, or delivery by, through or to a natural or legal person referred in Article 3 of this Law, by whatever means;

4. "Connected transactions" are two or more transactions originating from or destined to an account of a legal or natural person in which the amounts of the transactions are below the amount for conducting the identification or reporting according to this Law, but which together exceed the aforementioned amount and can be considered to be related to each other due to the time span in which they have been made, the recipient or the originator of the transactions, the method of the transactions, the reason for which the transactions have been made or other factors due to which the transactions can be considered connected.

5. "Property" means assets of any kind, whether material or immaterial, movable or immovable and includes the legal documents or instruments evidencing title to, or interest in such property.

6. Reference to value in "KM" means also the equivalent value in any foreign currency according to the official exchange rate in use at the time of the transaction.

7. "Cash" means coins or banknotes of Bosnia and Herzegovina or any other country, travellers' checks, personal checks, bank checks, money orders, or other forms of payment in such form that title thereto passes upon delivery.

Article 3

(1) Measures for detecting and preventing money laundering and funding terrorist activities shall be carried out according to this Law, when conducted by persons under obligation as listed below.

(2) Persons under obligation are the following legal and natural persons:

1. Banks, as defined in the laws on banks,
2. Post offices,

3. Investment and mutual pension companies and funds whatever the legal form,
4. Stock exchanges, stock exchange agencies, stock exchange agencies branches and any other legal or natural person trading in money market instruments, foreign exchange, interest rate and index instruments, transferable securities and commodity futures trading,
5. Insurance and reinsurance companies,
6. Casinos, gaming houses and other organizers of games of chance and special lottery games,
7. Currency exchange offices,
8. Pawnbroker offices,
9. Lawyers, accountants, auditors and legal or natural persons as prescribed in Article 4 of this Law,
10. Privatization agencies,
11. Travel agencies,
12. Real estate agencies,
13. Public notaries,
14. Legal and natural persons performing the following activities:
 - a) Receiving and/or distributing money or property for humanitarian, charitable, religious, educational or social purposes,
 - b) Transfer of money or value,
 - c) Sale and purchase of claims,
 - d) Safekeeping, investing, administering, managing or advising in the management of property of third persons,
 - e) Issuing, managing and performing operations with debit and credit cards and other means of payment,
 - f) Financial leasing,
 - g) Issuing financial guarantees and other warranties and commitments,
 - h) Lending, crediting, offering and brokering in negotiation of loans,
 - i) Underwriting, placement and brokering in insurance policies,
 - j) Organizing and executing auctions,
 - k) Trade in precious metals and stones and products made from these materials ,
 - l) Trading with works of art, boats, vehicles and aircraft.

Article 4

- (1) Lawyers, law firms and their staff shall comply with the provisions of this law when acting for, or on behalf of clients in the planning, preparation or execution of transactions relating to:
 - a) buying and selling of real estates;
 - b) managing of client money, securities and other assets;
 - c) management of bank, savings or securities accounts;
 - d) organization of contributions for the creation, operation or management of companies;
 - e) creation, operation or management of legal persons or arrangements and buying and selling business entities.
- (2) Accountants, auditors, audit and accountancy firms and their staff, and legal or natural persons performing an audit function or performing accountancy services on behalf of a client, shall comply with the provisions of this Law.
- (3) In no event, however, shall the obligation prescribed in this law apply when the person under obligation mentioned in paragraphs 1 and 2 of this Article acquired or received the information before, during or after judicial proceedings, or in the course of ascertaining the legal position of a client unless the person under obligation and entities know or should know that the client is seeking legal advise for the purposes of money laundering or funding of terrorist activities.

Article 5

Duties related to the prevention, investigation and detection of money laundering and funding terrorist activities prescribed in the Law on the State Investigation and Protection Agency, this Law and other laws, to the promotion of co-operation between authorities of Bosnia and Herzegovina, the Federation

of Bosnia and Herzegovina (hereinafter: the Federation), Republika Srpska (hereinafter: the RS) and District of Brcko (hereinafter: the District) for the prevention of money laundering and funding terrorist activities as well as to the promotion of co-operation and exchange of information with authorities of foreign states and international organizations responsible for the prevention of money laundering and funding terrorist activities are carried out under the supervision of the Director of the State Investigation and Protection Agency (hereinafter: the Director) by the Financial Intelligence Department of the State Investigation and Protection Agency (hereinafter: the FID).

II - DUTIES AND OBLIGATIONS OF PERSONS UNDER OBLIGATION

1. Identification

Article 6

A person under obligation shall, when identifying a client, acquire information about a client and a transaction according to this Law.

Article 7

- (1) In addition to what is later prescribed in this Law, identification shall always be conducted when a transaction, client or person is suspicious. The minister competent for security of Bosnia and Herzegovina (hereinafter: the Minister) may give guidelines as to what are indicators for suspicion.
- (2) When a person under obligation opens an account for a client or establishes a business relationship with a client, the person under obligation shall at the same time identify the client.
- (3) The person under obligation shall be required to identify the client during each transaction or connected transactions of 30.000 KM or more.
- (4) Insurance companies and natural and legal persons brokering in the sale of life insurance policies, shall identify the client in relation to life insurances for which individual or several instalments of the premium, that are to be paid in the period of 1 year amount to 2.000 KM or more or the payment of the single premium is 5.000 KM or more. Identification shall also be performed when individual or several instalments of the premium to be paid in the period of 1 year increase to 2.000 KM or more.
- (5) Insurance companies and natural and legal persons brokering in the sale of insurance policies shall conduct the identification of the client in relation to a pension insurance, if the insurance policy can be transferred or used as collateral for taking loan or credit.
- (6) Legal or natural persons performing activities of organizing or executing of auctions or trading with works of art, boats, vehicles or aircrafts shall conduct the identification when carrying out a cash transaction or several connected transactions of 30.000 KM or more. The Minister may give guidelines as to what is to be considered connected transactions.
- (7) Casinos, gaming houses and other organizers of games of chance and special lottery games shall identify a customer when conducting a transaction of 5.000 KM or more.
- (8) Identification of a client shall not be required in the execution of transactions referred to in paragraphs 2 to 6 of this Article if the client is:
 1. An authority of Bosnia and Herzegovina, the Federation, the RS or the District or an organization with public authorization;
 2. A bank, insurance company and natural and legal persons brokering in the sale of insurance policies and investment and mutual pension companies and funds whatever the legal form with headquarters or parent institutions in a member country of the European Union or in a country which, according to information from the FID, international organizations and other competent international bodies, meets internationally accepted standards for the prevention and detection of money laundering and funding terrorist activities and is designated as such a country by the Minister.
- (9) The person under obligation shall conduct the identification of the bearer of a passbook during each transaction performed using a passbook.
- (10) The person under obligation shall terminate or shall decline to enter into a business relationship or to execute a transaction with or on behalf of a bank incorporated in a jurisdiction in which it has no physical presence or if identification cannot be conducted as prescribed by this

Law and shall inform the Financial Intelligence Department within the time prescribed in Article 14, paragraph 2 of this Law.

Article 8

- (1) The records on the conducted identification of clients and transactions referred to in Article 7, paragraph 1 of this Law shall as a minimum include the following information:
 1. The company name, seat and registration number of the legal person having a business relationship or conducting the transaction or of the legal person on whose behalf a business relation is being established or transaction is being carried out;
 2. The name, surname, permanent address, date and place of birth and the personal identity number of the employee or authorized person who, on behalf of a legal person is establishing a business relationship or conducting the transaction, and the number and name of the authority that issued the official personal identification document;
 3. The name, surname, permanent address, date and place of birth and the personal identity number of the natural person who is establishing a business relationship, enters the establishment of a casino, gaming house or other concessionaire for special lottery games or conducts the transaction, or of the natural person on whose behalf the business relationship is being established or the transaction is being carried out, and the name of the authority that issued the official personal identification document;
 4. Reasons for establishing a business relationship or conducting the transaction and information about the activities of the client;
 5. Date of establishing a business relationship or conducting the transaction;
 6. Time of execution of transaction;
 7. Amount of the transaction and currency in which the transaction is being carried out;
 8. Purpose of the transaction and the name, surname and address or name of the company and seat of the person to whom the transaction is being directed;
 9. Manner of executing the transaction;
 10. Name and surname or company and seat of the person sending the order in case of transfers from abroad;
 11. Information about the source of money or property that is subject of the transaction; and
 12. Reasons why a transaction, client or person is suspicious;
 13. Name, surname, permanent address, date and place of birth of each natural person, who indirectly or directly owns at least 20% of the business share, stocks or other rights, on which grounds he or she participates in the management of the legal person or the funds thereof.
- (2) The Minister shall give guidelines on what information mentioned in paragraph 1 of this Article shall be included in the records on the conducted identification of clients and transactions referred to in article 7, paragraphs 2 to 7 of this Law.
- (3) The records and information referred to in Article 25 of this Law of a transport of cash and securities across the state border shall include the following data:
 1. The name, surname, permanent address and date and place of birth of the natural person who is transporting cash or securities across the state border;
 2. The name of the company and seat of the legal person or the name, surname and permanent address of the natural person on whose behalf cash or securities is being transported across the state border;
 3. The amount, currency, type and purpose of transaction and place, date and time of crossing the state border; and
 4. Information whether the transport was reported to the customs authorities.
- (4) All data, information and documentation from personal data records shall be forwarded to the FID free of charge.

Article 9

- (1) The person under obligation shall obtain the information on legal persons referred to in Article 8, paragraph 1, item 1 of this Law by an examination of the original or certified copy of the documentation from the court register or other public register.

- (2) The person under obligation shall obtain the information referred to in Article 8, paragraph 1, items 2 and 3 of this Law from the client's official personal identification documents issued by the competent authorities. If it is not possible to obtain all the necessary information from the client's submitted official personal identification document, then the missing information should be obtained from the client's other official personal identification documents.
- (3) The person under obligation shall obtain the information referred to in Article 8, paragraph 1, items 4 through 11 and 13 of this Law from the acts and business documentation.
- (4) If it is not possible to obtain all the information listed in Article 8, paragraph 1 of this Law, from the official personal documents, acts and business documentation, the missing information, with the exception of the information referred to in Article 8, paragraph 1, items 11 and 13 of this Law, shall be obtained from the client.
- (5) In the case of identification of a non-resident client in accordance with Article 7, paragraphs 2, 3 when the transaction is conducted in cash, and paragraphs 6 and 10 of this Law, a copy of the client's official personal document shall also be made.

Article 10

- (1) In the case of the identification referred to in Article 7 of this Law, a person under obligation shall be obliged to demand from a client a statement as to whether the client is acting on his own behalf or on authorization.
- (2) If a transaction is made on behalf of a client by an authorized person, a person under obligation shall obtain the information referred to in Article 8, paragraph 1, items 2 and 3 of this Law from the written authorization given by the client on whose behalf the authorized person is acting. A person under obligation shall obtain all the other information referred to in Article 8, paragraph 1 of this Law, with the exception of the information referred to in Article 8, paragraph 1, item 13 of this Law, in the manner stipulated in Article 9.
- (3) If the authorized person is performing a transaction, referred to in Article 7, paragraphs 1, 3, when conducted in cash, 6 and 9 of this Law in the name of the foreign legal person, that does not or is prohibited from performing commercial or manufacturing activity in the country, in which it is registered, or in cases when foreign fiduciary or similar companies with unknown owners or managers are involved, unless stipulated otherwise, the person under obligation shall obtain the information referred in Article 8, paragraph 1, item 13 of this Law, by examining the original or certified copies of documentation of the court register or any other public register, that shall not be older than 3 months. If all the information cannot be obtained from the court register or any other public register, the person under obligation shall obtain missing information, data or documentation by examining the documents and business documentation presented by the authorized person. The person under obligation shall acquire the missing information, data or documentation, which cannot be obtained for objective reasons in the aforementioned way, from the written statement of the authorized person.
- (4) A person under obligation shall, when obtaining the information on the basis of the previous paragraph, in all cases, when another legal person is the direct or indirect owner of 20% of the businesses share, stocks or other rights of the legal person, obtain the information referred in Article 8, paragraph 1, item 13 of this Law for this other legal person.

Article 11

If a foreign legal person, with the exception of international governmental organizations, carries out transactions, the person under obligation shall be required to re-identify the client, at least once annually, by obtaining the information specified under Article 8, paragraph 1, items 1 and 13 and by acquiring new authorization in accordance with Article 10, paragraph 2.

Article 12

- (1) The person under obligation may, when opening an account or establishing a business relationship, identify a client also in his absence. Nevertheless, it shall indisputably establish the client's identity by obtaining all the information in accordance with this Law and in the manner regulated by the Minister.

- (2) Identification prescribed in paragraph 1 of this Article is possible only when the client is a non-resident, a state body, an organization with public authorization or a person under obligation referred to in Article 3 of this Law.
- (3) With reference to the client, who is a non-resident, the identification on the basis of paragraph 1 of this Article may be performed only, when the client is a citizen of Bosnia and Herzegovina or a citizen of a country, which meets internationally accepted standards for the prevention and detection of money laundering and funding of terrorist activities and the country is designated as such by the Minister in a manner as prescribed in Article 7, paragraph 8 of this Law.
- (4) Notwithstanding paragraphs 1 through 3 of this Article, the identification of the client in his absence at the opening of an account or establishing a business relationship is not permissible if the client is a foreign legal person, that does not or may not perform commercial or manufacturing activity in the country, in which it is registered or when foreign fiduciary or similar companies with unknown owners or managers are involved.

2. Reporting

Article 13

- (1) A person under obligation shall be obliged to forward to the FID information referred to in Article 8, paragraph 1 of this Law regarding:
 1. A transaction, client or person that is suspicious;
 2. A cash transaction of 30.000 KM or more;
 3. Connected cash transactions which together amount 30.000 KM or more.
- (2) The Minister shall further prescribe what information, data and documentation referred to in Article 8 shall be forwarded to FID.
- (3) The Minister, in consultation with the FID, shall determine the conditions under which a person under obligation shall not be required to forward to the FID information about the transactions of or over the amounts, mentioned in paragraph 1, items 2 and 3 of this Article, of a particular client.

Article 14

- (1) In such cases as referred to in Article 13, paragraph 1, item 1 of this Law a person under obligation shall forward the information, data and documentation to the FID immediately when suspicion has arisen and before the transaction is completed and shall state the period during which the transaction is expected to be executed.
- (2) In such cases as referred to in Article 13, paragraphs 1, items 2 and 3 of this Law a person under obligation shall forward the information, data and documentation to the FID immediately after the transaction is completed, but not later than three days after the completion of the transaction.
- (3) The notification referred to in paragraph 1 of this Article may be given also by telephone, but the FID must be notified subsequently in writing not later than the next working day.
- (4) If, in such cases as referred to in Article 13, paragraph 1, item 1 of this Law, a person under obligation cannot, due to the nature of the transaction or because the transaction was not completed or due to other justifiable reasons, act as prescribed in paragraph 1 of this Article, it shall be obliged to forward the information, data and documentation to the FID as soon as possible or immediately after suspicion of money laundering or funding of terrorist activities is raised. The person under obligation shall explain in the report the reasons for not acting in accordance with the provisions of paragraph 1 of this Article.

3. Authorized person, training, list of indicators and internal control

Article 15

- (1) For the purpose of forwarding information to the FID and for the performance of other duties prescribed in this Law, a person under obligation shall appoint an authorized person. It shall also name one or more deputies of the authorized person and shall notify the FID about these appointments.
- (2) The person under obligation shall be obliged to provide professional training for all its employees

- performing transactions prescribed in this Law, conduct internal control over the performance of these duties and prepare a list of indicators for recognizing suspicious transactions.
- (3) Notwithstanding paragraphs 1 and 2 of this Article, those persons under obligation with four or less employees shall not be required to appoint an authorized person and shall not be required to conduct internal control as prescribed in this Law.

III - DUTIES AND COMPETENCIES OF THE FINANCIAL INTELLIGENCE DEPARTMENT

1. Money laundering detection and investigation

Article 16

The FID shall receive, collect, record, analyze and when prescribed by this Law or other Laws forward to a prosecutor and upon authorization investigate and forward to another authorized official information, data and documentation received in accordance with the provisions of this Law.

Article 17

- (1) If the FID suspects money laundering or funding of terrorist activities in connection with a transaction or a person, it may demand in written form from a person under obligation information listed in Article 8, paragraph 1 of this Law, information on property and on bank deposits of such a person as well as all other information, data and documents needed for performing the duties of the FID according to the provisions of this law. In urgent cases the FID may request the information, data and documentation verbally and may inspect the documentation in the premises of the person under obligation, but the FID shall be obliged to submit a written request to the person under obligation the following working day at the latest.
- (2) The FID may request from a person under obligation written information, data and documentation on the performance of the duties of the person under obligation as provided by this Law as well as other information, which the FID requires to ensure compliance to this Law.
- (3) The person under obligation shall forward the information, data and documentation referred to in paragraph 1 and 2 of this Article to the FID without delay and at the latest within 7 days of receiving the request from the FID.
- (4) Should a lawyer, law firm, accountant, audit company, independent auditor or legal or natural persons be entitled according to Article 4 of this Law to decline to forward the information, data and documentation on the basis of a request of the FID from paragraph 1 of this Article, it shall inform the FID in writing, in the time limit prescribed in paragraph 3 of this Article on the reasons why it has not acted in accordance with the request of the FID.
- (5) In cases of extensive documentation or due to other justifiable reasons the FID may upon written request extend in writing, the deadline determined in paragraph 3 of this Article and it may, in such cases, inspect the documentation in the premises of the person under obligation.

Article 18

- (1) In order to perform its duties according to the provisions of this law, the FID may issue a written order temporarily suspending a transaction or transactions for 5 working days at most, if the FID suspects money laundering or funding of terrorist activities in connection with a transaction, an account or a person. The FID may issue additional instructions to the person under obligation concerning the transaction, the suspension of the transaction, executing the transaction and communicating with the person or persons related to the transaction.
- (2) In urgent cases the order may be issued verbally, but the FID shall be obliged to submit a written order to the person under obligation the following working day at the latest.

Article 19

- (1) If the FID after issuing an order temporarily suspending a transaction or transactions finds within the time provided in Article 18, paragraph 1 that there is no longer reasons for suspicion of money laundering or funding of terrorist activities, it shall without delay inform in writing the person under obligation, which may then execute the transaction immediately.

- (2) If the FID does not act within the time provided in Article 18, paragraph 1 of this Law, the person under obligation may proceed with the transaction immediately.

Article 20

- (1) The FID may demand from authorities of Bosnia and Herzegovina, the Federation, the RS and the District and from other organizations with public authorization information, data and documentation needed for performing the duties of the FID according to the provisions of this Law.
- (2) Authorities and organizations with public authorization referred to in paragraph 1 of this article shall allow the FID, without compensation, direct electronic access to the information, data and documentation.
- (3) Authorities and organizations with public authorization referred to in paragraph 1 of this article shall forward to the FID the data, information and documentation referred to in the preceding paragraphs within 7 days of receipt of the request if the information is not available to the FID according to paragraph 1 of this Article.
- (4) In cases of extensive documentation or due to other justifiable reasons the FID may upon written request extend in writing, the deadline determined in paragraph 3 of this Article and it may, in such cases, inspect the documentation in the premises of the authorities and organizations with public authorization mentioned in paragraph 1 of this Article.

2. International cooperation

Article 21

- (1) The FID may request from foreign law enforcement, prosecutorial or administrative bodies, Financial Intelligence Units and international organizations engaged in the prevention of money laundering and the funding of terrorist activities information, data and documentation needed for performing the duties of the FID according to the provisions of this law.
- (2) The FID may forward information, data and documentation collected within Bosnia and Herzegovina to foreign Financial Intelligence Units, provided they are subject to similar confidentiality requirements, on their request or upon its own initiative.
- (3) Prior to forwarding personal data to a foreign Financial Intelligence Unit the FID shall obtain assurance that the aforementioned shall use the information, data and documentation solely for the purposes stipulated by this Law.

3. Notifying prosecutor

Article 22

- (1) If the FID considers on the basis of information, data and documentation obtained under this Law that there are grounds for suspicion of a criminal offence in connection with a transaction or a person, it shall notify in writing and submit the necessary documentation to a prosecutor.
- (2) In the notification referred to in paragraph 1 of this Article, the FID shall not state information about the employee or employees of the person under obligation, which forwarded the information according to this Law or were in any other way involved in executing the transaction on behalf of the person under obligation unless there are reasons to suspect that the person under obligation or its employee committed a criminal offence or if the information is necessary in order to establish facts during criminal proceedings.

4. Prevention of money laundering and funding terrorist activities

Article 23

The FID shall in addition to the duties mentioned previously in this Law have the following duties for the prevention of money laundering and the funding of terrorist activities:

1. Proposing to competent bodies changes and amendments to regulations concerning the prevention and detection of money laundering and funding of terrorist activities;
2. Participating in drawing up the list of indicators for recognizing suspicious transactions and a list of countries, which apply internationally accepted standards for the prevention and detection of money laundering and funding terrorist activities;
3. Participating in the professional training of the staff of persons under obligation, authorities of Bosnia and Herzegovina, the Federation, the RS and the District and organizations with public authorizations;
4. Publishing, at least once annually, statistical data in the field of money laundering and funding of terrorist activities and informing in an appropriate manner the public about the various forms of money laundering and funding of terrorist activities.

5. Reporting to the Minister

Article 24

The FID shall give an annual report on the general activities of the FID and on the prevention of money laundering and funding of terrorist activities to the Director and the Minister.

IV - DUTIES OF OTHER AUTHORITIES UNDER THIS LAW

1. Customs administration authorities

Article 25

Customs administration authorities shall be obliged to forward to the FID information on each transportation of cash and securities in the amount of 10.000 KM or more when crossing the state border within 3 days of the transportation.

2. Forwarding statistical data

Article 26

- (1) To enable the centralization and analysis of all data related to money laundering and funding of terrorist activities, prosecutor's offices shall forward to the FID information on criminal offences of money laundering and funding of terrorist activities and on minor offences as prescribed in Articles 39 and 40 of this Law.
- (2) Prosecutor's offices shall be obliged to forward twice annually to the FID the following information:
 1. The name, surname, date of birth and permanent address, or the name and seat of the company against whom an indictment has been confirmed for money laundering or the financing of terrorist activities or a request for initiating minor offence proceedings based on the provisions of this law has been filed;
 2. Place, time and manner of perpetrating the suspected criminal offence or minor offence;
 3. The stage of the proceedings;
 4. The amount of money or the value of other property, which is the subject of a temporary seizure, an arrest in property, or confiscation and the date of the decision.

3. Participation in the preparation of the list of indicators

Article 27

- (1) The bodies competent for regulating and supervising banks, insurance companies and lawyers as well as other bodies competent for supervising persons under obligation (hereinafter referred to as supervising bodies) shall cooperate with persons under obligation under their supervision, in drawing up the list of indicators for recognizing suspicious transactions.

- (2) The list of indicators mentioned in paragraph 1 of this Article is to be submitted to the FID by the person under obligation.

V - KEEPING AND PROTECTING INFORMATION

Article 28

The FID may use the information, data and documentation obtained according to this Law solely for the purposes stipulated in this Law.

Article 29

- (1) A person under obligation and its staff shall not reveal to a client or third person the forwarding to the FID of the information, data or documentation about a client or transaction or that the FID has in accordance with the provisions of Article 18 of this Law temporarily suspended a transaction or given instructions to a person under obligation.
- (2) Information about a request from the FID or about forwarding information, data or documentation to the FID and about the temporary suspension of a transaction or about the instructions referred to in paragraph 1 of this Article shall be official secrets.
- (3) The FID shall decide on the lifting of the classification of the official secrecy.

Article 30

- (1) When forwarding information, data and documentation to the FID according to this Law, the obligation to protect bank, business and official secrecy shall not apply to a person under obligation, authorities of Bosnia and Herzegovina, the Federation, the RS and the District, an organization with public authorization, a prosecutor, a court and their staff unless stipulated otherwise in this law.
- (2) A person under obligation or its staff shall not be liable for damage caused to a client or to a third person or held criminally liable due to their submission of information, data or documentation to the FID or due to the implementation of the FID's order to temporarily suspend a transaction or for complying with the instructions issued in connection with the said order in accordance with the provisions of this Law or in accordance with regulations passed on the basis of this Law.

Article 31

- (1) A person under obligation shall keep information, data and documentation obtained on the basis of this Law for at least ten years after identification, completion of a transaction, closing of an account or the termination of the validity of a contract.
- (2) A person under obligation shall keep the information and corresponding documentation on the authorized person and deputy authorized person mentioned in Article 15 of this Law, on the professional training of the staff and the conducting of internal control for at least four years after the appointment of the authorized person and deputy authorized person and after the completion of professional training and conducting internal control.

Article 32

Customs administration authorities shall keep information on the transport of cash and securities across the state border, for a period of twelve years from the date the transport was made. This information, data and documentation shall be destroyed after expiry of this period.

Article 33

- (1) The FID shall keep information, data and documentation collected and disseminated according to this Law for twelve years from the date it was obtained or disseminated and it shall be destroyed after expiry of this period.
- (2) The records of the personal data sent abroad referred to in Article 21 of this Law shall include the following data:
 1. The name, surname, date of birth and permanent address or name of the company and seat of the person whose data is being sent abroad; and
 2. The name of the country and title of the authority to which the data is being sent.

- (3) The records of notifications and the information referred to in Article 22 of this Law shall include the following data:
 1. The name, surname, date of birth and permanent address or name of the company and seat of the person in connection with whom the FID forwarded a notification or information;
 2. Information on the amount, currency, date or period of execution of a transaction, in connection with which there exist reasons for suspicion of an offence;
 3. Reasons for suspicion of an offence.
- (4) The FID, other authorized official or prosecutor shall not inform the person concerned that information, data and documentation about them has been compiled according to this Law.

VI - INSTRUCTIONS ON THE IMPLEMENTATION OF TASKS AND ON THE COMPULSORY INCLUSION OF INDICATORS

Article 34

- (1) The Minister shall, in consultation with the FID and according to international standards for the prevention of money laundering and the financing of terrorist activities, issue the decision and guidelines referred to in Articles 7, 8, 10, 12 and 13 of this Law within 3 months from the day this Law has become effective.
- (2) The Minister may further prescribe additional instructions on the matters referred to in paragraph 1 of this Article.

VII – SUPERVISION

Article 35

The FID and the supervising bodies shall cooperate in supervising, within their individual competencies, the implementation of the provisions of this Law.

Article 36

- (1) If the supervising bodies discover a violation referred to in Articles 39 and 40 of this Law or of provisions of other laws, which govern the operation of persons under obligation, they shall order the implementation of the appropriate control measures and shall without delay notify in writing the FID about the violations discovered.
- (2) The notification referred to in paragraph 1 shall include especially the following information:
 1. Name, surname, date of birth and permanent address of the natural person name of company and seat of the legal person suspected of a violation or minor offence;
 2. Place, time and manner of committing the suspected violation or minor offence, and;
 3. Information as to whether supervising bodies ordered any control measures under their competencies.

Article 37

- (1) The FID shall monitor the implementation of the provisions of this Law by gathering and comparing data, information and the documentation received on the basis of the provisions of this Law.
- (2) If the FID discovers a violation of the provisions of this Law, it may:
 1. Demand that the person under obligation removes the violation, provided the consequences of the violation can be eliminated subsequently;
 2. Propose to supervising bodies to implement the appropriate control measure within their competencies;
 3. Request the competent authority to initiate minor offence proceedings.
- (3) When making the decision about the measure referred to in paragraph 2 of this Article the FID shall take into account the circumstances under which the offence was committed, repetition of the offence and the control measures imposed by another supervising body on the person under obligation.
- (4) The removal of the violation referred to in paragraph 2, item 1 of this Article shall be conducted within the deadline as prescribed in Article 17, paragraph 3.

Article 38

The FID shall notify the competent supervising body upon filing a request for the initiation of minor offence proceedings.

VIII - PENALTY PROVISIONS**Article 39**

- (1) A legal person referred to in article 3 of this Law shall be punished for a minor offence by a fine from 20.000 KM up to 200.000 KM, if such a person:
 1. Fails to identify the client or the identification is not performed in accordance with what is prescribed in Article 7 of this Law;
 2. Fails to notify or to forward to the FID the information, data or documentation as prescribed in Articles 13 and 14 of this Law;
 3. Fails to implement the FID 's order to temporarily suspend a transaction or fails to implement the instructions issued by the FID in connection with the order as prescribed in Article 18 of this Law;
 4. Fails to keep the information, data and documentation prescribed in Article 8 of this Law for ten years after identification, completion of a transaction, closing of an account or the termination of the validity of a contract as prescribed in Article 31 of this Law;
- (2) A responsible person of a legal person under obligation shall be punished by a fine from 2.000 KM up to 15.000 KM for a minor offence referred to in paragraph 1 of this Article.
- (3) A self-employed natural person conducting activities referred to in Article 3 of this Law, shall be punished by a fine from 5.000 KM to 20.000 KM for a minor offence referred to in paragraph 1 of this Article.

Article 40

- (1) A legal person referred to in article 3 of this Law shall be punished for a minor offence by a fine from 10.000 KM up to 100.000 KM, if such a person:
 1. Failed to acquire all the information required for identification as prescribed in Article 8 of this Law or conduct the identification in the method prescribed in Articles 9, 10 and 12 of this Law;
 2. Failed to re-identify at least once a year a foreign legal person as prescribed in Article 11 of this Law;
 3. Failed to forward to the FID the information or for failure to forward the information in the manner as prescribed in Article 17 of this Law;
 4. Failed to ensure internal control or for failure to draw up a list of indicators for recognizing suspicious transactions within the period or in the manner prescribed in Article 15 of this Law;
 5. Failed to appoint an authorized person and his deputy and to notify the FID of such appointment as prescribed in Article 15 of this Law;
 6. Failed to ensure the professional training of staff as prescribed in Article 15 of this Law;
 7. Failed to keep information on the authorized person and deputy authorized person, on the professional training of staff and the conducting of internal control for at least four years after the appointment of the authorized person and deputy authorized person, completion of the professional training or conducting internal control as prescribed in Article 31 of this Law.
- (2) For a minor offence referred to in paragraph 1 of this Article, a responsible person in a legal person shall be punished by a fine from 1.000 KM up to 5.000 KM.
- (3) For a minor offence referred to in paragraph 1 of this Article, a self-employed natural person conducting activities referred to in Article 3 of this Law shall be punished by a fine from 2.000 KM to 20.000 KM.

IX - TRANSITIONAL AND FINAL PROVISIONS

Article 41

Persons under obligation shall draw up the list of indicators for recognizing suspicious transactions not later than six months after the entering into force of this Law.

Article 42

This Law shall enter into force six months after its publication in the Official Gazette of Bosnia and Herzegovina.

Article 43

On the day of entry into force of this Law, the Law on the Prevention of Money Laundering in the Federation of Bosnia and Herzegovina (Official Gazette of the Federation of Bosnia and Herzegovina, No. 08/00), the Law on the Prevention of Money Laundering in Republika Srpska (Official Gazette of Republika Srpska No. 52/01) and the Law on the Prevention of Money Laundering in the Brcko District of Bosnia and Herzegovina (Official Gazette of the Brcko District of Bosnia and Herzegovina, No. 13/03) shall cease to be applied.

PA B&H number 49/04

May 04, 2004

Sarajevo

ANNEX V. Law on the State Investigation and Protection Agency

I – GENERAL PROVISIONS

Article 1

Scope of Regulation

1. This Law shall establish the State Investigation and Protection Agency (hereinafter: SIPA) and shall regulate its competence and organisation, as a policy body of Bosnia and Herzegovina (hereinafter: BiH).
2. For all other issues relevant for the functioning of SIPA as a police body, such as police powers, working relations, education and training of police officials within SIPA, to the extent not prescribed by this Law, the Law on Police Officials of BiH shall apply.
3. For all organizational and management issues and other issues relevant for the functioning of SIPA as an administrative organization, such as enactment of Rulebook on Internal Organization and other regulation, administrative supervision, relations between the institutions of BiH and relations towards legal and natural persons, to the extent not prescribed by this Law, the Law on Ministries and Other Administrative Bodies of BiH and the Law on Administration shall apply.

Article 2

Definition of SIPA

1. SIPA is an administrative organization within the Ministry of Security of BiH (hereinafter: the Ministry) with operational autonomy, established for the purpose of performing police tasks, headed by a director and financed from the “Budget of the Institutions of Bosnia and Herzegovina and International Obligations of Bosnia and Herzegovina”.
2. SIPA shall act exclusively on professional grounds and shall not be involved in furthering, protecting or undermining the interests of any political party, registered organization or association, any constituent or other people in BiH.

Article 3

Competence of SIPA

1. The tasks within the scope of SIPA’s competence are:
 - 1.1 Prevention, detection and investigation of criminal offences falling within the jurisdiction of the Court of Bosnia and Herzegovina (hereinafter: the Court), especially: organized crime, terrorism, war crimes, trafficking in persons and other criminal offences against humanity and values protected by international law, as well as serious financial crime;
 - 2.2 Collection of information and data on criminal offences referred to in item 1 of this Paragraph, as well as observance and analyses of security situation and phenomena conducive to the emergence and development of crime;
 - 3.3 Assistance to the Court and the Prosecutor’s Office of Bosnia and Herzegovina (hereinafter: the Prosecutor’s Office) in securing information, and execution of the orders of the Court and of the Chief Prosecutor of BiH (hereinafter: the Prosecutor);
 - 4.4 Physical and technical protection of persons, facilities and other property protected under this Law;
 - 5.5 Witness protection;
 - 6.6 Implementation of international agreements on police co-operation and of other international instruments that fall within the scope of its competence;
 - 7.7 Criminal expertise;
 - 8.8 Other tasks as prescribed by law or other regulations.
2. SIPA shall process data and keep records in accordance with the Law on Police Officials of BiH, the Law on the protection of personal data of BiH and other regulations of BiH.

Article 4

Establishment of SIPA

1. The SIPA's headquarters shall be in Sarajevo.
2. SIPA shall have at least two regional offices with seats in Banja Luka and Mostar.
3. The Council of Ministers may pass a decision establishing new regional offices
4. SIPA shall have departments and units.
5. In addition to the departments and units established by this Law, other organizational units within or outside SIPA's headquarters may be established by the Rulebook on Internal Organisation, which shall be passed in accordance with the Law on Ministries and Other Administrative Bodies of BiH.

Article 5

Working Relations within SIPA

1. Employees of SIPA are police officials, civil servants and other employees in accordance with the Rulebook on Internal Organisation.
2. Police officials are authorised officials, on whose working relations the Law on Police Officials shall apply.
3. On working relations of other employees in positions requiring a university degree, the Law on Civil Service in the Institutions of BiH shall apply, while for other employees in positions not requiring a university degree special regulations shall apply.
4. Positions of police officials and positions of civil servants as well as of other employees shall be regulated by the Rulebook on Internal Organisation.

Article 6

Police Powers

Police officials employed within SIPA shall apply police powers in accordance with the Law on Police Officials of BiH and shall act as authorised officials in accordance with criminal procedure codes in BiH (hereinafter: criminal procedure code).

II – ORGANISATION

1. Management

Article 7

Line of Managing and Reporting

1. SIPA shall be managed by a Director of SIPA (hereinafter: the Director), who has the highest authorised police rank.
2. The Director shall have one deputy and assistant directors. The Deputy and assistant directors are responsible to the Director for their work.
3. The Director, Deputy Director, Assistant Director for the Criminal Investigative Department and the Assistant Director for the Internal Control Department shall be appointed by the Council of Ministers upon proposal of the Selection Commission in accordance with the Law on Police Officials of BiH (hereinafter: the Commission), for mandate of four years with the possibility of renewal for a second consecutive term.
4. The Council of Ministers shall appoint and dismiss the Director, Deputy Director, Assistant Director for the Criminal Investigative Department and the Assistant Director for Internal Control Department under the conditions and in a procedure according to the Law on Police Officials of BiH.
5. The Director shall be responsible for his/her work and the work of SIPA, as well as for the situation in the fields falling within the scope of SIPA's competence, to the minister competent for the security of BiH (hereinafter: the Minister) and to the Council of Ministers.

6. The Director shall submit reports on the work of SIPA to the Minister.

Article 8

Duties and Responsibilities of the Director

1. The Director shall:
 - a. Represent SIPA;
 - b. Develop an annual Activity Programme according to the guidelines formulated by the Chair of the Council of Ministers, as well as the annual budget for SIPA and propose them to the Minister, who shall submit them to the Council of Ministers;
 - c. Manage and direct the implementation of the tasks falling within the scope of SIPA's competence;
 - d. Ensure proper implementation of the guidelines and directives of the Prosecutor concerning the activities of police officials in relation to criminal proceedings;
 - e. Ensure co-operation with law enforcement agencies and other appropriate bodies in BiH;
 - f. Ensure co-operation with law enforcement and other competent agencies of foreign States and implementation of other international agreements on police co-operation as well as other international instruments that fall within the scope of SIPA's competence.
2. In addition to the duties and responsibilities referred to in Paragraph 1 of this Article, the Director shall also carry out other tasks, such as:
 - a. Proposing to the Council of Ministers the Rulebook on Internal Organisation, other regulation envisaged by law and regulations necessary for the performance of tasks within the scope of SIPA's competence, in accordance with laws of BiH;
 - b. Assigning duties to assistant directors and heads in accordance with the law, the Rulebook on Internal Organisation and other regulations;
 - c. Issuing decisions on employment, deployment and termination of employment of the employees within SIPA, in accordance with the Law on Police Officials of BiH and other laws and regulations;
 - d. In consultation with the Minister, carrying out the procurement of weapons, ammunition, equipment and other material resources for the needs of SIPA;
 - e. In consultation with the Minister, developing and implementing programs for education and training of the employees within SIPA;
 - f. Providing an annual Activity Report on the work and situation in the fields falling within the scope of SIPA's competence to the Minister, who shall submit it to Council of Ministers, as well as special reports when needed or on the request of the Minister;
 - g. Submitting reports to the Parliamentary Assembly of BiH, the Council of Ministers and the Presidency of BiH, upon their request;
 - h. Performing other duties as prescribed by law or other regulations.
3. The Director shall be responsible for the lawful work of SIPA and for the lawful expenditure of funds granted to SIPA from the "Budget of the Institutions of Bosnia and Herzegovina and International Obligations of Bosnia and Herzegovina".

Article 9

The Deputy Director, Assistant Directors and Heads

1. The Deputy Director shall be a substitute for the Director during the Director's absence, shall exercise particular duties delegated to him/her by the Director and shall perform tasks entrusted to him/her by the Director as required for effective and duly performance of the work of SIPA.
2. Assistant directors and heads shall manage departments or units that they head, and for their work and the work of the department or the unit shall be responsible to the Director.
3. Assistant directors, except the Assistant Director for the Criminal Investigative Department and the Assistant Director for the Internal Control Department, and heads shall be appointed and dismissed by the Director, in accordance with the Law on Police Officials of BiH.
4. Assistant directors must hold a university degree.

Article 10

Director's Inability

1. If the Director is not able to carry out his/her duties and responsibilities, the Deputy Director shall perform them, until the Director is able to reassume them or until the new Director is appointed.
2. Should the Director be unable to reassume his/her duties and responsibilities, the Commission shall propose to the Council of Ministers a candidate for the new Director.

2. Structure

Article 11

Composition of SIPA

SIPA shall be composed of the following departments and units:

1. The Criminal Investigative Department;
2. The Financial Intelligence Department;
3. The Department for Protection of Persons and Objects;
4. The Witness Protection Department;
5. The Special Support Unit;
6. The Internal Control Department;
7. Other lower organisational units established by the Rulebook on Internal Organisation.

Article 12

Duties of the Criminal Investigative Department

The Criminal Investigative Department (hereinafter: CID) shall:

- a. Work on detection and investigation of criminal offences falling within the jurisdiction of the Court, locating and capturing of the perpetrators of these criminal offences and bringing them before the Prosecutor, under the supervision of and pursuant to the guidelines and directives issued by the Prosecutor in accordance with the criminal procedure code;
- b. Work on prevention of criminal offences;
- c. Provide operational assistance to the Financial Intelligence Department;
- d. Collect information and data on criminal offences, observe and analyse security situation and phenomena conducive to the emergence and development of crime;
- e. Organise and conduct criminal expertise.

Article 13

Duties of the Financial Intelligence Department

The Financial Intelligence Department (hereinafter: FID) shall:

- a. Receive, collect, record, analyse, investigate and forward to the Prosecutor information, data and documentation received in accordance with the law and other regulations of BiH on prevention of money laundering and funding of terrorist activities;
- b. Carry out international co-operation in the field of prevention and investigation of money laundering and funding of terrorist activities;
- c. Provide to the Prosecutor an expert support in the financial field.

Article 14

Duties of the Department for Protection of Persons and Objects

The Department for Protection of Persons and Objects (hereinafter: DPPO) shall provide physical and technical protection of persons protected under this Law (hereinafter: protected persons), protected facilities and other protected property.

Article 15

Protected Persons

1. The protected persons shall be:
 - a. The members of the Presidency of BiH;
 - b. The Chair of the Council of Ministers;
 - c. The ministers of the Council of Ministers;
 - d. The Chair of the House of Peoples of the Parliamentary Assembly of BiH;
 - e. The Chair of the House of Representatives of the Parliamentary Assembly of BiH;
 - f. The President of the Court of BiH;
 - g. The Chief Prosecutor of BiH;
 - h. Foreign dignitaries visiting BiH and other persons as designated by the Council of Ministers.
2. Upon justified request of the protected persons referred to in Paragraph 1, items d), e), f) and g) of this Article, SIPA shall provide protection for other members of the Parliamentary Assembly of BiH, other judges of the Court, Deputy Prosecutor and other prosecutors of BiH, upon the decision of the Director and SIPA's professional evaluation.
3. When the situation so requires, SIPA may provide protection to persons employed within the institutions of BiH, diplomatic and consular missions in BiH and persons visiting BiH, upon the decision of the Director and SIPA's professional evaluation.

Article 16

Protected Facilities and Other Protected Property

1. Protected shall be the facilities and other property for which BiH is obligated to provide protection according to the international or domestic law.
2. The protection for other facilities and property shall be provided upon the decision of the Council of Ministers.

Article 17

Duties of the Witness Protection Department

The Witness Protection Department (hereinafter: WPD) shall carry out protection of witnesses in accordance with laws and other regulations of BiH on witness protection.

Article 18

Role of the Special Support Unit

1. The Special Support Unit (hereinafter: SSU) shall assist other departments by providing additional police tactics, equipment and personnel, when enhanced security measures must be taken.
2. SSU shall undertake the most sophisticated tactical and technical police operations, applying police powers in high-risk situations when special skills, training and equipment are necessary.
3. The use of SSU shall be approved by the Director.

Article 19

Role of the Internal Control Department

The Internal Control Department (hereinafter: ICD) shall be competent for:

- a. Internal investigations of complaints of misconduct of the SIPA's employees;
- b. Investigations of actions involving the use of force, especially the use of firearms, corruption and abuse of authority by police officials, in accordance with the Law on Police Officials of BiH;
- c. Internal inspections of procedures within the departments, in order to insure compliance with law, rulebooks, police manuals and written directives;
- d. Professional standards and policy development.

Article 20

Additional Duties of Each Department

In addition to the duties of departments prescribed by this Law, each department shall perform other duties as prescribed by the Rulebook on Internal Organisation.

III - OFFICIAL CO-OPERATION

Article 21

Rendering Assistance

1. The administrative and other bodies, services and other institutions in BiH, Entity and Cantonal Ministries of Interior, customs and tax authorities, financial police, Interpol liaison bodies, competent bodies of the Brčko District of BiH and other appropriate bodies shall be obliged to co-operate with SIPA and upon its request to assist SIPA in performing the duties of its competence, and shall coordinate activities within the scope of their competences, in accordance with the law and other regulations on the protection of sources, methods and other non-public information.
2. SIPA shall be obliged to co-operate and render assistance to the bodies referred to in Paragraph 1 of this Article upon their request.
3. The manner of assistance and all other issues regarding the assistance and co-operation referred to in Paragraphs 1 and 2 of this Article shall be regulated by the mutual agreement or by the other legal act, to the extent not determined by law.

Article 22

Duty to Inform Competent Body

1. SIPA shall be obliged to inform competent bodies in BiH about information obtained in the course of performing its duties, regarding the preparation or perpetration of criminal offences that fall within the scope of work of those bodies, as well as about the measures and actions taken with the goal to prevent perpetration or to locate and capture the perpetrators of such criminal offences.
2. Competent bodies in BiH shall be obliged to inform SIPA about information obtained in the course of performing their duties, regarding the preparation or perpetration of criminal offences that fall within the scope of SIPA's competence, as well as about the measures and actions taken with the goal to prevent perpetration or to locate and capture the perpetrators of such criminal offences.

Article 23

International Co-operation

1. SIPA may co-operate with foreign law enforcement and other foreign appropriate bodies, for the purpose of fulfilling its tasks under this Law. The co-operation may include the exchange of data and joint execution of the activities that fall within the scope of SIPA's competence.
2. SIPA may provide foreign law enforcement and other foreign appropriate bodies with data on citizens of BiH based on information that the citizen poses a danger to the security of BiH, the receiving State or a broader danger to regional or global security.
3. In criminal matters, the co-operation with foreign law enforcement agencies shall be conducted through the Office for Co-operation with Interpol.
4. Notwithstanding Paragraph 2 of this Article, SIPA shall not provide data on citizens of BiH unless it has reasonable assurance that the recipient will provide the data with the same level of protection as provided in BiH.
5. If the data relate to the criminal proceedings instituted in BiH, the exchange of data referred to in this Article shall be carried out in accordance with the criminal procedure code.

IV - TRANSITIONAL AND FINAL PROVISIONS

Article 24

Cessation of Previous Laws

1. On the day of the entry into force of this Law, the Law on the Agency of Bosnia and Herzegovina for Information and Protection (Official Gazette of Bosnia and Herzegovina, No. 15/02) shall cease to apply.
2. Employees, property, including liabilities, and other resources of the Agency of Bosnia and Herzegovina for Information and Protection shall become employees, property and resources of the State Investigation and Protection Agency (SIPA).

Article 25

Applicable Regulations

1. The Rulebook on Internal Organisation of SIPA shall be passed within 30 days of the entry into force of this Law.
2. Pending the adoption of appropriate regulations, SIPA shall apply regulations issued pursuant to the laws referred to in Article 24 of this Law, to the extent that such regulations are not inconsistent with this Law or the Law on Police Officials of BiH.

Article 26

The Appointments

1. The procedure of appointment of the Director, Deputy Director, Assistant Director for the Criminal Investigative Department and the Assistant Director for the Internal Control Department shall be initiated after the expiration of deadline of 90 days from the day of entry into force of this Law, and shall be finalised not later than 6 months from the day of entry into force of this Law.
2. The appointments referred to in Paragraph 1 of this Article shall become effective on the first day after the expiration of the deadline of 6 months from the day of entry into force of this Law, during which period the Director and the Deputy Directors appointed pursuant to the law referred to in Article 24, Paragraph 1 of this Law shall perform duties and responsibilities pursuant to this Law.

Article 27

Entry into Force

This Law shall enter into force on the eight day after its publication in the “Official Gazette of Bosnia and Herzegovina”.

PA BiH No. 39/04

4 May 2004-06-18

Sarajevo

Chair

of the House of Representatives

of the Parliamentary Assembly of BiH

Martin Raguž

Chair

of the House of People

of the Parliamentary Assembly of BiH

Mustafa Pamuk

ANNEX VI. Law on Mutual Assistance in Criminal Matters

CHAPTER I

GENERAL PROVISIONS

Article 1

Subject

1. The present Law governs the manner and procedure of the provision of mutual assistance in criminal matters (hereafter: mutual judicial assistance or international legal assistance), unless otherwise stipulated in an international agreement or an international agreement does not exist.
2. Mutual judicial assistance shall be afforded, in accordance with the provisions of the present Law, in proceedings in respect of offences the punishment of which, at the time of the request for assistance, falls within the jurisdiction of the judicial authorities of the requesting Party.
3. Mutual judicial assistance shall be afforded, in accordance with the provisions of this Law, in proceedings before courts and administrative authorities in respect of petty offences punishable with imprisonment or fines in accordance with the legislation of Bosnia and Herzegovina and in the cases where in the proceedings a decision of an administrative authority can result in proceedings before a court with subject-matter jurisdiction over criminal matters.
4. Mutual judicial assistance shall be afforded in accordance with an international agreement in respect of international courts and other international organizations Bosnia and Herzegovina is a member of.

Article 2

Meaning of Terms and Concepts

For the purposes of this Law the terms and concepts shall have the following meaning:

- a. "requesting State" means the State whose competent authority has sent a letter rogatory;
- b. "requested State" means the State whose competent authority has been sent a letter rogatory to;
- c. "sentencing State" means the State in which the sentence was imposed on a person;
- d. "administering State" means the State to which the sentenced person may be, or has been, transferred in order to serve his sentence;
- e. "National judicial authority": courts and prosecutor's offices that are designated by a special law to provide international legal assistance and all authorities that can ask for international legal assistance in accordance with this law;
- f. "Foreign judicial authority": foreign courts or other authorities that are competent to act in criminal and petty offences matters in accordance with the requested State legislation;
- g. "Foreigner": any person who is not a national of Bosnia and Herzegovina;
- h. "Criminal legislation of Bosnia and Herzegovina": Criminal Codes and Criminal Procedure Codes of Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina, Republika Srpska and Brcko District of Bosnia and Herzegovina.

Article 3

Letters Rogatory

1. A request for international legal assistance shall be submitted in the form of a letter rogatory.
2. The letter rogatory of a foreign judicial authority, together with supporting documents, shall be accompanied by a translation into one of the official languages of Bosnia and Herzegovina. The translation shall be certified by a court certified translator.
3. The letter rogatory by a national judicial authority, together with supporting documents, shall be accompanied by a translation into the official language of the requested State.

4. Unless otherwise stipulated in an international agreement or provisions of the present Law, a letter rogatory shall indicate as follows:
 - a. the name of the authority making the request, the case number, the full name of the requested State and the name of the requested authority, if possible,
 - b. legal grounds for the mutual assistance requested,
 - c. a full description of the actions requested in the mutual assistance and the cause of submission of the letter rogatory,
 - d. the Legal qualification of offence and a summary of the facts,
 - e. precise personal details and nationality of the person the mutual assistance pertains to and his capacity in the case,
 - f. name of the document and the name, address of the person to be served on, if it is service of process that is requested and
 - g. other details that may be important for the action to be taken at the letter rogatory.
5. A letter rogatory and the documents sent by courts or other competent authorities shall be signed and stamped by the seal of issuing court or other authority.
6. If the information indicated in a letter rogatory and supporting documents are not sufficient, additional information and documents can be asked for.

Article 4

Communication

1. Letters rogatory by national judicial authorities shall be sent to foreign judicial authorities through the Ministry of Justice of Bosnia and Herzegovina. Letters rogatory by foreign judicial authorities shall be sent to national judicial authorities in the same manner.
2. As an exception to paragraph above, national judicial authorities can send to foreign judicial authorities letters rogatory directly, when the manner of communication is stipulated in an international agreement.
3. In urgent cases, when the manner of communication is stipulated in an international agreement, letters rogatory can be received and sent through the International Criminal Police Organization – INTERPOL.
4. In the case of communication under paragraphs 2 and 3 above, the national judicial authority shall send a copy of the letter rogatory to the Ministry of Justice of Bosnia and Herzegovina.
5. In the case of the lack of an international agreement and when an international agreement explicitly stipulates communication through diplomatic channels, the Ministry of Justice of Bosnia and Herzegovina receives and sends letters rogatory through the Ministry of Foreign Affairs of Bosnia and Herzegovina
6. Letters rogatory can be received electronically or by other means of telecommunication that produce written records when the competent foreign judicial authority is willing to send a written notice of the manner of sending and the original letter rogatory at a request, provided that this manner of delivery is stipulated in an international agreement.

Article 5

Urgent Proceeding

1. The Ministry of Justice of Bosnia and Herzegovina shall transmit without delay any letter rogatory to the competent national authority for action, unless when it is obvious that the letter rogatory is not in line with an international agreement and the present Law and should be rejected.
2. In cases under Article 4(3) above, INTERPOL shall transmit any letter rogatory to the competent national authority through the Ministry of Justice of Bosnia and Herzegovina.

Article 6

Admissibility And The Manner of Performance

1. Admissibility and the manner of performance of the actions that are the subject of a request for mutual assistance sent by a foreign national authority shall be decided by the

- competent national authority in pursuance of the national legislation, unless otherwise determined in the present Law or stipulated in an international agreement.
2. The competent national authority shall act without delay in compliance with the letter rogatory.

Article 7

Delivery of A Letter Rogatory to The Competent Authority

Where the authority which receives a request for mutual assistance has no competence to comply therewith, it shall transmit the request to the competent authority and shall so inform the requesting authority.

Article 8

Scope (Types)

Mutual assistance in criminal matters shall include:

- a. general types of legal assistance,
 - b. specific types of legal assistance,
1. extradition of suspects, inductees and sentenced persons,
 2. transfer of criminal proceedings,
 3. recognition and enforcement of foreign judicial decisions.

Article 9

Refusal of Legal Assistance

1. The competent national judicial authority may refuse a request for assistance:
 - a. if execution of the request would be in contravention of *ordre public* of Bosnia and Herzegovina or is likely to prejudice the sovereignty or security.
 - b. if the request concerns an offence which is considered a political offence or an offence connected with a political offence;
 - c. if the request concerns an offence under military law.
2. Crimes against humanity and other values protected in the international law or attempted commission of these crimes and complicity in the crimes shall not be grounds for refusing a request for assistance in the sense of paragraph (1)(b).
3. A request for assistance shall not be refused exclusively for the reason that it concerns an offence which the national legislation treats as a fiscal offence.

Article 10

Grounds for Refusal of A Letter Rogatory

1. The competent national judicial authority shall refuse a request for assistance:
 - a. if the accused has been acquitted or the proceedings have been terminated or if the accused has been released from punishment or if the punishment has been executed or cannot be executed under the legislation of the sentencing State.
 - b. If the accused is prosecuted in Bosnia and Herzegovina for the same offence, unless the execution of the letter rogatory may bring about a decision on release of the accused.
 - c. If prosecution or execution of the punishment are precluded under the national statute of limitations.
2. Paragraph 1(a) above shall not apply in cases of new proceedings being conducted in the requesting State.

Article 11

Reasoning of Non-compliance

Reasons shall be given for any refusal of mutual assistance or non-compliance with a request for assistance.

Article 12

Rule of Reciprocity

1. Requests for assistance by judicial authorities of the State that Bosnia and Herzegovina does not have an agreement concluded on mutual assistance in criminal matters shall be executed only if, on the grounds of guarantees that the requesting State has given, the State may be expected to execute a similar request of the national judicial authorities.
2. A guarantee under paragraph 1 shall not be sought for the service of process, decisions, submissions and other documents.

CHAPTER II

GENERAL TYPES OF MUTUAL LEGAL ASSISTANCE

Article 13

The Concept

General types of mutual legal assistance shall include execution of individual procedural actions such as service of summons on a suspect, the accused, an inductee, a witness, an expert or other party to the criminal proceedings, service of documents, written materials and other objects relevant to the criminal proceedings in the requesting State, seizure of objects, handing over of seized objects to the requesting State, taking testimony from the accused, a witness or an expert, spot examination, search of sites and persons, confiscation and control of delivery, surveillance and telephone tapping, information and intelligence exchange and other actions that may arise in criminal proceedings to require mutual assistance and are not contrary to the present Law.

Article 14

A Summons

A summons of the requesting State citing a suspect, the accused, an inductee, a witness, an expert or other party in proceedings shall not contain a notice of penalty in the event of failure to appear. If he/she fails to appear he/she shall not be subjected to any punishment or measure of restraint.

Article 15

Delivery

1. Service of process shall be proved by a proof of service that is put together in accordance with the legislation of the requested State. The proof of service shall state the place and the date of such service, the signature of the recipient or description of other method of delivery.
2. If service is impossible to accomplish, the requested State shall inform about it without delay, stating the reasons that prevented the service.

Article 16

Protection of Witnesses and Experts

1. A witness or expert with temporary or permanent residence abroad, whatever his nationality is, staying in the territory of Bosnia and Herzegovina on the grounds of a summons before the national judicial authorities shall not be prosecuted or detained or subjected to any other restriction of his personal liberty in respect of acts that are the subject of the judicial proceedings where his appearance has been requested or the commission of acts anterior to his departure from the territory of Bosnia and Herzegovina or some earlier convictions.
2. The immunity provided for in paragraph 1 above shall cease when the witness or expert, having had an opportunity of leaving for a period of fifteen consecutive days from the date

when his presence is no longer required by the judicial authorities, has nevertheless remained in the territory of Bosnia and Herzegovina.

Article 17

Protection of The Accused

1. A person, whatever his nationality, summoned before the national judicial authorities to answer for acts forming the subject of proceedings against him, shall not be prosecuted or detained or subjected to any other restriction of his personal liberty for acts or convictions anterior to his departure from the territory of Bosnia and Herzegovina and not specified in the summons.
2. Prosecution or detention or any other restriction of personal liberty shall be allowed if a summoned person, having had an opportunity of leaving for a period of fifteen consecutive days from the date when his presence is no longer required by the judicial authorities, has nevertheless remained in the territory of Bosnia and Herzegovina, or having left it, has returned.

Article 18

Summons And Surrender of A Person In Custody

1. A person in custody in Bosnia and Herzegovina, whose personal appearance as a witness or for purposes of confrontation, is summoned by a foreign judicial authority, can be temporarily transferred to the requesting State.
2. The person shall be temporarily transferred to the requesting State if it gives guarantees in respect of his protection under Article 17 above and guarantees that he will be returned by the deadline fixed.
3. Transfer may be refused:
 - a. if the person in custody does not consent;
 - b. if transfer is liable to prolong his detention, or
 - c. if there are other overriding grounds for not transferring him to the territory of the requesting Party.
4. Transfer may be delayed if his presence is necessary at criminal proceedings pending before a national judicial authority.
5. Transfer of a person in custody in Bosnia and Herzegovina shall be decided by the Ministry of Justice of Bosnia and Herzegovina with a prior approval by the authority having ordered the custody.
6. Transfer of a person in custody through the territory of Bosnia and Herzegovina by a third State shall be granted if the person is not a national of Bosnia and Herzegovina. The decision shall be made by the Ministry of Justice of Bosnia and Herzegovina with a prior approval by the Ministry of Security of Bosnia and Herzegovina.
7. The transferred person under paragraph 1 shall remain in custody in the territory of the requesting Party.

Article 19

Seizure of Property

1. Any property, documents or proceeds that were seized for the purpose of evidentiary proceedings as well as files and decisions shall be handed over to the foreign judicial authority at its request after the mutual assistance proceedings have been closed in Bosnia and Herzegovina.
2. If a third person who acquired *bona fide* rights, a national authority or an aggrieved party with permanent residence in Bosnia and Herzegovina claims the property, documents or proceeds under paragraph 1 above, the property, documents or proceeds shall be handed over to a foreign judicial authority only if it provides guarantees that they will be returned free of charge after the evidentiary proceedings have been closed.

3. Bosnia and Herzegovina may delay the handing over of any property, documents or proceeds requested, if it requires them in connection with pending criminal proceedings in Bosnia and Herzegovina.

Article 20

Handing Over of Seized Property

1. Any property or proceeds having been seized in order to protect them, may be handed over to a foreign judicial authority at its request after the mutual assistance proceedings have been closed in order to confiscate them or return them to an authorized person.
2. Property and proceeds under paragraph 1 above include the following:
 - a. objects used in the commission of an offence;
 - b. objects resulted from the commission of an offence or their counter value;
 - c. proceeds of crime or their counter value;
 - d. gifts and other things given with a view to inciting an offence and giving remuneration for an offence or their value.
3. The hand-over may be accomplished at any stage of the criminal proceedings, but only on the grounds of a final and binding decision of a foreign judicial authority.
4. Property and proceeds may be retained in Bosnia and Herzegovina for good if:
 - e. aggrieved party has permanent residence in Bosnia and Herzegovina and he should recover them;
 - f. the competent national authority claims the right over them on behalf of Bosnia and Herzegovina;
 - g. a person who was not a party to the offence and whose claims are not guaranteed by the requesting State proves that he acquired *bona fide* rights over the property and proceeds in Bosnia and Herzegovina or abroad and if he has permanent residence in Bosnia and Herzegovina,
 - h. Property and proceeds are required in connection with pending criminal proceedings in Bosnia and Herzegovina or in the implementation of the measure of confiscation in Bosnia and Herzegovina.

Article 21

Attending Actions Taken In The Mutual Assistance Provision

1. If explicitly requested by the Requesting Party, a national judicial authority shall inform it about the time and place of the execution of a letter rogatory.
2. Representatives of foreign judicial authorities concerned and parties in the criminal proceedings and their defence attorney can attend actions taken in the execution of a letter rogatory.
3. The approval for attendance by the representatives of foreign judicial authorities concerned and other individuals in terms of paragraph 2 above in Bosnia and Herzegovina shall be given by the Ministry of Justice of Bosnia and Herzegovina, with a prior opinion of the authority acting on the letter rogatory, which shall be sent in written to the Ministry of Justice of Bosnia and Herzegovina together with the notice under paragraph 1 above.

Article 22

Delaying

1. A national judicial authority may delay the execution of a letter rogatory if it would adversely affect the course of investigation, prosecution or criminal proceedings pending before a national judicial authority, which are connected to the letter rogatory.
2. In the event of delaying the execution of a letter rogatory, the requesting competent foreign judicial authority shall be informed about it, together with a statement of reasons for delay.

Article 23

Proceeding In A Particular Manner

1. At the request of a court or other requesting authority a national judicial authority can comply with the letter rogatory in the manner cited in it, provided that it is not in contravention of fundamental principles of the legal system of Bosnia and Herzegovina and that the possibility is stipulated in an international agreement.
2. A national judicial authority shall issue a decision as soon as possible on a letter rogatory of a foreign judicial authority, taking account of specifically fixed deadlines set forth in the letter rogatory.
3. If a national judicial authority judges that it will not be able to comply with the letter rogatory meeting the specifically fixed deadlines, it shall promptly inform the requesting State about it, indicating the period of time needed for execution of the letter rogatory.
4. If a national judicial authority is not able to execute the letter rogatory meeting the requirements set forth, it shall promptly inform the requesting State about it, stating the reasons thereof.

Article 24

Expenses

1. Execution of requests for mutual assistance shall not entail refunding of expenses except
 - a. Significant amounts incurred by the attendance of experts and preparation of expert opinions
 - b. Amounts incurred by temporary transfer of a person in custody for personal appearance as a witness or for purposes of confrontation in the requesting State and
 - c. Significant amounts of extraordinary expenses
2. The allowances, including subsistence, and the travelling expenses shall be refunded to a witness or expert, who appear on a summons of a national judicial authority, in accordance with the national legislation.
3. The summons under paragraph 2 above shall indicate the approximate allowances payable and the travelling and subsistence expenses refundable and, if a specific request is made, an advance payment can be approved.
4. An expert opinion can be made conditional upon advance payment if a party in the proceedings bears expenses of expert opinion.

Article 25

Information Given Without A Letter Rogatory

1. Without prejudice to their own investigations and criminal proceedings and under the condition of reciprocity and without a letter rogatory, national judicial authorities can send to the competent foreign judicial authorities information about offences, which are collected during their own investigations if they believe that such information may help in the institution of investigations or criminal proceedings or if it may result in a letter rogatory.
2. The competent national judicial authority shall ask of the foreign judicial authority that has received the information under paragraph 1 above to inform it about actions taken on the receipt of information and also can set other requirements for the use of such information in the receiving State.

Article 26

Preliminary Measures

At the request of foreign judicial authorities and in accordance with the national legislation, national judicial authority shall take preliminary measures with a view to collecting evidentiary material and ensuring already collected evidence or protecting harmed legal interests.

Article 27

Protection of The Accused

1. At the request of a foreign judicial authority, the Ministry of Justice of Bosnia and Herzegovina and competent national judicial authorities shall keep confidential information contained in the letter rogatory, except as needed for the execution.
2. If a request under paragraph 1 above cannot be complied with, the Ministry of Justice of Bosnia and Herzegovina/a national judicial authority shall promptly inform the foreign judicial authority thereof..

Article 28

Delivery of Information About Convicted Foreigners

1. As soon as a verdict becomes final and binding, any court in Bosnia and Herzegovina shall send information to a foreign State through the Ministry of Justice of Bosnia and Herzegovina about any conviction of foreigners completing a form that the Ministry of Justice of Bosnia and Herzegovina shall prescribe.
2. The Ministry of Justice of Bosnia and Herzegovina shall promptly transmit the information to the convicted person's State, unless otherwise stipulated in an international agreement.
3. At the request of foreign judicial authorities for any individual case, the Ministry of Justice of Bosnia and Herzegovina shall transmit a copy of verdict that they have been informed about.
4. At the request of foreign judicial authorities, the Ministry of Justice of Bosnia and Herzegovina shall transmit any other information from the criminal records.
5. At the request of a foreign judicial authority, also information about nationals of the State concerned, who are under investigation or against whom criminal proceedings are pending in Bosnia and Herzegovina.
6. When a case involves offences of counterfeiting of money, money laundering, illicit production, possessing and trafficking in narcotic drugs, trafficking in human beings and other offences in respect of which the treaties provide for centralized registers, the prosecuting authority shall promptly send to the Ministry of Justice of Bosnia and Herzegovina information about the offence and the offender, whereas the trial court shall send the final verdict.

Article 29

Criminal Records of Bosnia and Herzegovina

Nationals Convicted Abroad

1. The authorities in charge of criminal records in Bosnia and Herzegovina shall keep criminal records of Bosnia and Herzegovina nationals who are convicted abroad, including Bosnia and Herzegovina nationals who were born abroad.
2. Upon the receipt of the information about Bosnia and Herzegovina nationals who are convicted abroad but who were not born in Bosnia and Herzegovina from a foreign State, the Ministry of Justice of Bosnia and Herzegovina shall send the information to the Ministry of Security of Bosnia and Herzegovina, which shall keep a central register and promptly transmit the information to the authorities in charge of criminal records.
3. If the information about Bosnia and Herzegovina nationals who are convicted abroad is not translated into one of the official languages of Bosnia and Herzegovina, the Ministry of Security of Bosnia and Herzegovina shall provide a translation.

Article 30

Information About The Legislation

At the request of national judicial authorities, the Ministry of Justice of Bosnia and Herzegovina shall obtain from competent foreign judicial authorities pieces of legislation that are valid or was valid in other countries and the information about particular legal

questions, as needed. In the same manner the Ministry of Justice of Bosnia and Herzegovina shall transmit to foreign judicial authorities pieces of legislation and the information about particular legal questions, as requested, the authority implementing the pieces of legislation being obligated to send the pieces of legislation and the information.

Chapter III

EXTRADITION OF SUSPECTS, INDICTEES AND SENTENCED PERSONS FROM BOSNIA AND HERZEGOVINA TO ANOTHER COUNTRY

Article 31

Legislation Governing Extradition

1. Extradition of foreign suspects, inductees and sentenced persons from Bosnia and Herzegovina to a foreign State shall be carried out under the provisions of this Law, unless otherwise stipulated in an international agreement.
2. The procedure of surrender of suspects and inductees who are tried before international criminal tribunals shall be defined in a separate law.

Article 32

Extraditable Offences

1. Extradition of a foreigner to a foreign State is permissible for prosecution or execution of a final decision on prison sentence.
2. Extradition in terms of paragraph 1 above shall be granted in respect of offences punishable under the laws of both Bosnia and Herzegovina and the requesting State.
3. Extradition for prosecution is permissible only for offences punishable with imprisonment for a minimum period of at least one year under the laws of both Bosnia and Herzegovina and the requesting State.
4. Extradition for execution of a final decision on prison sentence is permissible only if the prison term or the remaining term of the prison sentence is at least four months.

Article 33

Requirements for Extradition

1. The requirements for extradition shall be as follows:
 - a. that a person sought is not a national of Bosnia and Herzegovina;
 - b. that a person sought has not been granted an asylum in Bosnia and Herzegovina, or that the person is not in the process of seeking asylum in Bosnia and Herzegovina at the time of the extradition request;
 - c. that the offence in respect of which the extradition is requested was not committed in the territory of Bosnia and Herzegovina, against it or its nationals;
 - d. that the offense in respect of which the extradition is regarded as a criminal offence under the national legislation as well as under the legislation of the state in which it was committed;
 - e. that the offence in respect of which the extradition is requested is not a political or military criminal offence;
 - f. that the statute of limitation does not apply with respect to criminal prosecution or execution of the sentence under the national legislation before the foreigner is taken into custody or examined as a suspect or inductee, that the foreigner sought has not been convicted for the same offence by a national Court or that he has not been validly released by the national Court with regard to the same offence, unless conditions have been met for new criminal proceedings to be conducted, or that no criminal proceedings were instituted in Bosnia and Herzegovina against the foreigner for the same criminal offense, and if the proceedings were instituted for an offense committed

against a national of Bosnia and Herzegovina it is required that a surety bond is deposited to secure the damages claim of the injured party;

- g. that the identity of the person sought is verified;
- h. that there is sufficient evidence for a suspicion that the sought foreigner committed a criminal offence or that there is a valid verdict;
- i. that the extradition of a foreigner is not requested for the following purposes: criminal prosecution or punishment on the grounds of his race, sex, national or ethnic origin, religious belief or political views and that his extradition is not requested on the grounds of a criminal offence that carries a death sentence under the legislation of the requesting State unless the requesting State has provide guarantees that no death sentence shall be imposed or executed.

Article 34

Request for Extradition

1. The procedure for the extradition of foreign suspects, inductees or sentenced persons shall be initiated upon request of a foreign state.
2. The request for extradition shall be submitted through diplomatic channels or directly to the Ministry of Justice, if so stipulated in an international agreement.
3. If reciprocity is agreed on with the requested State, the request shall be submitted through diplomatic channels.
4. The request for extradition shall be accompanied by documents stipulated in a bilateral agreement between the requesting State and Bosnia and Herzegovina or a treaty that is mandatory for the two States.
5. Unless otherwise stipulated in the international agreement, the following documents shall be required to support the request for extradition:
 - a.items for establishing the identity of the suspect, inductees or sentenced person (precise description, photographs, fingerprints etc.);
 - b.certificate of citizenship of the foreigner, if the person is a national of the requesting State, or data on citizenship of the foreigner, if the person is a national of another State;
 - c.the text of the article from the criminal code of the requesting State for the offense in respect of which the extradition is requested,
 - d.the original or an authenticated copy of the verdict, if the person is convicted, or original or an authenticated copy of the indictment or the warrant of arrest or other order having the same legal effect, stating all information on the offence committed , the offender's identity and evidence for probable cause.
6. If the request and supporting documents under paragraph 3 above are in a foreign language, a certified translation into one of the official languages in Bosnia and Herzegovina shall be enclosed, unless otherwise stipulated in an international agreement.

Article 35

Procedure Upon A Request for Extradition

1. Upon receipt of a request, the Ministry of Justice of Bosnia and Herzegovina shall promptly deliver the request to the Prosecutor's Office of Bosnia and Herzegovina.
2. The Prosecutor's Office shall examine whether the request for extradition has been submitted in line with Article 43 above and, if it establishes that the request is not complete, it shall request the Ministry of Justice of Bosnia and Herzegovina to inform the competent authority of the requesting State to remove the shortcomings.
3. If the Prosecutor's Office of Bosnia and Herzegovina that the requesting State has sent complete extradition documentation, it shall promptly transmit it to the Court of Bosnia and Herzegovina for decision-making.

Article 36

Deprivation of Liberty

A person sought shall be deprived of liberty on the grounds of international arrest warrant or on the grounds of request of the requesting State in accordance with the provisions of the present Law.

Article 37

Procedure Before A Preliminary Proceedings Judge

1. After a person sought is deprived of liberty on the grounds of arrest warrant issued by INTERPOL Sarajevo on the grounds of international arrest warrant of the requesting State or on the grounds of request of the requesting State, he shall be brought before the preliminary proceedings judge who shall advise him, without delay, after having established the person's identity, why and on what evidence his extradition is requested and invite him to give his defence.
2. The preliminary proceedings judge shall instruct the person under paragraph 1 of his right to retain a defence attorney of his choice and if he does not do it, the Court will appoint a defence attorney at no cost if his case is an offence where a defence attorney is mandatory in accordance with the criminal legislation of Bosnia and Herzegovina.
3. A record of the questioning and defence stated shall be made.

Article 38

Remanding A Sought Person In Custody

1. If an extradition request fulfils the requirements under Article 34(5) above, the preliminary proceedings judge shall issue an order to detain the foreigner, on the proposal of the Prosecutor's Office, in the following cases:
 - a. if there is a risk of his absconding the extradition proceedings or extradition itself;
 - b. if there are circumstances suggesting that the person sought will destroy, conceal, alter or falsify evidence or clues important to the criminal proceedings;
 - c. if particular circumstances indicate that the person sought will hinder the criminal proceedings or extradition proceedings by influencing witnesses, accessories or accomplices.
2. The custody shall last until the decision on extradition has been enforced but no longer than another six (6) months.
3. The custody shall not be ordered if it is clear from the request itself that extradition is uncalled-for.
4. If the circumstances warrant it, the competent court can take, instead of custody, other measures to ensure the presence of the foreigner.
5. When custody is ordered in accordance with provisions of paragraph 1 above, the preliminary proceedings judge shall inform about it the Ministry of Bosnia and Herzegovina in order to inform the foreign State.
6. The preliminary proceedings judge shall order for the foreigner to be released when the reasons for custody cease to exist or if an extradition request is not submitted within 30 days of placing the foreigner in custody.
7. The foreign State shall be informed about the time-limit under paragraph 1 above, which can be extended at the request of the foreign State and the custody can be extended accordingly but not more than 10 days.
8. If a person sought is in custody on some other grounds, the deadlines under paragraphs 6 and 7 above shall start running on the date determined in a decision on custody with a purpose of extradition issued by the Court of Bosnia and Herzegovina.
9. When an extradition request is not submitted within the deadline set, the preliminary proceedings judge shall order for the foreigner to be released.

Article 39

Procedure In Cases Involving Bosnia And Herzegovina Nationals

1. If, acting on the grounds of international arrest warrant of a foreign State and viewing the existing data base of nationals or in some other way, INTERPOL Sarajevo ascertains that the person is a Bosnia and Herzegovina national, it shall inform the requesting State, which issued the international arrest warrant and INTERPOL headquarters that it is not possible to extradite its own national or issue a circular arrest warrant in the territory of Bosnia and Herzegovina with the purpose of his extradition to a foreign State.
2. Together with the notification under paragraph 1 above, INTERPOL Sarajevo shall inform the foreign State that the competent authorities of the State can transfer the criminal proceedings to the competent authorities of Bosnia and Herzegovina.
3. INTERPOL Sarajevo shall inform the Ministry of Bosnia and Herzegovina about an international arrest warrant issued by a foreign State with the purpose of his extradition to the foreign State.
4. If INTERPOL Sarajevo cannot ascertain that a person sought by a foreign Country is a Bosnia and Herzegovina national, and the Court of Bosnia and Herzegovina consequently ascertains that the person placed in custody with the purpose of his extradition to a foreign State is a Bosnia and Herzegovina national, the person shall be promptly released, unless the requirements for transfer of criminal proceedings to Bosnia and Herzegovina or other circumstances warranting a transfer of the person to another competent authority for prosecution that is in charge of Bosnia and Herzegovina authorities are met.

Article 40

Provisional arrest of a sought foreigner

1. In case of urgency, when there is a risk of a sought person escaping or hiding, at the request of the competent authority of the requesting State, regardless of the form of request, the competent law enforcement authorities of Bosnia and Herzegovina shall deprive the person of liberty and bring him before a preliminary proceedings judge in the Court of Bosnia and Herzegovina with a view to deciding the request for provisional arrest.
2. The request for provisional arrest shall be accompanied by documents verifying the identity of the sought person, arrest warrant or other document with similar legal effect, the name of offence in respect of which provisional arrest is requested and a statement that it is intended to send a request for extradition.
3. After bringing the person sought and hearing him, the preliminary proceedings judge shall decide the request for provisional arrest.
4. If the request of the requesting State for provisional arrest of the person sought is granted, the requesting State shall be informed about it through the Ministry of Justice of Bosnia and Herzegovina.
5. Provisional arrest shall not last longer than 18 days.
6. The time-limit under paragraph 5 above can be extended at the request of the foreign State but it shall not, in any event, exceed 40 days from the date of such arrest.
7. If the requesting State does not submit an extradition request and documentation within the deadline set, the Court of Bosnia and Herzegovina shall order for the foreigner to be released.
8. If a person sought is in custody on some other grounds, the deadlines under paragraphs 5 and 6 above shall start running on the date of decision on custody issued at a request for provisional arrest.
9. If a person sought is realized due to the failure to meet the deadlines under paragraphs 5 and 6 above, extradition custody shall not be ordered on the grounds of a request for provisional arrest; it can be ordered only on the grounds of extradition request instead.

Article 41

Investigative Actions and transmitting of the file to a Panel of the Court of Bosnia and Herzegovina

1. When the preliminary proceedings judge has heard the Prosecutor and defense attorney, he shall also, as appropriate, carry out other investigative actions in order to establish if the conditions have been met to extradite the foreigner to surrender the objects on which or by way of which the offense has been committed, if these objects have been seized from the foreigner.
2. Upon execution of investigative actions, the preliminary proceedings judge shall deliver the files on the investigation, along with his opinion, to a Panel of the Court of Bosnia and Herzegovina.
3. If criminal proceedings against the foreigner sought are pending at a national Court due to the same or another offence, the preliminary proceedings judge shall indicate that in the files.

Article 42

Decision on requirements for extradition

1. Deciding an extradition request of a foreign State in extradition proceedings the Court of Bosnia and Herzegovina shall decide whether legal requirements for extradition are met or not.
2. If extradition is requested concurrently by more than one State, the Court of Bosnia and Herzegovina shall make its decision on each individual request having regard to whether legal requirements for extradition are met or not, unless the Minister of Justice has not already issued a (procedural) decision on extradition on the grounds of an earlier decision of the Court of Bosnia and Herzegovina.

Article 43

Decision Establishing fulfillment of the Requirements for Extradition

1. If the Panel of the Court of Bosnia and Herzegovina has found that legal requirements for the extradition of the foreigner have been fulfilled, it shall confirm that by way of a (procedural) decision.
2. The foreigner shall have the right to appeal such a (procedural) decision to the Appellate Division Panel of the Court of Bosnia and Herzegovina within 3 days of receipt of the (procedural) decision.
3. The Appellate Division Panel of the Court of Bosnia and Herzegovina shall decide the appeal against the (procedural) decision under paragraph 1 above by way of a (procedural) decision.
4. If deciding the appeal against the (procedural) decision under paragraph 1 above the Appellate Division Panel of the Court of Bosnia and Herzegovina finds that the appeal is not sustainable and that legal requirements for the extradition of the foreigner have been fulfilled or if an appeal is not lodged against the (procedural) decision, the file shall be transmitted to the Minister of Justice to issue a (procedural) decision on extradition.

Article 44

Decision Refusing Extradition

1. If the Panel of the Court of Bosnia and Herzegovina has found that the legal requirements for extradition have not been fulfilled, it shall issue a decision that the request for extradition has been rejected. This decision shall be transmitted to the Appellate Division Panel of the Court of Bosnia and Herzegovina, which shall, upon having heard the Prosecutor of Bosnia and Herzegovina, confirm, revoke or alter the decision.
2. If the foreigner is in detention, the Panel of the Court of Bosnia and Herzegovina may decide that h shall remain in detention until the decision rejecting the extradition becomes final and binding.
3. The final and binding decision rejecting the extradition shall be delivered through the Ministry of Justice of Bosnia and Herzegovina to the foreign state.
4. If the extradition is rejected due to the reasons under Article 33(a) and 33(b) above, the decision rejecting the extradition shall also, together with all available documentation and

without delay, be transmitted to the competent Prosecutor in Bosnia and Herzegovina for possible transfer or institution of the criminal proceedings, which the Ministry of Justice of Bosnia and Herzegovina shall be informed of.

5. In any case under paragraph 4 above the competent Prosecutor shall inform in written the Ministry of Justice of Bosnia and Herzegovina about his decision within 30 days of issuing a final decision to reject an extradition request, whereas the notification shall contain an enumeration and explanation of reasons for non-instituting criminal proceedings in Bosnia and Herzegovina and when a notification of the institution of criminal proceedings in Bosnia and Herzegovina against the person is sent, additional information and evidence can be asked of the foreign State.
6. The requesting State shall be informed about the facts under paragraph 5 above by the Ministry of Justice of Bosnia and Herzegovina.

Article 45

Issuing of the Final Decision on Extradition

1. If the Panel of the Court of Bosnia and Herzegovina has found that legal requirements for extradition of the foreigner have been fulfilled, after having viewed the entire extradition documentation, the Minister of Justice of Bosnia and Herzegovina shall issue a (procedural) decision granting or not granting the extradition.
2. The (procedural) decision under paragraph 1 above shall not be appealed or challenged in an administrative dispute.
3. the Minister of Justice can reject extradition if it is requested with regard to the offence punishable with imprisonment of up to three years in the national legislation or if the foreign court imposed a prison term of up to one year.
4. In the event of the Minister of Justice of Bosnia and Herzegovina rejecting extradition of the person whose extradition the Court of Bosnia and Herzegovina has granted in a final decision finding that that legal requirements for extradition of the foreigner have been fulfilled, the Prosecutor's Office of Bosnia and Herzegovina can institute an administrative dispute.

Article 46

Postponed surrender

1. After a decision on the request for extradition was made, the Minister of Justice of Bosnia and Herzegovina may postpone the surrender of the person sought while the person is prosecuted in Bosnia and Herzegovina for another offence or in order to serve the prison sentence he received in Bosnia and Herzegovina.
2. The Minister of Justice of Bosnia and Herzegovina may decide to temporarily surrender the person sought, whose surrender was postponed, to the requesting State, as needed in urgent procedural actions, if this will not harm the criminal proceedings pending before a national court and if the requesting State gives guarantees that it will continue keeping this person in custody while staying in the State and return him back to Bosnia and Herzegovina at the time determined by the Minister of Justice of Bosnia and Herzegovina on a proposal of the Court of Bosnia and Herzegovina.

Article 47

Rule of specialty

The Minister of Justice of Bosnia and Herzegovina shall specifically state in the (procedural) decision on granting extradition the following:

1. A person who has been extradited shall not be prosecuted for any offence committed prior to his surrender;
2. that he shall not be subjected to the enforcement of a sentence for another criminal offense committed prior to the extradition;
3. that a sentence more severe than the sentence he has received, including death penalty, shall not be applied to him;

4. that, if he was tried *in absentia*, he shall be tried in *a trial de novo*;
5. that he shall not be extradited to a third country for prosecution for a criminal offense committed prior to the extradition or for enforcement of a prison sentence imposed prior to the extradition.

Apart from the reasons above the Minister of Justice of Bosnia and Herzegovina may also put forward other conditions for extradition in accordance with the present Law and an international agreement.

Article 48

Procedure in Case of Conflicting requests

1. If extradition is requested concurrently by more than one State, either for the same offence or for different offences, the Minister of Justice of Bosnia and Herzegovina shall make its decision having regard to all the circumstances and especially the relative seriousness and place of commission of the offences, the respective dates of the requests, the nationality of the person sought, better opportunities for social rehabilitation and the possibility of subsequent extradition to another State.
2. If the requesting State made requests for same or similar offences, some of which does not fulfil requirements in regard to the level of sentence under Article 32(3) and 32(4) of the present Law, extradition may be granted in respect of these offences too.
3. The decision under paragraphs 1 and 2 shall be reasoned.
4. While making the decision under paragraphs 1 and 2, the consent may be given to the requesting State that the person sought might be surrendered to another State requesting his extradition.

Article 49

Re-extradition to a third state

1. The requesting Party shall not, without the consent of the requested State, surrender to a third State a person and sought surrendered to the requesting State.
2. Giving consent under paragraph 1 above shall include submitting a request for consent and supporting documents by the State the sought person was extradited to and conducting of the statutory proceedings for extradition of foreigners from Bosnia and Herzegovina in accordance with the provisions of the present Law.
3. The decision giving consent to surrender to a third State a person and sought surrendered to the requesting State shall be issued by the Minister of Justice of Bosnia and Herzegovina.

Article 50

Delivery of the decision and Surrender of the person to a foreign State

1. The decision of the Minister of Justice of Bosnia and Herzegovina granting extradition of a foreigner shall be sent to the requesting State.
2. The decision granting extradition of a foreigner shall be sent to INTERPOL Sarajevo and the Border Police of Bosnia and Herzegovina.
3. INTERPOL Sarajevo shall agree on details of realization of extradition with INTERPOL of the requesting State and the extradition, i.e. transport and surrender of the person sought to authorized officials of the requesting State shall be done by the Border Police of Bosnia and Herzegovina, with assistance of INTERPOL Sarajevo.
4. Surrender of the person whose extradition has been granted shall happen within 30 days of the issue of decision of the Minister of Justice of Bosnia and Herzegovina granting extradition.
5. If the requesting State fails to take over the person whose extradition has been granted within 5 days without any sound reason, he shall be released.
6. The time-limit under paragraph 5 above may be extended to 15 days at an explicit and justified reason of the requesting State.

7. While agreeing on details of surrender and taking over of the person sought, INTERPOL Sarajevo shall advise INTERPOL of the requesting State of the effects of failure to take over and the deadlines under paragraphs 5 and 6 above.

Article 51

Simplified Extradition Procedure

1. Any person sought may give consent to surrender to the requesting State in a simplified procedure, without full extradition proceedings carried out, and may waive the rule of specialty.
2. While hearing a person sought, the preliminary proceedings judge shall advise him of the possibility of simplified surrender procedure under paragraph 1 above and its effects.
3. The consent and the waiver under paragraph 1 above shall be entered in the record taken by the Court of Bosnia and Herzegovina.
4. The consent and the waiver under paragraph 1 above shall be irrevocable.
5. The competent court shall inform about the consent to surrender in a simplified procedure the Ministry of Justice of Bosnia and Herzegovina, which shall promptly inform the requesting State about it. In this case the requesting State is not obliged to send an extradition request.
6. The simplified extradition procedure has the same legal effects and is subject to the same requirements, which the requesting State shall be warned about.

Article 52

Re-extradition

1. If a person who was extradited to the requesting State in some way absconds prosecution or serving the sentence in the requesting State and gets to come to the territory of Bosnia and Herzegovina may be extradited if the request is renewed.
2. For the purpose of paragraph 1 above, the requesting State is not obliged to send supporting documents with the extradition request.

Article 53

Extradition proceedings after the expiry of a deadline for submission of extradition documentation

If the requesting State does not send an extradition request and supporting documents within the time-limit set by the Court of Bosnia and Herzegovina, the Court may decide to carry out the extradition proceedings.

Article 54

New Extradition Proceedings

1. If, from the time when the Court of Bosnia and Herzegovina issued a final decision to the time when the Minister of Justice of Bosnia and Herzegovina issued a decision on extradition, the circumstances with regard to some of the requirements for extradition under article 33 above changed, the Minister of Justice of Bosnia and Herzegovina shall transmit the entire documentation to the Court of Bosnia and Herzegovina and ask for new extradition proceedings in accordance with the present Law in order to find whether the legal requirements for extradition are fulfilled.
2. If the Minister of Justice of Bosnia and Herzegovina issued a decision on extradition and the circumstances with regard to some of the requirements for extradition under Article 33 above changed before extradition, the Minister of Justice of Bosnia and Herzegovina shall rescind his decision and transmit it to the Court of Bosnia and Herzegovina and ask for new extradition proceedings in accordance with the present Law in order to find whether the legal requirements for extradition are fulfilled.

3. On the grounds of a decision issued by the Court of Bosnia and Herzegovina in repeated proceedings, the Minister of Justice of Bosnia and Herzegovina shall issue a decision on extradition.

Article 55

Search of persons and sites and seizure

1. At the request of the requesting State, the Court of Bosnia and Herzegovina shall order search of the sought person, who is deprived of liberty, search of sites and seizure of property.
2. Property found on the sought person, who is deprived of liberty, shall be handed over to the requesting State at its request:
 - a. which may be required as evidence, or
 - b. which has been acquired as a result of the offence and which, at the time of the arrest, is found in the possession of the person sought or is discovered subsequently.
3. The property mentioned in paragraph 1 of this article shall be handed over even if extradition, having been agreed to, cannot be carried out owing to the death or escape of the person sought.
4. When the said property is liable to seizure or confiscation in the territory of Bosnia and Herzegovina, the latter may, in connection with pending criminal proceedings, temporarily retain it or hand it over on condition that it is returned.
5. The provisions of this Article are without prejudice to the ownership rights and other rights over the property.

CHAPTER IV

PROCEDURE OF EXTRADITION FROM ANOTHER STATE TO BOSNIA AND HERZEGOVINA

Article 56

Request for extradition from a foreign State

1. If criminal proceedings are pending in Bosnia and Herzegovina against a person who is in a foreign State or if a national court has imposed a sentence on a person who is in a foreign State, the Minister of Justice of Bosnia and Herzegovina may submit a request for extradition of the person upon a reasoned proposal of the authority conducting the proceedings or authority in charge of the execution of sentence.
2. The request shall be communicated to the Ministry in charge of justice in the requested State through the diplomatic channel or directly, as provided for in an international agreement.

Article 57

Request for provisional arrest

1. In case of urgency, when there is a risk of a sought person escaping or hiding, the Minister of Justice of Bosnia and Herzegovina may request from the requested State the provisional arrest of the person sought before sending a request for extradition.
2. The request for provisional arrest shall be accompanied by documents verifying the identity of the sought person, arrest warrant or other document with similar legal effect, or a final verdict if the trial of case has been finished, the name of offence in respect of which provisional arrest is requested and a statement that it is intended to send a request for extradition.

Article 58

Guarantees for an extradited person

1. If a sought person is extradited to Bosnia and Herzegovina, prosecution for another offence or execution of a sentence for another offence shall not be permissible, except for the offence that is the subject of extradition request and if the sought person waives the immunity and the requested State did not make it a condition.
2. If extradition of a sought person to Bosnia and Herzegovina is granted conditional upon the legal nature and duration of the penalty that can be imposed or executed and the conditions are accepted by the requesting authority, the competent court in Bosnia and Herzegovina shall be bound by the conditions while imposing a sentence, and when it is execution of already imposed sentence in question, the court of last instance shall modify the sentence and bring the imposed sentence in line with the conditions of extradition.
3. If extradition of a sought person to Bosnia and Herzegovina is granted conditional upon the type of custodial institution where he is to serve the sentence and the conditions are accepted by the requesting authority, the competent authority that sends the sentenced person to serve his prison term shall be bound to take the conditions of extradition into account in terms of the type of custodial institution where he is to serve the sentence.
4. If the extradited person was held in detention in a foreign country in respect of the offence he is extradited for, the period of detention shall be credited against the term of imprisonment he received.

Article 59

Expenses

Expenses incurred by reason of extradition granted to Bosnia and Herzegovina shall be borne from the budget funding the authority that requested the extradition and the expenses shall be planned and paid by the Ministry of Justice funded from the budget and in the case of Brcko District it shall be the Judicial Commission of Brcko District.

CHAPTER V

TRANSPORT OF A FOREIGNER THROUGH THE TERRITORY OF BOSNIA AND HERZEGOVINA

Article 60

Request for Transit through the territory of Bosnia and Herzegovina

1. If a request for extradition is filed by a foreign State to another State and the person sought is to be transported through the territory of Bosnia and Herzegovina, at the request of a State concerned, the Minister of Justice of Bosnia and Herzegovina may grant a request for transit of a sentenced person through its territory, provided that the sentenced person is not one of its nationals and that the offence for which the sentence was imposed is not an offence under its own law.
2. Any request for transit shall contain all information under Article 35(5) above.
3. Under the rule of reciprocity, any expenses incurred by reason of transit of a sentenced person through the territory of Bosnia and Herzegovina shall be borne from the budget of Bosnia and Herzegovina if the transit is carried on by land.

CHAPTER VI

ENFORCEMENT OF FOREIGN CRIMINAL JUDGMENTS

Article 61

General provisions

1. A national court shall comply with a request of the sentencing State for enforcement of a criminal judgment only if it is provided for in an international agreement and shall enforce a final judgment concerning a criminal sentence imposed by a foreign court in the manner that it shall render a judgment imposing a sentence in accordance with the criminal legislation of Bosnia and Herzegovina.
2. A foreign criminal judgment may be enforced against a national of Bosnia and Herzegovina and persons who are permanent resident in its territory.
3. A foreign criminal judgment imposing a custodial penalty may be enforced:
 - a. At the requested of a sentencing State when the sentenced person is not accessible in the State and he is a national of Bosnia and Herzegovina and a permanent resident in its territory or he is only a permanent resident in its territory and
 - b. At the requested of a national of Bosnia and Herzegovina who is serving a custodial penalty the sentencing State for transfer to Bosnia and Herzegovina to serve the remaining term of sentence imposed on him in the sentencing State.

Article 62

Requirements for the transfer of enforcement of a foreign criminal judgment

1. Unless otherwise stipulated in an international agreement, a foreign criminal judgment shall be enforced provided that:
 - a. the judgment is final and enforceable and issued by a competent judicial authority in the sentencing State;
 - b. the acts or omissions constitute offences according to the law Bosnia and Herzegovina;
 - c. the sentenced person still has at least six months of the sentence to serve at the time of submission of the request;
 - d. the sentenced person has given consent;
 - e. a final judgment against the sentenced person in respect of the same acts has not been delivered in Bosnia and Herzegovina or criminal proceedings against the sentenced person in respect of the same acts has not been pending in Bosnia and Herzegovina or he has not been acquitted of the charges;
 - f. under the laws of the sentencing State or Bosnia and Herzegovina, the enforcement is not barred by time limitations.
2. A foreign criminal judgment shall not be enforced:
 - a. If it is in contravention of fundamental principles of the legal system of Bosnia and Herzegovina or commitments Bosnia and Herzegovina has overtaken signing an international agreement and
 - b. If, in the opinion of the Bosnia and Herzegovina issuing authority, the offence in respect of which the enforcement is requested is a political or military criminal offence.

Article 63

Subject-matter and territorial jurisdiction of a court in deciding a request

Subject-matter and territorial jurisdiction of a court in Bosnia and Herzegovina over a case under a request for recognition and enforcement of a foreign criminal judgment shall be determined in the same manner as over the particular criminal case if it was conducted in Bosnia and Herzegovina.

Article 64

Documentation enclosed with a request for enforcement by the sentencing State

If an international agreement provides for the Parties' possibility to make other requirements apart from the agreed ones in regard to the documentation accompanying a request for enforcement, the sentencing State shall submit the following:

- a. the original or a duly certified copy of the final judgment with an execution clause stamped;

- b. Details of the sentenced person, including, beside the personal details, his citizenship, permanent residence, the place of birth, last permanent residence and other information that can be relevant to determining jurisdiction of a court to decide the request;
- c. Information about the sentence imposed, including a statement certifying any period of provisional detention already served or any part of the sentence which has already been enforced and
- d. the text of the legal provisions applied in the case.

Article 65

Procedure on a request for recognition and enforcement of a foreign criminal judgment filed by a foreign State

1. When the Ministry of Justice of Bosnia and Herzegovina receives a request for recognition and enforcement of a foreign criminal judgment, it shall transmit it together with supporting documents to:
 - The Court of Bosnia and Herzegovina if offences fall under jurisdiction of the Court of Bosnia and Herzegovina;
 - The competent Entity Ministry of Justice or the Judicial Commission of Brcko District of Bosnia and Herzegovina if offences fall under jurisdiction of the courts in Entities or the Court of Brcko District of Bosnia and Herzegovina.
2. Upon receipt, the competent Entity Ministry of Justice or the Judicial Commission of Brcko District of Bosnia and Herzegovina shall transmit it together with supporting documents to the competent court for adjudication.
3. If the competent court finds that a request is not accompanied by necessary documentation in accordance with an international agreement or the present Law, it shall ask through the Ministry of Justice of Bosnia and Herzegovina from the competent authorities of the sentencing State to complete it.
4. Where the court which receives the documentation finds that it lacks jurisdiction, it shall transmit the request together with the documentation to the court with subject-matter and territorial jurisdiction and shall so inform the Ministry of Justice of Bosnia and Herzegovina.
5. If the sentencing State fails to provide the requested documentation within 3 months, the request and the documentation shall be returned to the sentencing State, the sentencing State being entitled to re-submit the request with complete documentation.

Article 66

Defense attorney

Throughout the proceedings, the person against whom the enforcement of a criminal judgment is requested has the right to retain a defence attorney of his choice and if he does not do it, the Court will appoint a defence attorney at no cost if his case is an offence where a defence attorney is mandatory in accordance with the criminal legislation of Bosnia and Herzegovina.

Article 67

Issuing a judgment

1. A Panel of the competent court consisting of three judges shall decide a request for recognition and enforcement of a foreign criminal judgment in non-trial proceedings.
2. The Prosecutor, the sentenced person and his defence attorney shall be informed about the session of the Panel.
3. While deciding a request, the court shall be bound by the findings as to the facts insofar as they appear explicitly or implicitly in the judgment handed down in the sentencing State and shall render its own judgment stating the full rendition and the name of the court from the foreign judgment and shall determine the penalty, grounding the decision on penalty on

- a penalty laid down by the law of Bosnia and Herzegovina and the reasons thereof shall be entered in the reasoning of the judgment.
4. A recognized foreign criminal judgment shall be enforced in the same manner as if issued by the court that has recognized it.
 5. The court shall not aggravate by its nature or duration the penalty imposed in the sentencing State.

Article 68

An appeal against the decision

1. The Prosecutor, the sentenced person and his defence attorney may file an appeal against the judgment under Article 67 above within three (3) days from the day the judgment was received.
2. An appeal against the judgment issued on a request for recognition and enforcement of a foreign criminal judgment shall be decided by a Panel in charge of deciding appeals against judgments in accordance with the relevant provisions of the Criminal Procedure Code applied by the particular court.

Article 69

Delivery of a final decision

A final decision issued on a request for recognition and enforcement of a foreign criminal judgment shall be transmitted through the Ministry of Justice of Bosnia and Herzegovina to the sentencing State and the sentenced person.

Article 70

Consequences of transfer

1. If enforcement of a foreign criminal judgment is transferred, the enforcement of the judgment in the sentencing State shall be suspended and the enforcement shall be continued in Bosnia and Herzegovina.
2. Any application for new criminal proceedings shall be decided exclusively by the sentencing State.
3. Both the sentencing State and Bosnia and Herzegovina may grant amnesty, pardon or commutation of a penalty or sanction.
4. If the judgment that is a request of the sentencing State based on is subsequently rescinded or modified, the competent court in Bosnia and Herzegovina shall conduct, at the request of the sentenced person, new proceedings of recognition and enforcement of a foreign criminal judgment and decide on the remaining term of prison sentence to be served on the grounds of the new judgment of the sentencing State.
5. If the sentenced person absconds the enforcement in Bosnia and Herzegovina, the right of enforcement shall revert to the sentencing State. The sentencing State shall promptly inform Bosnia and Herzegovina about such circumstances.
6. The sentencing State and Bosnia and Herzegovina shall inform each other about the circumstances under paragraph 5 above.

Article 71

Mandatory notification

Bosnia and Herzegovina shall inform the sentencing State about any circumstances with regard to amnesty or pardon.

Article 72

Request of a judicial authority of Bosnia and Herzegovina for recognition and enforcement of a criminal judgment issued by a national court

At the request of a national authority in charge of the enforcement of criminal sentences, the Ministry of Justice of Bosnia and Herzegovina shall request of a foreign State the recognition and enforcement of a criminal judgment issued by a national court:

- a. if Bosnia and Herzegovina cannot ensure the enforcement of the criminal judgment issued by the national court and
- b. if the transfer of enforcement warrants expectations of better social rehabilitation of the sentenced person.

Article 73

The manner and procedure of filing a request

1. A request for the enforcement of a criminal judgment issued by a national court to be submitted to a foreign State shall be accompanied by documentation provided for in an international agreement and, in any event, by documentation provided for in Article 64 above.
2. The language of the request and supporting documents is determined in an international agreement.

Article 74

Consequences of transfer of enforcement of a judgment issued by a national court

If the enforcement of a criminal judgment issued by a national court is transferred to a foreign State, the enforcement of the sentence in Bosnia and Herzegovina shall be suspended on the date of commencement of enforcement in the administering State.

Article 75

Consequences of transfer of enforcement in case of modification or termination of the enforcement of a criminal judgment

1. If, after the enforcement of a criminal judgment issued by a national court was transferred to the administering State, the enforcement of the sentence has been modified or terminated in Bosnia and Herzegovina, the administering State shall be notified thereof..
2. If a sentenced person absconds the enforcement in the administering State, which recognized a criminal judgment issued by a national court, the enforcement shall resume in Bosnia and Herzegovina.

CHAPTER VII

TRANSFER OF SENTENCED PERSONS FROM A FOREIGN STATE TO BOSNIA AND HERZEGOVINA

Article 76

General provisions

1. A Bosnia and Herzegovina national serving his prison sentence in a foreign State may be transferred to Bosnia and Herzegovina, at his personal request, in order to serve the remaining term of sentence imposed on him in the foreign State.
2. Transfer of a sentenced person, a Bosnia and Herzegovina national, shall be carried on only with approval of the sentencing State, provided that the sentenced Bosnia and Herzegovina national has given consent and that he still has at least six months of the sentence to serve.

Article 77

Procedure of deciding requests of Bosnia and Herzegovina sentenced nationals for transfer to Bosnia and Herzegovina in order to serve the remaining term of sentence imposed on them in the Sentencing State

1. With regard to the manner and procedure of issuing a decision on a request of a Bosnia and Herzegovina national for transfer to Bosnia and Herzegovina in order to serve the remaining term of sentence imposed on him in the sentencing State, Articles 65, 66, 67 and 68 above shall apply analogously.
2. After a national court has issued a decision to recognize a foreign court judgment in criminal matters, it shall be sent to the sentenced person in the sentencing State and the competent authorities of the sentencing State.
3. After the sentenced person has signed the proof of service, the proof of service shall be returned to the issuing Court.
4. After the decision has become final and the competent authorities of the sentencing State has approved it, the transfer from sentencing State to Bosnia and Herzegovina shall be carried on.

CHAPTER VIII

TRANSFER OF SENTENCED PERSONS FROM BOSNIA AND HERZEGOVINA TO A FOREIGN STATE

Article 78

Procedure of deciding requests of foreigners for transfer to the State whose nationals they are in order to serve the remaining term of sentence imposed on them in Bosnia and Herzegovina

1. A foreign national serving his prison sentence in Bosnia and Herzegovina in accordance with a national court's decision, may file a request to serve the sentence imposed on him in the foreign State whose national he is.
2. The correctional institution where a sentenced foreign national is serving his prison sentence shall inform the person about the possibility to serve the sentence imposed on him in the foreign State whose national he is.
3. The request under paragraph 1 above shall be filed with the correctional institution where a sentenced foreign national is serving his prison sentence.
4. The correctional institution shall complete the documentation to accompany the request in pursuance of an international agreement obligatory for Bosnia and Herzegovina and the administering State, that is in pursuance of Article 64 above and send the completed documentation to the Ministry of Justice of Bosnia and Herzegovina.
5. With regard to the persons sentenced by Entity or Brcko District courts, the request under paragraph 1 shall be filed through the Entity Ministries of Justice and the Judicial Commission of Brcko District respectively.
6. The Ministry of Justice of Bosnia and Herzegovina shall send the request to the State where the sentenced person wants to serve the sentence or continue serving the sentence, whose national he is.

Article 79

Issuing a decision on transfer of a foreigner

If the State whose national is a sentenced person approves his transfer, the final decision on transfer shall be issued by the Minister of Justice of Bosnia and Herzegovina with prior approval by the Entity Ministries of Justice and the Judicial Commission of Brcko District for judgments issued by Entity and Brcko District courts respectively, whereas in the case of the Court of Bosnia and Herzegovina judgments, the Minister of Justice of Bosnia and Herzegovina shall issue a decision solely on the grounds of the judgment of this Court.

Article 80

Place, time and manner of surrender

The time, place and date of taking the sentenced person from Bosnia and Herzegovina in charge of the administering State or from the sentencing State in charge of Bosnia and Herzegovina and the manner of his transport shall be agreed between INTERPOL Sarajevo and INTERPOL of that State; while the transfer shall be carried on by the Border Police of Bosnia and Herzegovina with assistance of INTERPOL Sarajevo.

Article 81

Expenses of transfer

1. Any expenses incurred in the transfer of sentenced persons shall be borne by the administering State, except expenses incurred exclusively in the territory of the sentencing State.
2. Any costs incurred in the bringing of the person whose transfer is granted in Bosnia and Herzegovina shall be borne from the budget funding the Court that issued the decision enabling the transfer of the sentenced person and the expenses will be planned and paid by the Ministry of Justice funded from the budget and in the case of Brcko District it shall be the Judicial Commission of Brcko District.
3. In the event of the agreed transfer from the sentencing State to Bosnia and Herzegovina not being carried out for any reason, any expenses incurred shall be borne by a budgetary beneficiary in pursuance of paragraph 2 above.

CHAPTER IX

TRANSFER OF CRIMINAL PROCEEDINGS

Article 82

Transfer of criminal proceedings to a foreign State

1. If a foreigner who has permanent residence in a foreign State is suspected of having committed an offence in the territory of Bosnia and Herzegovina, the criminal file may be transmitted with a view to transferring prosecution and trial to the State, if the State does not oppose it.
2. Transfer of prosecution and trial is not permissible if a foreigner may be subjected to unfair trial, inhuman or degrading treatment or punishment.
3. The Prosecutor shall make a decision on transfer of proceedings before bringing an indictment. After bringing an indictment and before giving the files to a judge or a panel of judges to schedule a hearing, the decision shall be made by the preliminary proceedings judge on a proposal of the Prosecutor.
4. After the beginning of trial, a decision on transfer of proceedings shall be made by the trial judge or panel of judges on a proposal of the Prosecutor.
5. Proceedings may be transferred when the case involves an offence under jurisdiction of the court that is punishable by a period of up to ten years' imprisonment, unless otherwise stipulated in an international agreement.
6. If the injured party is a national of Bosnia and Herzegovina, the proceedings may not be transferred if he opposes it, unless a surety was deposited against the damages claim of the injured party.

Article 83

Letter rogatory for Transfer of criminal proceedings from a foreign State

1. A request for transfer of criminal proceedings shall be filed with a foreign State in a form of letter rogatory.
2. Unless otherwise stipulated in an international agreement, a letter rogatory for transfer of proceedings shall contain, *inter alia*, the personal details of the suspect/inductee, his citizenship, permanent residence, a description and qualification of the offence committed

and a reasoned explanation of the reason for transferring the proceedings to the requested State.

3. The request and supporting documents shall be translated into the language of the requested State, unless otherwise stipulated in an international agreement.

Article 84

Procedure of handling a Letter rogatory for Transfer of criminal proceedings from a foreign State filed by a national judicial authority

1. A request of a national judicial authority for transfer of proceedings from a foreign State together with the criminal file shall be transmitted to the Ministry of Justice of Bosnia and Herzegovina.
2. If the case being transferred falls under jurisdiction of an Entity judicial authority or a judicial authority of Brcko District of Bosnia and Herzegovina, the request under Article 83 above together with the criminal file shall be transmitted to the Ministry of Justice of Bosnia and Herzegovina through the Entity Ministries of Justice or the Judicial Commission of Brcko District of Bosnia and Herzegovina.
3. Upon receipt of the request for transfer of proceedings from a foreign State, the Ministry of Justice of Bosnia and Herzegovina shall transmit it together with the criminal file to the competent judicial authority of the requested State, and ask it to give a feedback on the decision on the request issued by the competent judicial authority of the requested State.
4. If, upon receipt of the request for transfer of proceedings, the Ministry of Justice of Bosnia and Herzegovina finds that the request is not complete or translated into the language of the requested State, if so provided in an international agreement, the competent authority shall be requested to remove the shortcomings within 30 days.
5. If the competent authority fails to remove the shortcomings within the deadline set in paragraph 4 above, the request and the documentation shall be returned to the authority.

Article 85

Transfer of criminal proceedings from a foreign State at the request of the foreign State

1. Upon a request for transfer of proceedings from the competent judicial authority of the requesting State, the competent judicial authority of Bosnia and Herzegovina may take over proceedings in cases provided by law and in an international agreement.
2. The competent judicial authority of Bosnia and Herzegovina may take over proceedings involving offences committed abroad in respect of which extradition from Bosnia and Herzegovina is not permissible at the request of a foreign State, if the foreign judicial authority requesting extradition states that it will not prosecute the person sought for the same offence once the person is finally convicted by the competent judicial authority of Bosnia and Herzegovina.
3. Upon receipt of a request for transfer of proceedings from a foreign State, the Ministry of Justice of Bosnia and Herzegovina shall transmit it to:
 - The Prosecutor's Office of Bosnia and Herzegovina if offences fall under jurisdiction of the Court of Bosnia and Herzegovina;
 - The competent Entity Prosecutor's Office through the Entity Ministry of Justice if offences fall under jurisdiction of the courts in Entities and
 - The competent Prosecutor's Office of Brcko District of Bosnia and Herzegovina through the Judicial Commission of Brcko District of Bosnia and Herzegovina if offences fall under jurisdiction of the Court of Brcko District of Bosnia and Herzegovina.
4. If a damages claim of the injured party is filed together with a request for transfer of proceedings from a foreign State, it shall be processed as if filed with the court.

Article 86

The content of the Letter rogatory for Transfer of criminal proceedings

1. A request for transfer of proceedings from a foreign State shall contain all elements stipulated in an international agreement, if any.
2. A request for proceedings under paragraph 1 shall be accompanied by the criminal file and all pieces of evidence and the text of the legal provisions applied in the case in the requesting State.

Article 87

Procedure at the request of a foreign State for Transfer of criminal proceedings from the State

1. The competent Prosecutor shall make a decision on transfer of proceedings from a foreign State.
2. If prosecution is transferred, the criminal proceedings shall follow the criminal procedure codes of Bosnia and Herzegovina.

Article 88

Validity of evidential actions

Any evidential action, taken by judicial authorities of the requesting State in accordance with its law and regulations, shall have the same validity in Bosnia and Herzegovina as actions taken in accordance with its law and regulations, unless this is in contravention of the fundamental principles of the national legal system or standards under human rights treaties.

Article 89

Refusal of transfer of criminal proceedings

1. The requesting State shall be informed about any decision refusing a request for transfer of proceedings and about the final decision issued in the criminal proceedings.
2. If a request for transfer of proceedings from the requesting State is refused, the competent Prosecutor shall give a reasoned explanation of reasons for the refusal, and transmit it together with the case file to the Ministry of Justice of Bosnia and Herzegovina for returning it to the requesting State.

Article 90

Consequences of transfer of proceedings to a national judicial authority

1. Consequences of transfer of proceedings from the requesting State at its request to Bosnia and Herzegovina are stipulated in an international agreement, if any.
2. In case of lacking an international agreement, consequences of transfer of proceedings from the requesting State at its request to Bosnia and Herzegovina are such that prosecution of the person for the offence concerned shall be suspended in the requesting State from the date of making a decision to send a request until the date of Bosnia and Herzegovina making a decision to take over the prosecution.
3. It shall be considered that the requesting State has abandoned prosecution of a person:
 - a. if the requested competent authority in Bosnia and Herzegovina definitely terminates the criminal proceedings due to insufficient evidence or because the act is not an offence;
 - b. if the inductee is acquitted in a final decision;
 - c. if the decision issued by a court in Bosnia and Herzegovina is enforced or enforcement is not permissible by law or due to pardon or amnesty orders or the statute of limitations of either Bosnia and Herzegovina or the requesting State applies.
4. The right of prosecution and enforcement of judgment shall revert to the sentencing State:
 - d. If Bosnia and Herzegovina informs the requesting State that it will not take over the proceedings;
 - e. If Bosnia and Herzegovina refuses a request of the requesting State to take over the proceedings;
 - f. If Bosnia and Herzegovina informs the requesting State that it withdraws the decision granting the transfer of proceedings to Bosnia and Herzegovina;

g. If the requesting State withdraws a request before the competent authority in Bosnia and Herzegovina decides the request of the requesting State.

Article 91

Information on the status of criminal proceedings

1. The authority that took over the criminal proceedings in Bosnia and Herzegovina, i.e. the authority conducting the criminal proceedings in Bosnia and Herzegovina, shall give information about the status of criminal proceedings at the request of the requesting State.
2. When the criminal proceedings is closed, the authority that took over the criminal proceedings shall notify the requesting State about the outcome of the proceedings through the Ministry of Justice of Bosnia and Herzegovina and transmit the final and binding court decision at the request of the requesting State.

CHAPTER X

FINAL PROVISIONS

Article 92

Cessation of validity of the provisions of Criminal Procedure Code

Chapters Thirty and Thirty One of the Criminal Procedure Code of Bosnia and Herzegovina shall cease from application on the affective date of this Law.

Article 93

Implementing regulations (Statutory instruments)

The Ministry of Security of Bosnia and Herzegovina shall enact implementing regulations on the criminal records where sentences imposed abroad on Bosnia and Herzegovina nationals, who were not born in Bosnia and Herzegovina, shall be recorded, within three months of the affective date of this Law.

Article 94

The criminal record template for sentences imposed on foreigners in Bosnia and Herzegovina

The Minister of Justice of Bosnia and Herzegovina shall enact a criminal record template for recording sentences imposed on foreigners in Bosnia and Herzegovina within thirty days of the affective date of this Law.

Article 95

Relevant application of other regulations

Relevant provisions of the Criminal Procedure Codes, Criminal Codes, the Law on Petty Offences and the Law on Courts shall be applied to the matters that concern mutual assistance in criminal matters and are not specifically regulated in the present Law.

Article 96

Transitional provision

The extradition proceedings pending on the affective date of this Law shall be completed in pursuance of Chapter Thirty One of the Criminal Procedure Code of Bosnia and Herzegovina.

Article 97

Entry into Force

This Law shall enter into force on the eighth day of publishing in the “Official Gazette of Bosnia and Herzegovina”.

Pursuant to Article IV 4 a) of the Constitution of Bosnia and Herzegovina, the Parliamentary Assembly of Bosnia and Herzegovina, at the 75th session of the House of

Representatives held on 7 March 2006 and at the 55th session of the House of Peoples held on 27 March 2006,

Adopted

ANNEX VII. Law on Application of Certain Temporary Measures in Support of Effective Implementation of the Mandate of the International Criminal Tribunal for the Former Yugoslavia, and Other International Restrictive Measures

CHAPTER I. BASIC PROVISIONS

Article 1

(Subject and Purpose of the Law)

1. This Law regulates the application of international restrictive measures that, in accordance with the international law, Bosnia and Herzegovina applies against states, international organisations, territorial entities, movements or natural and legal persons, and other subjects covered by the international restrictive measures.
2. This Law specifically regulates the introduction and application of certain temporary measures aimed to temporarily prevent any use, alienation or other disposal of property of persons indicted in front of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 (in a short form: International Criminal Tribunal for the former Yugoslavia; hereinafter: ICTY), who are not available to that tribunal and their assistants in evading availability to that tribunal.
3. The purpose of this Law is to regulate in Bosnia and Herzegovina the manner of implementation of United Nations Security Council resolutions or European Union decisions that foresee international restrictive measures, particularly United Nations Security Council Resolution 1503 (2003) through the application of certain measures in support of effective implementation of the ICTY mandate.

Article 2

(International Restrictive Measures)

1. International restrictive measures include arms embargo, complete or partial restrictions on import or export, restrictions on admission into a country, financial restrictions, and other measures in accordance with international law.
2. Bosnia and Herzegovina applies international restrictive measures due to implementation of decisions of the United Nations, which are binding under the international law, or when it joins the restrictive measures of the European Union or in other cases in accordance with international law.
3. The Council of Ministers of Bosnia and Herzegovina (hereinafter: the Council of Ministers) shall decide on the manner of introduction, implementation and termination of international restrictive measures not specifically regulated by this Law, after consultation with the Presidency of Bosnia and Herzegovina (hereinafter: the Presidency).
4. The provisions of Chapters II and III of this Law shall apply to financial restrictions against persons other than persons indicted in front of the ICTY but unavailable to that tribunal and their assistants, unless otherwise envisaged by international law.
5. As soon as international restrictive measures are determined, the Ministry of Foreign Affairs of Bosnia and Herzegovina (hereinafter: the Ministry of Foreign Affairs) and the Directorate for EU Integrations of the Council of Ministers (hereinafter: the Directorate for EU Integrations) shall inform the Council of Ministers and the Presidency.

Article 3

(Definition of Terms in the Law)

Particular terms used in this Law shall have the following meaning:

- a. Indicted person is a person against whom the indictment has been brought in front of the ICTY and who is not available to that tribunal.
- b. Assistant to an indicted person is any natural or legal person for which grounds for suspicion exist for providing assistance to an indicted person in evasion of availability to the ICTY, including marital or extramarital partner, first-line blood relative, brother or sister, adoptive parent or adopted child and their marital or extramarital partner. An

assistant is also a defence lawyer, medical doctor or religious confessor of an indicted person, if there are grounds for suspicion that the assistance such a person provides to an indicted person is not the assistance within the scope of professional service, but an assistance in evading availability to the ICTY.

c. Funds mean financial assets and benefits of every kind, such as:

1. cash, cheques, claims on money, drafts, money orders and other payment instruments,
2. deposit with financial institutions or other entities, balances on accounts, debts and debt obligations;
3. securities subject to stock exchange or other type of trade, such as stocks or shares, certificates, bonds and other kinds of securities;
4. interest, dividends and other income on or value accruing from or generated by assets,
5. credit, right of set-off, guarantees and other financial commitments,
6. letters of credit, bills of lading, bills of sale,
7. documents evidencing an interest in funds or financial resources,
8. any other instrument of export financing.

d. Economic resources mean assets of every kind, whether tangible or intangible, movable or immovable, which are not funds but can be used to obtain funds, goods or services.

CHAPTER II. TEMPORARY FINANCIAL MEASURES AGAINST PERSONS INDICTED IN FRONT OF ICTY AND THEIR ASSISTANTS

Article 4

(Types of Temporary Financial Measures under this Law)

1. Temporary measures, which are applied pursuant to this Law, with the aim to temporarily prevent any use, alienation or other disposal of property, are:
 - a. freezing of funds; and
 - b. freezing of economic resources.
2. Freezing of funds is preventing any move, transfer, alteration, use of, access to, or dealing with funds in any way that would result in any change in their volume, amount, location, ownership, possession, character, destination or other change that would enable the funds to be used, including portfolio management.
3. Freezing of economic resources is preventing their use to obtain funds, goods or services in any way, such as their selling, hiring or mortgaging.

Article 5

(Features of Temporary Measures)

1. The application of temporary measures of freezing of funds and freezing of economic resources shall entail that:
 - a. All funds and economic resources belonging to, or owned, possessed or held by the person against whom the measures are applied, shall be frozen;
 - b. No funds or economic resources shall be made available, directly or indirectly, to or for the benefit of the person against whom the measures are applied; and
 - c. Activities the object or effect of which is, directly or indirectly, to consciously circumvent the measures referred to in sub-paragraphs a) and b) of this paragraph shall be prohibited.
2. The provision of sub-paragraph b) of paragraph (1) shall not apply to the addition to frozen accounts of interest or other earnings on those accounts, or payments due under contracts, agreements or obligations that were concluded or arose prior to the beginning of enforcement of the decision on application of measures against the particular person, provided that any such interest, other earnings and payments continue to be subject to sub-paragraph a) of paragraph (1) of this Article.

3. Provision of sub-paragraph b) of paragraph (1) of this Article shall not prevent the crediting of the frozen accounts by financial institutions that receive funds transferred by third parties to the account of the person against whom the measures are applied, provided that any such additions to such accounts will also be frozen.

Article 6

(Obligation to Deliver Information)

1. Natural and legal persons, organisations, bodies and institutions shall without delay deliver to the Ministry of Security of Bosnia and Herzegovina (hereinafter: Ministry of Security) any information on the enforcement of the decision on application of the measures against the particular person, such as information on accounts and amounts frozen, and shall co-operate with the Ministry of Security in any verification of this information.

2. The financial institutions shall especially inform the Ministry of Security about transactions referred to in Article 5 (*Features of Temporary Measures*) paragraph (3) of this Law.

3. The Ministry of Security may use the information from this Article only for the purpose for which the information was provided.

Article 7

(Keeping Records)

1. The Ministry of Security shall establish and keep records on persons against whom international restrictive measures or temporary measures under this Law have been introduced.

2. The data from records shall be available to institutions of Bosnia and Herzegovina and other institutions or bodies that require such information in the scope of their competency or to perform authorised activities. The regulations on protection of personal data and on protection of secret data shall apply.

3. Upon request, the Ministry of Security shall provide data from records to the United Nations and the European Union.

Article 8

(Exceptions for Living Expenses)

1. By way of derogation from Article 5 (*Features of Temporary Measures*) paragraph (1) of this Law, the Court of Bosnia and Herzegovina (hereinafter: the Court of BiH) shall authorise the release of certain frozen funds or economic resources or the making available of certain frozen funds or economic resources, if it determines that the funds or economic resources concerned are necessary for basic life expenses, including payments for food-stuffs, rent or lease or mortgage for the living place, medicines and medical treatment, taxes, insurance premiums, and public utility charges.

2. By way of derogation from Article 5, paragraph (1) of this Law, the Court of BiH may also authorise the release of certain frozen funds or economic resources or the making available of certain frozen funds or economic resources, if it determines that the funds or economic resources concerned are:

- a. intended exclusively for payment of reasonable professional fees and reimbursement of incurred expenses associated with the provision of legal services; or
- b. intended exclusively for payment of fees or service charges for routine holding or maintenance of frozen funds or economic resources; or
- c. necessary for extraordinary expenses.

3. When deciding pursuant to paragraphs (1) and (2) of this Article, the Court of BiH may determine conditions under which it authorises the release or making available of funds or economic resources.

4. The Court of BiH shall inform the Ministry of Security of any authorisation granted under this Article no later than eight days prior to the granting of authorisation.

5. The Ministry of Security shall inform the competent bodies of international organisations and of states that apply the same restrictive measures against the same persons of any authorisation granted under this Article.

Article 9

(Exceptions for Certain Obligations)

1. By way of derogation from Article 5 (*Features of Temporary Measures*) paragraph (1) of this Law, the Court of BiH may also authorise the release of certain frozen funds or economic resources, if the following conditions are met:

- a. if the funds or economic resources became objects of obligation under a judicial, administrative or arbitral decision prior to the beginning of implementation of the decision on application of measures against a particular person; and
- b. if the funds or economic resources will be used exclusively to satisfy such a obligation; and
- c. if a judicial, administrative or arbitral decision has not been rendered for the benefit of a person against whom the temporary measures of freezing of funds and economic resources are applied; and
- d. if recognising such an obligation is not contrary to the legal system of Bosnia and Herzegovina.

2. The Court of BiH shall inform the Ministry of Security of any authorisation granted under this Article no later than eight days prior to the granting of authorisation.

3. The Ministry of Security shall inform the competent bodies of international organisations and of states that apply the same restrictive measures against the same persons of any authorisation granted under this Article.

CHAPTER III. IMPOSING TEMPORARY FINANCIAL MEASURES ON PERSONS INDICTED IN FRONT OF ICTY AND THEIR ASSISTANTS

Article 10

(Application to Indicted Persons)

1. Temporary measures of freezing of funds and of freezing of economic resources of persons indicted by the ICTY but unavailable to that tribunal shall be applied in Bosnia and Herzegovina.

2. The list of persons referred to in paragraph (1) of this Article against whom certain measures apply, imposed by the United Nations or the European Union, including amendments thereto, shall be applied in Bosnia and Herzegovina, in accordance with paragraph (3) of this Article.

3. The Council of Minister shall render a decision introducing the temporary measures from paragraph (1) against persons indicted in front of the ICTY but unavailable to that tribunal, on the basis of the list from paragraph (2) of this Article, and shall publish it in the "Official Gazette of BiH".

4. Against the decision of the Council of Ministers referred to in paragraph (3) of this Article, a procedure in front of the Court of BiH may be initiated.

5. The Ministry of Foreign Affairs and the Directorate for EU Integration are obliged to immediately inform the Council of Ministers about the imposition of the list of persons from paragraph (2) of this Article.

Article 11

(Application to Assistants)

1. Temporary measures of freezing of funds and of freezing of economic resources of assistants of persons indicted in front of the ICTY but unavailable to that tribunal shall be applied pursuant to the Criminal Procedure Code of Bosnia and Herzegovina ("Official Gazette of BiH", 3/03, 32/03, 36/03, 26/04, 63/04, 13/05 and 48/05; hereinafter: the Criminal Procedure Code).

2. In accordance with paragraph (1) of this Article, against assistants of persons indicted in front of the ICTY but unavailable to that tribunal the Chief Prosecutor of Bosnia and Herzegovina (hereinafter: the Prosecutor) proceeds in particular under Article 35 (*Rights and Duties*) and Article 216 (*Order for Conducting an Investigation*) of the Criminal Procedure Code. To issuing and enforcing of temporary measures against these persons, Article 65 (*Order for Seizure of Objects*), Article 66 (*Seizure without the Seizure Warrant*), Article 72 (*Order Issued to a Bank or to Another Legal Person*) and Article 73 (*Temporary Seizure of Illicitly Gained Property and Arrest in Property*), as well as other provisions of the Criminal Procedure Code shall apply.

3. When the United Nations, another international organisation or the European Union decide on application of certain restrictive measure towards a citizen of Bosnia and Herzegovina, or towards another person but in relation with the existence of grounds for suspicion that a criminal offence was perpetrated on the territory of Bosnia and Herzegovina, the Prosecutor proceeds under Article 35 and 216, as well as under other provisions of the Criminal Procedure Code, as soon as he becomes aware that the restrictive measure has been imposed.

4. Provisions of this Article shall not influence the implementation of the decision of the United Nations, which Bosnia and Herzegovina is bound to implement under international law, nor shall it affect the international obligations of Bosnia and Herzegovina (Article 2, *International Restrictive Measures*).

Article 12

(Obligations of Institutions)

1. In accordance with the decision from Article 10 (*Application to Indicted Persons*) paragraph (3) or Article 11 (*Application to Assistants*) paragraph (1) and (2) on the application of temporary measures towards a particular person, and with the provisions of Article 5 (*Features of Temporary Measures*) and decisions from Article 8 (*Exceptions for Living Expenses*) and Article 9 (*Exceptions for Certain Obligations*) of this Law, the following obligations particularly exist:

a. All competent institutions in Bosnia and Herzegovina that have data on property of a person against whom the measures are applied, shall be obliged to take within the scope of their competencies concrete actions with the purpose of application of temporary measures.

b. All banks and other financial institutions, as well as insurance companies in Bosnia and Herzegovina, with whom the person against whom the measures are applied has an account, shall be obliged to disable financial transactions from the account of that person.

c. All bodies and institutions in Bosnia and Herzegovina, who pursuant to the law keep records on property, shall be obliged to disable, within their competencies, any change of ownership, transfer of the right of ownership or possession and encumbering of property.

2. In the context of sub-paragraph c) of paragraph (1) of this Article, the competent bodies and institutions that keep records on property, shall record by an official note the temporary measure, and registry courts shall disable any change of status of businesses and other entities owned or co-owned by the person against whom the measures are applied, or if otherwise determined that that person participates in property of those entities, in the owner's, co-owner's or other share of that person.

Article 13

(Cessation of Application of Measures to Indicted Persons)

1. The application of temporary measures of freezing of funds and of freezing of economic resources towards a particular person indicted in front of the ICTY but unavailable to that tribunal, shall cease to apply when the cessation of the application of the measure against that person is determined.

2. The decision on cessation of the application of a measure against an indicted person shall be passed by the Council of Ministers, on the basis of the list of persons subject to certain measures, which is imposed by the United Nations or the European Union. The decision shall be passed by amending the list or otherwise, and shall be published in the “Official Gazette of BiH”.

3. The reasons for cessation of the application of a measure against a persons indicted in front of the ICTY but unavailable to that tribunal are:

- a. if the indicted person against whom the temporary measures are imposed became available to the institutions of Bosnia and Herzegovina or directly to the ICTY; or
- b. if it is established that the indicted person against whom the temporary measures are imposed is deceased; or
- c. in other circumstances in accordance with the international law.

4. In order to establish the existence of reasons for the cessation of the application of the measures, the Council of Ministers shall consider the list of indicted persons subject to such measures in the shortest period possible following the occurrence of any of the reason listed in paragraph (3) of this Article, but at least every three months form the day of the beginning of application of the measures. However, a temporary measure may not cease to apply in Bosnia and Herzegovina prior to the cessation of its application at international level.

Article 14

(Cessation of Application of Measures to Assistants)

1. To the cessation of application of the measures against an assistant, the Criminal Procedure Code shall apply.

2. A temporary measure against an assistant that was imposed pursuant to this Law, shall be terminated in the cases referred to in Article 13 (*Cessation of Application of Measures to Indicted Persons*) paragraph (3), sub-paragraph a) and b), unless there is another reason for its application pursuant to the criminal legislation of Bosnia and Herzegovina.

CHAPTER IV. MINOR OFFENCE PROVISIONS

Article 15

(Violations of Provisions of Article 5 and 12 of this Law)

1. A legal person shall be punished for a minor offence by a fine of not less than 50.000 up to 150.000 KM if it:

- a. in violation of provisions of Article 5 (*Features of Temporary Measures*) and Article 12 (*Obligations of Institutions*) paragraph (1) sub-paragraph b), and in accordance with decisions from Article 8 (*Exceptions for Living Expenses*) paragraphs (1) and (2), Article 9 (*Exceptions for Certain Obligations*) paragraph (1), Article 10 (*Application to Indicted Persons*) paragraph (3) or Article 11 (*Application to Assistants*) paragraphs (1) and (2) of this Law, does not freeze funds or economic resources belonging to, or owned, possessed or held by the person against whom the measures are applied; or
- b. in violation of provisions of Article 5 and Article 12 paragraph (1) sub-paragraph b), and in accordance with decisions from Article 8 paragraphs (1) and (2), Article 9 paragraph (1), Article 10 paragraph (3) or Article 11 paragraphs (1) and (2) of this Law, makes available funds or economic resources, directly or indirectly, to or for the benefit of the person against whom the measures are applied.

2. For the minor offences prescribed in paragraph (1) of this Article, a responsible person in a legal person shall also be punished, by a fine of not less than 5.000 up to 15.000 KM.

3. A natural person shall be punished by a fine of not less than 2.000 up to 5.000 KM for the minor offences prescribed in paragraph (1), if natural person may legally conduct relevant activities.

Article 16

(Violations of Provisions of Article 6 of this Law)

1. A legal person shall be punished for a minor offence by a fine of not less than 5.000 up to 15.000 KM if it:
 - a. in violation of the provision of Article 6 (*Obligation to Deliver Information*) paragraph (1) of this Law, does not deliver without delay to the Ministry of Security any information on the enforcement of the decision on application of the measures against the particular person, or does not co-operate with the Ministry of Security in a verification of such information; or
 - b. in violation of the provision of Article 6 paragraph (2) of this Law, does not inform the Ministry of Security about transactions referred to in Article 5 (*Features of Temporary Measures*) paragraph (3) of this Law.
2. For the minor offences prescribed in paragraph (1) of this Article, a responsible person in a legal person shall also be punished, by a fine of not less than 500 up to 1.500 KM.
3. A natural person shall be punished by a fine of not less than 300 up to 900 KM for the minor offences prescribed in paragraph (1), if natural person may legally conduct relevant activities.

CHAPTER V. TRANSITIONAL AND FINAL PROVISIONS

Article 17

(Monitoring of Application of Temporary Financial Measures Against Indicted Persons and Assistants)

1. The Ministry of Security shall monitor the application of temporary measures against persons indicted in front of the ICTY but unavailable to that tribunal and their assistants, and report thereupon to the Council of Ministers as required, but at least every three months, or at the request of the Council of Ministers.
2. The Ministry of Security shall take appropriate measures within its authority to prevent actions that might lead to consequences contrary to the contents of the temporary measures.

Article 18

(Monitoring of Implementation of International Restrictive Measures)

1. For the monitoring of implementation of the international restrictive measures referred to in Article 2 of this Law, at the request of the Presidency or on the proposal of the Ministry of Foreign Affairs or Ministry of Security, the Council of Ministers shall establish an Inter-ministerial Group for Monitoring of Application of International Restrictive Measures (hereinafter: the Inter-ministerial Group).
2. The Inter-ministerial Group shall be a standing working body.
3. The Inter-ministerial Group shall include representatives of the ministries of foreign affairs, security, defence, finance, economic relations, and justice.
4. Expert and administrative support to the Inter-ministerial Group shall be provided by the Ministry of Foreign Affairs.
5. The method of work of the Inter-ministerial Group shall be regulated by the Rules of Procedure to be issued by the Group itself.

Article 19

(Harmonisation of Previous Regulation)

The Council of Ministers shall harmonise its "Decision by which Persons Accused by the International Criminal Tribunal for the Former Yugoslavia, who are not Available to the Tribunal, are Prevented to Use their Property in Bosnia and Herzegovina", No. 274/04 of 19 November 2004 ("Official Gazette of BiH", 60/04) with the provisions of this Law.

Article 20

(Entry into force of the Law)

This Law shall enter into force on the eighth day after the date of its publication in the "Official Gazette of BiH".

PA BiH No. 288/06

27 March 2006

Sarajevo

Chairman

of the House of Representatives

of the Parliamentary Assembly of BiH

PhD Nikola Špirić, m.p.

Chairman

of the House of Peoples

of the Parliamentary Assembly of BiH

Mustafa Pamuk, m.p.

ANNEX VIII. BOOK OF RULES On data, information, documents, identification methods and minimum other indicators required for efficient implementation of provisions of the Law on the Prevention of Money Laundering

Based on Article 34, in connection with Articles 7, 8, 11, and 12 of the Law on the Prevention of Money Laundering (“BIH Official Gazette”, number 29/04), Minister of Security enacts the following:

I. General Provisions

Article 1

This Book of Rules prescribes information, data and documents required for identification of clients and transactions, methods for non-face to face identification, information, data and documents that shall be forwarded to the SIPA Financial-Intelligence Department (FOO), as well as defines indicators for suspicious transactions, defines in detail as to what is to be considered a connected transaction, proscribes conditions and procedures for exemption from reporting large and connected cash transactions to the SIPA Financial-Intelligence Department, as well as ways and deadlines for reporting to FOO.

II. Information, data and documents required for identification of clients and transactions

Article 2

In establishing business relationship and conduction of transaction, identification is carried out in accordance with the provisions of the Law on the Prevention of Money Laundering and this Book of Rules. In case the identification can not be conducted as prescribed by the afore mentioned Law and the Book of Rules, a person under obligation shall terminate or shall decline to enter into business relationship, i.e. shall not execute transaction, and shall immediately inform Financial-Intelligence Department.

Information, DATA and documentation required for identification

Article 3

The person under obligation shall keep the records on identification of suspicious clients and transactions as prescribed in Article 7, paragraph 1 of the Law on the Prevention of Money Laundering using as a minimum the following information, data and documentation:

1. The name, seat and registration number of the legal person having a business relationship or conducting the transaction or of the legal person on whose behalf a business relation is being established or the transaction is being carried out;
2. The name, surname, permanent address, date and place of birth and the personal identity number of the employee or authorized person who, on behalf of a legal person is establishing a business relationship or conducting the transaction, and the number and name of the authority that issued the official personal identification document;
3. The name, surname, permanent address, date and place of birth and the personal identity number of the natural person who is establishing a business relationship, or conducts a transaction, or of the natural person on whose behalf the business relationship is being established or the transaction is being carried out, and the name of the authority that issued the official personal identification document;
4. Reasons for establishing a business relationship or conducting the transaction and information about the activities of the client;
5. Date of establishing a business relationship or conducting the transaction;
6. Time of execution of transaction;
7. Amount of the transaction and currency in which the transaction is being carried out;
8. Purpose of the transaction and as appropriate the name, surname and address or seat of the person (natural or legal) to whom the transaction is being directed;

9. Manner of executing the transaction;
10. As appropriate the name, surname and address or seat of the person (natural or legal) sending the order in case of transfers from abroad;
11. Information about the source of money or property that is subject of the transaction;
12. Reasons why a transaction, client or person is suspicious;
13. Name, surname, permanent address, date and place of birth of each natural person, who indirectly or directly owns at least 20% of the business share, stocks or other rights, on which grounds he or she participates in the management of the legal person or the funds thereof.

Article 4

The person under obligation shall keep the record on identification of a client when opening an account for a client or establishing a business relationship with a client as prescribed in Article 7, paragraph 2 of the Law on the Prevention of Money Laundering using as a minimum the following information, data and documentation:

1. The name, seat and registration number of the legal person establishing a business relationship or of the legal person on whose behalf a business relation is being established;
2. The name, surname, permanent address, date and place of birth and the personal identity number of the employee or authorized person who, on behalf of a legal person is establishing a business relationship, and the name of the authority that issued the official personal identification document;
3. The name, surname, permanent address, date and place of birth and the personal identity number of the natural person who is establishing a business relationship or of the natural person on whose behalf the business relationship is being established, and the name of the authority that issued the official personal identification document;
4. Reasons for establishing a business relationship and information about the activities of the client;
5. Date of establishing a business relationship;
6. Name, surname, permanent address, date and place of birth of each natural person, who indirectly or directly owns at least 20% of the business share, stocks or other rights, on which grounds he or she participates in the management of the legal person or the funds thereof.

Article 5

The person under obligation shall conduct the identification of a client during each transaction or connected transaction of 30.000 KM or more as prescribed in Article 7, paragraph 3 of the Law on the Prevention of Money Laundering using as a minimum the following information, data and documentation:

1. The name, seat and registration number of the legal person conducting the transaction or of the legal person on whose behalf the transaction is being carried out;
2. The name, surname, permanent address, date and place of birth and the personal identity number of the employee or authorized person who, on behalf of a legal person is conducting the transaction, and the name of the authority that issued the official personal identification document;
3. The name, surname, permanent address, date and place of birth and the personal identity number of the natural person who conducts the transaction, or of the natural person on whose behalf the transaction is being carried out, and the name of the authority that issued the official personal identification document;
4. Date of conducting the transaction;
5. Time of execution of transaction;
6. Amount of the transaction and currency in which the transaction is being carried out;
7. Purpose of the transaction and the name, surname and address or name of the company and seat of the person to whom the transaction is being directed;

8. Manner of executing the transaction;
9. Name, surname, permanent address, date and place of birth of each natural person, who indirectly or directly owns at least 20% of the business share, stocks or other rights, on which grounds he or she participates in the management of the legal person or the funds thereof.

Article 6

Insurance companies and natural and legal persons brokering in the sale of life insurance policies shall conduct the identification of a client in relation to life insurances for which individual or several installments of the premium, that are to be paid in the period of 1 year, amount to 2.000 KM or more or the payment of the single premium is 5.000 KM or more or when individual or several installments of the premium to be paid in the period of 1 year increase to 2.000 KM or more as prescribed in Article 7, paragraph 4 of the Law on the Prevention of Money Laundering using as a minimum the following information, data and documentation:

1. The name, seat and registration number of the legal person conducting the transaction or of the legal person on whose behalf the transaction is being carried out;
2. The name, surname, permanent address, date and place of birth and the personal identity number of the employee or authorized person who, on behalf of a legal person is conducting the transaction, and the name of the authority that issued the official personal identification document;
3. The name, surname, permanent address, date and place of birth and the personal identity number of the natural person who conducts the transaction, or of the natural person on whose behalf the transaction is being carried out, and the name of the authority that issued the official personal identification document;
4. Reasons for conducting the transaction and information about the activities of the client;
5. Date of conducting the transaction;
6. Time of execution of transaction;
7. Amount of the transaction and currency in which the transaction is being carried out;
8. Purpose of the transaction and the name, surname and address or name of the company and seat of the person to whom the transaction is being directed;
9. Manner of executing the transaction;
10. Name, surname, permanent address, date and place of birth of each natural person, who indirectly or directly owns at least 20% of the business share, stocks or other rights, on which grounds he or she participates in the management of the legal person or the funds thereof.

Article 7

Insurance companies and natural and legal persons brokering in the sale of insurance policies shall conduct the identification of a client in relation to a pension insurance, if the insurance policy can be transferred or used as collateral as prescribed in Article 7, paragraph 5 of the Law on the Prevention of Money Laundering using as a minimum the following information, data and documentation:

1. The name, seat and registration number of the legal person conducting the transaction or of the legal person on whose behalf the transaction is being carried out;
2. The name, surname, permanent address, date and place of birth and the personal identity number of the employee or authorized person who, on behalf of a legal person is conducting the transaction, and the name of the authority that issued the official personal identification document;
3. The name, surname, permanent address, date and place of birth and the personal identity number of the natural person who conducts the transaction, or of the natural person on whose behalf the transaction is being carried out, and the name of the authority that issued the official personal identification document;
4. Reasons for conducting the transaction and information about the activities of the client;
5. Date of conducting the transaction;

6. Name, surname, permanent address, date and place of birth of each natural person, who indirectly or directly owns at least 20% of the business share, stocks or other rights, on which grounds he or she participates in the management of the legal person or the funds thereof.

Article 8

Persons under obligation performing activities of organizing or executing of auctions or trading with works of art, boats, vehicles or aircrafts shall conduct the identification of a client when carrying out a cash transaction or several connected cash transactions of 30.000 KM or more as prescribed in Article 7, paragraph 6 of the Law on the Prevention of Money Laundering using as a minimum the following information, data and documentation:

1. The name, seat and registration number of the legal person conducting the transaction or of the legal person on whose behalf the transaction is being carried out;
2. The name, surname, permanent address, date and place of birth and the personal identity number of the employee or authorized person who, on behalf of a legal person is conducting the transaction, and the number and name of the authority that issued the official personal identification document;
3. The name, surname, permanent address, date and place of birth and the personal identity number of the natural person who conducts the transaction, or of the natural person on whose behalf the transaction is being carried out, and the name of the authority that issued the official personal identification document;
4. Date of conducting the transaction;
5. Time of execution of transaction;
6. Amount of the transaction and currency in which the transaction is being carried out;
7. Purpose of the transaction and the name, surname and address or name of the company and seat of the person to whom the transaction is being directed;
8. Manner of executing the transaction;
9. Name, surname, permanent address, date and place of birth of each natural person, who indirectly or directly owns at least 20% of the business share, stocks or other rights, on which grounds he or she participates in the management of the legal person or the funds thereof.

Article 9

(1) Casinos, gaming houses and other organizers of games of chance and special lottery games shall conduct the identification of a client when conducting a transaction of 5.000 KM or more as prescribed in Article 7, paragraph 7 of the Law on the Prevention of Money Laundering using as a minimum the following information, data and documentation:

1. The name, seat and registration number of the legal person conducting the transaction or of the legal person on whose behalf the transaction is being carried out;
2. The name, surname, permanent address, date and place of birth and the personal identity number of the employee or authorized person who, on behalf of a legal person is conducting the transaction, and the number and name of the authority that issued the official personal identification document;
3. The name, surname, permanent address, date and place of birth and the personal identity number of the natural person who conducts the transaction, or of the natural person on whose behalf the transaction is being carried out, and the name of the authority that issued the official personal identification document;
4. Date of conducting the transaction;
5. Time of execution of transaction;
6. Amount of the transaction and currency in which the transaction is being carried out;
7. Purpose of the transaction and the name, surname and address or name of the company and seat of the person to whom the transaction is being directed;
8. Manner of executing the transaction;

9. Name, surname, permanent address, date and place of birth of each natural person, who indirectly or directly owns at least 20% of the business share, stocks or other rights, on which grounds he or she participates in the management of the legal person or the funds thereof.
- (2) The identification requirement shall be considered fulfilled when the client is identified according to paragraph 1 of this Article on entry into the premises of a casino, gaming house or other concessionaire for special lottery games.

Article 10

(1) Persons under obligation shall conduct the identification of a client, which is a bearer of a passbook during each transaction performed using a passbook as prescribed in Article 7, paragraph 9 of the Law on the Prevention of Money Laundering using as a minimum the following information, data and documentation:

1. The name, seat and registration number of the legal person conducting the transaction or of the legal person on whose behalf the transaction is being carried out;
 2. The name, surname, permanent address, date and place of birth and the personal identity number of the employee or authorized person who, on behalf of a legal person is conducting the transaction, and the number and name of the authority that issued the official personal identification document;
 3. The name, surname, permanent address, date and place of birth and the personal identity number of the natural person who conducts the transaction, or of the natural person on whose behalf the transaction is being carried out, and the name of the authority that issued the official personal identification document;
 4. Date of conducting the transaction;
 5. Time of execution of transaction;
 6. Amount of the transaction and currency in which the transaction is being carried out;
 7. Purpose of the transaction and the name, surname and address or name of the company and seat of the person to whom the transaction is being directed;
 8. Manner of executing the transaction;
 9. Name, surname, permanent address, date and place of birth of each natural person, who indirectly or directly owns at least 20% of the business share, stocks or other rights, on which grounds he or she participates in the management of the legal person or the funds thereof.
- (2) It is prohibited to conduct a transaction using a bearer passbook, which does not reveal the identity of the account holder.

Article 11

Identifying a natural person shall be conducted using an ID card, driver's license, passport or other official document with a photograph proving the identity of the person. The identification document shall provide a unified citizen's number and if not available the passport number and for non-resident clients additionally information on the country issuing the passport.

Article 12

Identifying a legal person shall be conducted using documents providing:

1. Proof of their legal status – statement from the registry book maintained by the registry institution;
2. ID number assigned by the Tax Authorities;
3. Financial statements of operations;
4. Document describing basic business activities of client;
5. Sample of authorized signatories;
6. Information and ID documents of authorized representatives as prescribed in article 11 of the Book of Rules and a sample of their signatures.

Article 13

1. For all original documents that can not be left with the person under obligation, the client shall be required to provide photocopies the content of which has been certified by the

competent authority. In case of foreign documents not written in one of the languages being used in BiH, these should be translated and certified by the authorised court interpreter.

2. The persons under obligation from Article 3, paragraph 2, point 1. of the Law can establish business relations by which accounts for purpose of regular monthly salaries and savings are being opened, on the basis of copies of documents that are certified by the authorized person of the person under obligation.

Article 14

Persons under obligation shall ensure that information, data and documentation, which are the basis for the identification of a client are valid and relevant by performing regular reviews of existing documents throughout the business relationship. If there are significant transactions, significant changes made in a way the client performs transactions or other significant changes prompting a need to re-evaluate the client relationship, new or additional identification information should be requested and/or collected.

Article 15

A person under obligation should use the services of specialized service bureaus (credit bureaus) where available to the person under obligation. In addition, information may be collected from other sources such as reference materials to be acquired by third parties, telephone books, address books, internet etc.

SPECIAL SITUATIONS OF IDENTIFICATION

Article 16

Information accompanying cross-border (transfer of money or value) wire transfers should always contain the name of the originator and where an account exists, the number of that account. In the absence of an account, a unique reference number should be included.

Article 17

(1) When establishing correspondent banking relationships with a respondent bank, Banks shall require all necessary information concerning the respondent bank in order to have a full knowledge of the nature of operations of the respondent bank.

(2) Necessary information:

1. Location (country) of the respondent bank;
2. Management of the respondent bank;
3. Major business activities of the respondent bank;
4. Efforts of the respondent bank in area of prevention of money laundering and prevention of terrorist financing, as well as adequate client acceptance policies and know your client policies;
5. Reason for opening account;
6. Identity of third parties to be using the respondent bank banking services;
7. Condition of bank regulations and supervision function in the respondent bank's country, etc.

(3) Banks are allowed to establish correspondent banking relationships only with banks that are located in countries where authorized institutions perform efficient bank supervision.

(4) Banks are required to prevent the risk of respondent bank accounts being used, directly or indirectly, by third parties to perform activities on their own behalf.

Article 18

(1) In addition to what is prescribed for client identification in the Law on the Prevention of Money Laundering, in these Guidelines and in the decisions and guidelines of the bodies competent for regulating and supervising banks, insurance companies and lawyers as well as bodies competent for supervising other persons under obligation, the person under obligation may require other additional information, data and documentation in order to satisfy the identification requirement.

(2) Other laws or regulations may provide for a more strict identification requirement, in which case those provisions shall be applied.

(3) The person under obligation shall pay special attention to the identification of clients and transaction for which there is a raised risk for money laundering or financing of terrorist activities.

Article 19

Financial institutions may utilize software programs to assist in identifying customers and in gathering and analyzing information, data and documentation relevant to identifying clients and transactions and in determining the risk for money laundering and financing of terrorist activities.

III. Methods for non-face to face identification

Article 20

Persons under obligation shall implement efficient procedures for client identification and for continuous monitoring of non-face-to-face clients who establish a business relationship or conduct a transaction by telephone or by different electronic technologies.

Article 21

A person under obligation may perform an independent review of such client by a reputable third party, such as a company specialized in due diligence reviews of clients.

Article 22

When establishing a business relationship or conducting a transaction with a non-face-to-face client, the persons under obligation shall:

1. Implement equally efficient identification procedures as for other clients and transactions and require information, documentation and data that are required in the Law on the Prevention of Money Laundering and the Ministry of Security Guidelines to what information and documents the person under obligation is required to collect as a minimum in order to fulfill the identification requirement;
2. Determine special and appropriate measures for decreasing the higher risk level existing in operations with non-face-to-face clients.

Article 23

In addition to other measures, persons under obligation shall implement the following measures to decrease the risk in non-face-to-face transactions:

1. Certification of submitted documents;
2. Requirement for additional documents that are not obligatory for other clients;
3. Bank contact with client;
4. Engaging third party specialized in due diligence review;
5. Requiring that first payment is made on behalf of the client and through an account opened with some other bank that is also required to implement similar standards for client due diligence reviews.

IV. Information, data and documentation that shall be forwarded to the SIPA Financial-Intelligence Department

INFORMATION REQUIRED FOR ALL REPORTS

Article 24

- (1) Information on person under obligation providing the information:
 - a. Name;
 - b. Registration number;
 - c. Address;
 - d. Contact Person;

- e. Telephone;
- f. Fax;
- g. Email;
- h. Category of person under obligation as prescribed in article 3 of the Law on the Prevention of Money Laundering (bank, insurance, etc);
- i. Date of report;
- j. Number of pages (if in paper form).

(2) *General information on transaction:*

- a. Account number(s), if applicable;
- b. Transaction number(s), if applicable;
- c. Date and time of conducting transaction;
- d. Amount of the transaction and currency in which the transaction is being carried out;
- e. Manner of executing the transaction.

(3) *Information on the client -natural person:*

- a. Surname;
- b. First Name;
- c. Middle Initial or Patronymic;
- d. Personal identity number.

(4) *Information on the client -legal person:*

- a) Name;
- b) Registration number;
- c) Domicile / permanent address.

INFORMATION REQUIRED FOR SUSPICIOUS TRANSACTIONS, CLIENTS AND PERSONS

Article 25

(1) Additional information on client and transaction:

- a. Date of birth;
- b. Nationality;
- c. Domicile / permanent address;
- d. Address;
- e. Telephone;
- f. Fax;
- g. Email;
- h. Profession, business activity, type of business;
- i. Place of business activity;
- j. Reasons for establishing a business relationship or conducting the transaction and information about the activities of the client;
- k. Purpose of the transaction and the name, surname and address or name of the company and seat of the person to whom the transaction is being directed;
- l. Name and surname or company and seat of the person sending the order in case of transfers from abroad;
- m. Information about the source of money or property that is subject of the transaction.

(2) Information on third persons involved (holder of power of attorney, payee, insured person, etc.) – natural person:

- a. Surname;
- b. First Name;
- c. Middle Initial or Patronymic;

- d. Personal identity number;
 - e. Date of birth;
 - f. Nationality;
 - g. Domicile / permanent address;
 - h. Telephone;
 - i. Fax;
 - j. Profession/Business Activity.
- (3) Information on third persons involved (holder of power of attorney, payee, insured person, etc.) – legal person:
- a. Name;
 - b. Registration number;
 - c. Domicile / permanent address;
 - d. Telephone;
 - e. Fax;
 - f. Email.
- (4) Description of the factual circumstances raising suspicion:
- (Free text)
 - (5) Description of suspicion (why are the factual circumstances suspicious):
 - 1. (Free text)
 - (6) Attachments :
 - Identification documents (Passport, ID, etc)
 - Account statement(s)
 - Payment order(s)
 - Other relevant documents

V. Guidelines to what are indicators for suspicious transactions

Article 26

The person under obligation as prescribed in Article 3 of the Law on the Prevention of Money Laundering should consider as suspicious such client activity and transactions that are out of the ordinary for the type of client in question or the normal business of the person under obligation and therefore shall consider reporting such transaction, client or person to the Financial Intelligence Department of the State Investigation and Protection Agency as prescribed in Article 13 of the Law on the Prevention of Money Laundering.

Article 27

The following are general indicators to what should be considered suspicious:

1. Client does not want correspondence sent to home address;
2. Client appears to have accounts with several financial institutions in one geographical area for no apparent reason;
3. Client repeatedly uses an address, but frequently changes the names of legal and natural persons residing at the address;
4. Client uses a post office box or other type of mail drop address, instead of a street address when this is not the norm in that geographical area;
5. Client starts conducting frequent cash transactions in large amounts when this has not been a normal activity for the client in the past;
6. Client makes cash transactions of consistently rounded-off large amounts (e.g., KM 20.000, KM 15.000, KM 9.900, KM 8.500 etc.);
7. Client consistently makes cash transactions that are just under the identification or reporting threshold amounts;
8. Client conducts a transaction in an amount that is unusual compared to amounts of past transactions;

9. Client asks the person under obligation to hold or transmit large sums of money or other assets when this type of activity is unusual for the client;
10. Transactions where the structure indicates some illegal purpose, their commercial purpose is unclear or appears irrational from a commercial point of view;
11. Transactions involving a withdrawal of assets shortly after funds have been deposited with the person under obligation (pass-through accounts), provided that the instant withdrawal of such assets cannot be accounted for on the basis of the client's business activity;
12. Transactions where the client's reason for selecting this particular person under obligation or branch office of a person under obligation to carry out its transactions is unclear;
13. Transactions resulting in significant, but unexplained, activity on an account which was previously mostly dormant;
14. Transactions which are inconsistent with the person under obligations knowledge and experience of the client and the stated purpose of the business relationship;
15. Clients who supply false or misleading information to persons under obligation, or refuse for no credible reason to provide information and documents which are required and routinely supplied in relation to the relevant business activity;
16. Client requires to have excessive liquidity in his business relationship;
17. Provision of security (pledges, guarantees) by third parties unknown to the bank, who have no obvious affiliation to the client and who have no credible and apparent reasons to provide such guarantees;
18. Transfers of large amounts, or frequent transfers, to or from countries known to produce illegal drugs;
19. Client is very nervous for no apparent reason;
20. Client is accompanied, monitored and / or watched;
21. Client brings in money exceeding the amounts prescribed in the Law on the Prevention of Money Laundering which require identification and/or reporting that the customer has not counted, unless this (not counting) is common in the client's business activities;
22. Unexpected repayment of a non-performing loan without any credible explanation;
23. Client tries to evade attempts by the person under obligation to establish personal contact;
24. Client of person under obligation has been prosecuted for a criminal offence.

Article 28

The following indicators for suspicion relate specifically to transactions onto and through bank accounts:

1. Opening an account when the client's address is outside the local service area for no apparent reason;
2. Account with a large number of small cash deposits and a small number of large cash withdrawals;
3. Funds deposited into several accounts, consolidated into one and transferred outside the country;
4. Client frequently uses many deposit locations outside of the client's home branch location;
5. Client makes multiple transactions on the same day when this is not the norm for this specific client;
6. Account activity far exceeds activity projected at the time of opening of the account;
7. Dormant account suddenly used actively;
8. Unexplained transfers between the client's company accounts;
9. Multiple deposits are made to a client's account by third parties;
10. Transfers to another bank without supplying details of the beneficiary;
11. Providing surety bonds or bank guarantees by way of security for third party loans, which have not been agreed on market terms;
12. A large number of different individuals make cash deposits into a single account;
13. Withdrawal of funds shortly after funds have been credited to the account (pass through account);

14. The holding of shares in unlisted companies in a fiduciary capacity, where the bank has no knowledge of the business conducted by such companies;
15. Client requests accounts to be closed and to open new accounts in his own name, or in the name of a family member, without leaving a paper trail;
16. Client requests receipts for cash withdrawals or deliveries of securities which in effect never took place, followed by the immediate deposit of such assets at the same bank;
17. Client requests payment orders to be executed with incorrect remitter's details;
18. Client requests that certain payment be routed through nostro accounts held by the financial institution or sundry accounts instead of its own account;
19. Request by the client to accept or record in the accounts loan collateral which is inconsistent with commercial reality, or grant fiduciary loans for which notional collateral is recorded in the accounts.

Article 29

The following indicators for suspicion relate to transactions involving areas outside of Bosnia and Herzegovina:

1. Client and other parties to the transaction have no apparent ties to Bosnia and Herzegovina;
2. Transaction crosses several international boundaries;
3. Transaction involves a country where illicit drug production or exporting may be prevalent;
4. Transaction involves a country or territory where there is no effective system for prevention and detection of money laundering and the funding of terrorism activities
5. Transaction involves a country known for highly secretive banking and corporate law; except in a case of countries that have excepted international standards concerning money laundering prevention;
6. Transaction involves a country known or suspected to facilitate money-laundering activities or to support terrorism.

Article 30

The following indicators for suspicion relate to transactions related to offshore business activity:

1. Accumulation of large balances, inconsistent with the known turnover of the client's business, and subsequent transfers to overseas account(s);
2. Loans to or from offshore companies;
3. Unexplained electronic funds transfers by client on an in-and-out basis.

Article 31

The following indicators for suspicion relate to personal transactions:

1. Client appears to have accounts with several financial institutions in one geographical area;
2. Client makes one or more cash deposits on the general account of foreign correspondent bank;
3. Client runs large credit card balances;
4. Client wishes to have credit and debit cards sent to international or domestic destinations other than his or her address;
5. Client has numerous accounts and deposits cash into each of them with the total credits being a large amount;
6. Client frequently makes automatic banking machine deposits (when service available by the bank) just below the identification or reporting threshold;
7. Third parties make cash payments or deposit cheques to a client's credit card;
8. The exchange of a large amount of small-denomination banknotes (foreign and domestic) for large-denomination banknotes;
9. The acquisition of bearer instruments by means of physical delivery.

Article 32

The following indicators for suspicion relate to corporate and business transactions:

1. Accounts are used to receive or disburse large sums, but show virtually no normal business-related activities, such as the payment of payrolls, invoices, etc;
2. Deposits to or withdrawals from a corporate account are primarily in cash rather than in the form of debit and credit normally associated with commercial operations;
3. Client pays in cash or deposits cash to cover bank drafts, money transfers or other negotiable and marketable money instruments;
4. Client makes a large volume of seemingly unrelated deposits to several accounts and frequently transfers a major portion of the balances to a single account at the same bank or elsewhere;
5. Client consistently makes immediate large withdrawals from an account that has just received a large and unexpected credit from abroad;
6. Small, one-location business makes deposits on the same day at different branches across a broad geographic area that does not appear practical for the business;
7. There is a substantial increase in deposits of cash or negotiable instruments by a company offering professional advisory services, especially if the deposits are promptly transferred;
8. Client wishes to have credit and debit cards sent to international or domestic destinations other than the client's place of business;
9. There is a marked increase in transaction volume on an account with significant changes in an account balance that is inconsistent with or not in keeping with normal business practices of the clients account;
10. Unexplained transactions are repeated between personal and commercial accounts;
11. Use of loan facilities that, while normal in international trade, is inconsistent with the known activity of the client.

Article 33

The following indicators for suspicion relate to persons under obligation that send or receive electronic fund transfers:

1. Client transfers large sums of money to foreign locations with instructions to the foreign entity for payment in cash;
2. Client receives large sums of money from a foreign location via electronic funds transfer that includes instructions or payment in cash;
3. Client transfers funds to foreign location without changing the form of currency;
4. Large incoming wire transfers from foreign jurisdictions are removed immediately by company principals ;
5. Size of electronic transfers is out of the ordinary with normal business transactions for that client;
6. Client conducts transactions involving countries known for illicit drug production or exporting or as trans-shipment points for narcotics;
7. Client conducts transactions involving countries that are known for highly secretive banking and corporate law practices; except in a case of countries that have excepted international standards concerning money laundering prevention;
8. Client makes electronic funds transfers to free trade or off-shore zones when such activity is not in line with the client's business.

Article 34

The following indicators for suspicion relate to persons under obligation that provide loans:

- 1) Client suddenly repays a problem loan unexpectedly without proper justification;

- 2) Loan transactions are entered into in situations where the client has significant assets and the loan transaction does not make economic sense.

Article 35

The following indicators for suspicion relate to persons under obligation that provide life insurance or broker or act as agents in life insurances:

1. Client conducts a transaction that results in a conspicuous increase in investment contributions;
2. Client cancels investment or insurance soon after purchase;
3. The duration of the life insurance contract is less than three years;
4. Transaction involves use and payment of a performance bond resulting in a cross border payment;
5. The insured accepts very unfavorable conditions unrelated to the clients health or age.

Article 36

The following indicators for suspicion relate to persons under obligation that conduct business activities with securities:

1. Accounts that have been inactive suddenly experience large investments that are inconsistent with the normal investment practice of the client financial ability;
2. Client wishes to purchase a number of investments with money orders, traveller's cheques, cashier's cheques, bank drafts or other bank instruments, especially in amounts that are slightly less than the identification or reporting requirement, when the transaction is inconsistent with the normal investment practice of the client or its financial ability;
3. Client uses securities or brokerage firm to hold funds that are not being used in trading of securities or derivative instruments such as futures and options for an extended period of time and such activity is inconsistent with the normal investment practice of the client or its financial ability;
4. Client makes large or unusual settlements of securities in cash;
5. Transfers of funds or securities between accounts not known to be related to the client;
6. Proposed transactions are to be funded by international wire payments, particularly if transaction involves countries where there is no effective system for prevention and detection of money laundering and the funding of terrorism activities.

VI. Connected transactions

Article 37

In order to detect transactions that are done with smaller amounts than those prescribed in Articles 7 and 13 of the Law on the Prevention of Money Laundering and would thus avoid the identification and reporting requirements, it is necessary to determine such transactions, which originate or may have originated from a larger amount.

Article 38

In addition to the general definition of a connected transaction in Article 2, item 4 of the Law on the Prevention of Money Laundering, the person under obligation shall further consider that any transactions conducted between a payer (or its agent) and the recipient in a twenty-four hour period are connected transactions, in case these correspond to the general definition of connected transactions stipulated in Article 2 of the aforementioned Law.

Article 39

Transactions shall be considered connected even if they are conducted within a period of more than twenty-four hours if the person under obligation can ascertain, that each transaction is one of a series of related transactions.

VII. Exemption of persons under obligation from reporting large and connected cash transactions to the Financial Intelligence Department of the State Investigation and Protection Agency.

Article 40

(1) The exemption from reporting large and connected cash transactions is intended to decrease the reporting of repeated cash transactions that are part of the normal business activities of well established clients engaged in legitimate business and whose activities are known to the person under obligation thus simplifying the reporting requirement and providing better quality information to the FID.

(2) The exemption to reporting does not affect the identification, record keeping and other obligations of a person under obligation as prescribed in the afore mentioned Law.

Article 41

The non-reporting of cash transactions shall be permitted only when specified in this Book of Rules. If it is unclear whether or not a cash transaction shall be reported, the person under obligation is obliged to contact the FID for advise and shall act in accordance with the provisions of the Book of Rules.

Article 42

(1) A suspicious transaction or client shall always be reported to the FID.

(2) If a large or connected cash transaction as prescribed in Article 13, paragraph 1, items 2 and 3 of the Law on the Prevention of Money Laundering is also suspicious, it shall be reported to the FID.

Article 43

The reporting of large or connected cash transactions shall not be required, if the transaction is conducted:

- a. By an authority of Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina, the Republic Srpska or the District of Brcko or an organization with public authorization;
- b. Between a person under obligation and a client prescribed in the Law on the Prevention of Money Laundering Article 3, paragraph 1, item 1 (bank), item 3 (investment and mutual pension companies and funds whatever the legal form), item 5 (insurance company) and item 14i (natural and legal persons brokering in the sale of insurance policies) with headquarters or parent institutions in a member country of the European Union or in a country which, according to information from the FID, international organizations and other competent international bodies, meets internationally accepted standards for the prevention and detection of money laundering and funding terrorist activities and is designated as such a country by the Minister of Security of Bosnia and Herzegovina and the transaction is such as prescribed in Article 7, paragraphs 2 to 6 of the Law on the Prevention of Money Laundering;
- c. Between a person under obligation prescribed in Article 3, paragraph 1, item 1 (bank) and a person under obligation prescribed in Article 3, paragraph 1, items 2-5 (client) of the Law on the Prevention of Money Laundering providing that:
 - i. The client has opened an account or established a business relationship with the bank more than 12 months prior to the cash transaction that is eligible for exemption from reporting,
 - ii. The cash transaction is a deposit to or a withdrawal from an account of the client and the account has been opened for the normal business activities of the client and
 - iii. The amount and currency of the cash transaction is normal for the transaction activity of the client;

- d. Between a person under obligation prescribed in Article 3, paragraph 1, item 1 (bank) and a client other than those prescribed in item c) above providing that:
 - i. The client is a legal person registered in Bosnia and Herzegovina for the purposes of wholesale or retail,
 - ii. The client has opened an account or established a business relationship with the bank more than 12 months prior to the cash transaction that is eligible for exemption from reporting,
 - iii. The cash transaction is a deposit to or a withdrawal from an account of the client and the account has been opened for the normal retail or wholesale business activities of the client or for pay roll of the employees of the client,
 - iv. The amount and currency of the cash transaction is normal for the retail or wholesale business activities of the client or for the pay roll of the employees of the client and one of several repeated regularly in similar amounts for the purposes prescribed above,
 - v. A responsible person of the client has submitted to the person under obligation a written statement confirming that the client believes that such large and connected cash transactions are eligible for exemption as prescribed in this Decision and
 - vi. A responsible person of the person under obligation has submitted to the FID a written statement informing of the decision to exempt cash transactions of a specified client.

Article 44

If a cash transaction that is conducted using an account for which previous cash transactions have been exempt as prescribed by this Decision, but which differs by 50 % in amount, currency, method of execution or other aspect, the cash transaction shall be reported to the FID.

Article 45

(1) The person under obligation shall keep a centralized register of the clients and their accounts for which cash transactions are exempt from reporting and of the decision of the person under obligation concerning the exemption.

(2) The register shall include the following information, data and documentation:

- a. Which category of exemption prescribed in Article 4 of this Decision the exemption falls under,
- b. The name, seat (domicile) and registration number of the legal person conducting the cash transactions or of the legal person on whose behalf a the transaction is being carried out,
- c. The date when the client established a business relationship,
- d. Description of the purpose of the cash transactions and whether they are withdrawals or deposits,
- e. The range (minimum and maximum amounts) and currency of the exempt cash transactions,
- f. The frequency with which the transactions are conducted (e.g. once a week, once a month, once a year etc)
- g. The name of the responsible person of the person under obligation that has made the decision to exempt cash transactions of a specified client.

(3) The person under obligation is required to update, on a regular basis, central register of clients and their accounts, and enable FID direct and continuous access to the register.

Article 46

If cash transactions recorded in the exemption register are considered by the FID not to be eligible for exemption, the FID shall instruct in writing the person under obligation to either vary the exemption or to submit to the FID reports on large and connected cash transactions of the specified client according to the Law on the Prevention of Money Laundering.

Article 47

The person under obligation shall review once annually the cash transactions, which have been exempt from reporting and the account into or from which they have been conducted in order to verify that the transactions meet the requirements for exemption according to this Decision and to verify that the information in the exemption register is correct.

Article 48

If the information in the exemption register does not reflect the conducted cash transactions, the person under obligation shall request the client to submit a new written statement as prescribed in Article 44, item d) v of the Book of Rules.

Article 49

If a person under obligation considers that the exemption of cash transactions of a specified client no longer fulfills the requirements for exemption, it shall report those cash transactions to the FID and shall inform the FID that the exemption no longer applies.

VIII. Countries, which meet internationally accepted standards for the prevention and detection of money laundering and the funding of terrorist activities.**Article 50**

Member countries of the European Union (EU), of the European Economic Area (EEA) and of the Financial Action Task Force (FATF) listed in article 3 of this Decision, which are required to enact legislation and financial sector procedures in accordance with the European Union Money Laundering Directives and the FATF 40 Recommendations can be considered to have internationally accepted standards for the prevention and detection of money laundering and funding of terrorist activities equivalent or more stringent to those applied in Bosnia and Herzegovina.

Article 51

The following countries and territories shall be considered to have internationally accepted standards for the prevention and detection of money laundering and funding of terrorist activities equivalent or more stringent to those applied in Bosnia and Herzegovina:

Argentina

Australia

Austria

Belgium

Brazil

Cyprus

Czech Republic

Denmark

Estonia

Finland

2. *France*

Gibraltar

Greece

Hong Kong

Croatia

Ireland

Iceland

Italy

Japan

South Africa

Canada

Latvia

Liechtenstein
Lithuania
Luxembourg
Hungary
Malta
Mexico
Netherlands (including Netherlands Antilles and Aruba)
Germany
Norway
New Zealand
Poland
Portugal
Russia
Singapore
United States of America
Slovakia
Slovenia
Spain
Serbia and Montenegro
Sweden
Switzerland
Turkey
United Kingdom

Article 52

A list of countries stipulated in the previous article will be updated every six months, and subsequently delivered to the Minister of Security of Bosnia and Herzegovina for his/her signature.

IX. Final provisions

Article 53

This Book of Rules shall enter into force on the day of publication in the Official Gazette of Bosnia and Herzegovina.

Article 54

The persons under obligation are required to harmonize their internal legal documents with this Book of Rules within 60 day from the day of entering this Book of Rules into force.

Number

Minister

March 14, 2005

Barisa Colak

Sarajevo

ANNEX IX. THE LAW OF THE SECURITIES MARKET (REPUBLIC SRPSKA)

I BASIC PROVISIONS

Article 1.

This Law shall regulate:

- a) issue of securities;
- b) transactions regarding securities and establishment and activities of authorized participants on the securities market;
- c) establishment and activities of the stock exchange and other regulated public markets;
- d) establishment and activities of the Central Registry of Securities;
- e) protection of interests of securities rights holder and investors on the securities market;
- f) public character of activities in trading securities;
- g) organization and competence of the Securities Commission of Republic Srpska (hereinafter: the Commission);
- h) other issues of importance for successful functioning of the securities market.

Article 2.

Individual terms used in the Law shall have the following meanings:

“**Issuer**” shall be a legal entity involved in issuing of securities for the purpose of raising funds and which is, in respect to securities holders, responsible for fulfilment of obligations incorporated in the securities itself.

“**Owner**” shall be an entity whose ownership on securities is based on the ownership rights (owner) or on respective contract (nominee owner).

“**Security**” shall be a transferable document in dematerialized form – electronic form, issued in series, based on which owners accomplish the rights granted by the issuer in accordance with the law and a decision on the issue.

„**Securities issued through public offer**“ shall be securities issued pursuant to provisions of the Articles from 13 to 43 of this Law, as well shares from privatization process of the state capital in enterprises and banks issued in accordance with the Law on Privatization of State Capital in Enterprises (“The Official Gazette of Republic Srpska” No. 54/05 – updated text, 109/05) and the Law on Privatization of State Capital in Banks (“The Official Gazette of Republic Srpska ” No. 24/98, 5/99, 18/99 and 70/01). Securities issued by banks and insurance companies are deemed publicly issued securities.

“**Issue of securities**” shall be range of activities undertaken by an issuer for the purpose of raising funds by selling securities to the first owners, with responsibility, in respect to everyone of them, to fulfil obligations incorporated in the securities itself.

“**The issue of securities through public offering**“ shall be the issue in which subscription and paying-in of securities is carried out on the basis of public invitation addressed to an undefined number of persons.

“**The issue of securities through private offering**” shall be the issue in which an invitation for subscription and payment of securities is being addressed to a previously determined buyers - institutional investors or the issuer’s employees, or as well up to 20 other natural persons or legal entities (hereinafter: previously determined buyers). “**Investor**” shall be a domestic or foreign entity who invests in securities. “**Institutional investor**” shall be a domestic or foreign legal entity, which operates as an investment fund, a mutual fund, a pension fund, a bank, an insurance company, broker-dealer company or other legal entity whose status of institutional investors has been approved by the Commission, and which, due to its type of activities, may evaluate a worth of its future investment in securities. “**Trade of securities**” shall be transfer of ownership rights based on concluded transactions in purchase, sale, exchange, gifting, lending in addition to other legal activities in accordance with this Law. “**Privileged (inside) information**” shall be non-public information, significant for determination of the price of securities. “**Manipulation of the securities market**” shall be the process of creating semblance of active trade on the securities market, through purchase or sale of securities or by use of other means in order to increase or decrease, support or destabilize their market value.

“Authorized participant on the securities market” (hereinafter: authorized participant) shall be a legal entity or natural person that have obtained the Commission’s license to perform activities regarding securities. **“Stock exchange intermediary”** shall be a broker-dealer company or a bank holding the Commission’s license to perform transactions with securities in accordance with this Law. **“Broker”** shall be natural person authorized to trade in securities acting as the employee of the stock exchange intermediary. **“Investment advisor”** shall be natural person advising on investment, purchase or sale of securities, as well as exercise of rights arising from them, acting as the employee of the stock exchange intermediary or other authorized participant on the securities market. **“Investment manager”** shall be natural person who, based on written agreement with the client, takes over, for the purpose of management, client’s portfolio of securities, entirely or in one part, acting as the employee of the stock broker or other authorized participant on the securities market. **“Custody bank”**, in the context of this Law, shall be a bank holding the Commission’s license to manage securities account for the account of a client and to act upon the order of a client, as well to perform other activities in accordance with this Law. **“Professional organization”** shall be professional organization of authorized participants on the securities market and other entities who perform activities regarding securities, which operates in accordance with the Law and its own rules. **“The stock exchange”** shall be legal entity that organizes trade in securities and derivative financial instruments and other activities in accordance with this Law, holding the Commission’s license to conduct these activities.

“The Central Registry of Securities” (hereinafter: Registry) shall be legal entity which keeps unique register of securities and owners of securities, the rights arising from securities, the third parties' rights arising from securities, activities regarding clearing, settlement and transfer of securities and money obligations and claims arising from transactions with securities as well other activities in accordance with this Law.

II SECURITIES

1. Term, types and compulsory elements of securities

Article 3.

- (1) Securities, in the context of this Law, shall be shares, bonds, warrants, treasury bills, commercial papers, certificates of deposits and other securities issued in series, determined by the Commission.
- (2) Securities issued in series shall be securities of the same issuer, issued simultaneously, and giving the same rights.
- (3) Securities shall be registered securities.

Article 4.

- (1) Shares shall be equities issued by a joint stock company in accordance with Law.
- (2) Bonds shall be debt securities that give the holder right to collect the principal and interest, and other income in accordance to the Law and the decision on issuance.
- (3) Equity warrants and bond warrants shall be securities that give the holder the right to purchase shares or bonds, respectively, at some future date or for a particular period of time, following their issue, at previously determined or determinable price.
- (4) Treasury bills and commercial papers shall be short-term debt securities issued for the purpose of raising funds. Banks and other financial organizations may issue treasury bills. Other legal entities may issue commercial papers.
- (5) Certificates of deposits shall be debt securities that oblige the issuer to, in determined period of time, pay the holder a deposit with the interest attached to it. Banks and other financial organizations may issue certificates of deposits.
- (6) Financial derivatives shall be derivative financial instruments whose value derives from the value of the item underlying the contract, whose type, number, quality and other characteristics are standardized.
- (7) Short-term securities shall be securities with term to maturity up to one year.
- (8) Long-term securities shall be securities with term to maturity of more than one year.

Article 5.

Compulsory elements of security shall be as follows: a) identification of security's type; b) designation of security' class; c) number and designation of the security in the Registry; d) name, head office and address of securities' issuer, its designation and registration number in the Register of Issuers maintained by the Commission; e) nominal (par) value; f) data about the owner of security such as name, head office and registration number of the legal entity or the name and surname, and personal identification number of a natural person, as well as related identification number for a foreign legal entity and natural person; g) issuer's liabilities as well as rights of security's owner including the manner in their fulfilment; h) other elements stipulated by a particular law or regulations of the Commission.

2. Issuer of securities**Article 6.**

The issuer of securities may be the Republic Srpska, city, municipality, investment fund and any other legal entity established as a joint stock company or a company with limited liability.

Article 7.

(1) The Commission shall maintain the Register of Issuers of Securities (hereinafter: Register of Issuers) in which it enters the data about the issuer and the issue itself. (2) Register of Issuers shall be the record of general data about the issuer, basic data about issued securities, share capital of the issuer, bodies of the issuer and other data determined by the regulation of the Commission. (3) Issuers of securities shall be obliged to file the application for entry of the data specified in the paragraph 3 of this Article within the period of seven days from the day conditions for entry are met, in accordance to provisions of this Law and regulations of the Commission.

Article 8.

(1) Registration, maintenance of data and transfer of securities shall be carried out in electronic form on issuer's accounts, account of owners and other accounts in the Registry, in accordance with this Law and enactments of the Registry. (2) The issuer shall be obliged to submit request form for registration of securities within the period of 15 days from the day the decision on registration of the issuer with the Commission has been received, in accordance with this Law.

3. Acquisition, transfer, limitation of rights and rights of the third parties on securities**Article 9.**

(1) The legal basis for acquisition and transfer of rights from securities shall be a legal transaction whose purpose is acquisition and transfer of ownership, a judicial decision or a decision of other competent authority. (2) The legal basis for limitation of the rights from securities shall be the decision on issuance, a legal transaction, a court ruling or a decision of other competent authority. (3) Rights and obligations from securities shall be acquired, transferred and limited by their entry on owner's account in the Registry. (4) Excluding the paragraph 3 of this Article, the entity that acquired securities on the basis of purchase transaction of securities, concluded on the stock exchange or other regulated public market, may give the order to sell acquired securities prior to transfer of ownership rights to acquirer in the Registry.

Article 10.

(1) The third parties may acquire the right of pledge and usufruct. (2) The right of pledge on securities shall be acquired by the entry of that right in the Registry on the basis of a legal transaction concluded between the owner and the third party, of unilateral expression of owners' will, a judicial decision or on the basis of law. (3) Right of usufruct on securities shall be acquired by the entry of that right in the Registry on the basis of a legal transaction concluded between the owner and the third party or unilateral expression of owners' will.

III ISSUANCE OF SECURITIES

Article 11.

(1) When issuing securities in the Republic Srpska, the issuer shall be obliged to publish a prospectus (public offer) or to deliver it to previously determined buyers (private offering). (2) The prospectus must contain complete, accurate and objective information on assets and liabilities, loss or profit, financial standing and prospects of the issuer, the purpose of raising funds, risk factors as well information on the rights incorporated in securities to which the prospectus pertains, based on which a potential investor can make an objective assessment of risk of investment and make a decision about investment. (3) The prospectus shall not be published or delivered to previously determined buyers before it has been approved by the Commission.

Article 12.

Payment of securities issued in accordance with provisions of this Law shall be carried out only in cash.

1. Public issue**Article 13.**

The securities public issue procedure shall include: a) preparation of the prospectus; b) decision-making regarding the issue; c) contract arrangement between the issuer and a bank for the purpose of opening of temporary account for depositing of payment arising from purchase of securities; d) submission of issue approval request to the Commission; e) decision-making upon the request of the issuer; f) publishing of a prospectus and public invitation for subscription and payment of securities; g) subscription and payment of securities; h) determination and publishing of the issue results; i) entering the issue into the Register of Issuers with the Commission and registration of securities on the account with the Registry.

1.1. Prospectus**Article 14.**

Prospectus shall contain: a) the data on the issuer, b) the data on securities subject to the issue, c) the data on the issuer's business activities, d) the data on place, manner, deadline and time of subscription and payment of shares, e) statement on investing, f) the data on issuer's responsible parties, g) the data on guarantor of the issue, h) statement from issuer's responsible parties.

Article 15.

The data on the issuer shall be as follows: a) name and head office of the issuer, b) designation and registration number of the issuer in the Register of Issuers with the Commission, c) number and the date of the registration in the Court Register, d) legal status, e) prevailing business activities, f) number and date of the decision on approval to operate, issued by a competent authority, for issuers for which such approval is prescribed by a special law, g) information on parties related to the issuer, in accordance with the Law (name, head office, participation in capital), h) the amount of subscribed and paid in share capital on the day of the last annual and interim financial statements, types, class, number and nominal value of existing shares or bonds convertible into shares, i) structure of total amount of capital on the day of the last annual and interim financial statements, j) ownership structure of share capital on the day of the last annual and interim financial statements, including: 1) the list of entities who, directly or indirectly, have significant influence on management of the issuer (name and surname, address, function (membership) in bodies of the issuer for natural persons, or a company and head office for a legal entity), 2) the list of shareholders with 5 % or more of total number of votes, stating in addition the percentage of votes they have (name and surname, address, function (membership) in bodies of the issuer for natural persons, or a company and head office for a legal entity), 3) total number of votes in assembly of the issuer, total number of shareholders with voting rights, number and nominal value of company's own shares.

Article 16.

The data on securities subject to the issue shall be as follows: a) title of a competent authority passing the decision on issuance and the date the decision was passed, b) ordinary number of the issue, type and class of securities, c) number, nominal value of security and total value of the issue, d) maturity, interest, manner and deadline for payment of principal and interest (in case of debt securities issue), e) rights incorporated in securities and limitation of these rights, f) holders, deadline and manner to exercise pre-emption right, g) sell price and manner of its determination, h) total number of issued securities of the same type and class, i) statement on listing of the preceding issues of securities of the same type and class, on the stock exchange or other regulated public market.

Article 17.

(1) The data on the issuer's business activities shall be as follows: a) short description of activities and history of issuer's business operations, b) short description of the issuers' market position, c) volume of production or services for the last three years, d) dependence on licenses or other rights on intellectual property or on special contracts important for issuer's business activities, e) possession of company's own patents or other rights on intellectual property, f) review of foremost current investments (technical structure, value, dynamics), particularly referring to investments in research and development, g) structure of company's own portfolio of securities, h) basic information on initiated or expected disputes which may significant effect on the issuer's business activities, i) comparative review of main aggregate items of the balance sheet, the profit and loss account and the cash flow statement on annual statement of accounts for the last three business years (own statements and consolidated financial statements), expressed in absolute and relative values, including explanation for significant changes of the balance sheet items (more than 10%), j) main aggregate items of the balance sheet, the profit and loss account and the cash flow statement from the last interim statement of accounts, k) paid dividends per types of shares for preceding business year, l) amount of liabilities that are due and their participation in total amount of liabilities on the day the decision on issuance was made, m) number of days when the bank account was frozen in the preceding and current year until the day the prospectus was published, n) mortgage, pledge and other limitations on the issuers' assets, o) name and head office of audit company, name and surname of an authorized auditor who audited financial reports and opinion on performed audit of financial reports from the paragraph 1 item h) of this Article, p) all changes or discharge of authorized auditors involved in audit of financial reports which are contained in the prospectus, as well as reasons for that.

(2) If the issuer is a bank or other financial organization, apart from the data in the paragraph 1 of this Article, this part of the prospectus shall contain also the data on: a) insurance of payment policy, b) value and structure of reserves for losses on credits, c) value of foreign exchange, d) capital adequacy and e) other indicators which are required from banks by particular regulation.

(3) If the issuer is an insurance organization, apart from data in the paragraph 1 of this Article, this part of the prospectus shall contain also the data on: a) contingency funds, b) value of reserves, c) prevention fund, d) re-insurance and e) other indicators which are required by particular regulation.

Article 18.

The data on the place, manner, deadline and time of the subscription and payment of shares shall be as follows: a) the list of locations for the subscription and payment of shares, name, head office and the address of the bank at which the temporary account has been opened for depositing of payments as well time of the subscription and payment of shares, b) deadline for the subscription and payment of shares, c) indication about the issuer's reserved right of renunciation of the public offer, d) criterion to declare the issue successful, e) manner and return period of executed payments in case of renunciation of the subscription and payment of shares or in case of unsuccessful issue.

Article 19.

The statement on investing shall contain: a) investment objectives, manner to handle funds which will be raised by the issue and expected effects of investing, b) description of the main risks of investment related to the issuer's business activities, characteristics of securities or other factors.

Article 20.

The data on responsible persons of the issuer shall be as follows: a) name and surname, b) address, c) qualification and working biography of the director and member of management and supervisory board, including also possible sentences for criminal offences against the economy and his/her official duty.

Article 21.

(1) The statement of the issuer's responsible persons from the Article 14 item h) shall read: „To the best of our belief and in keeping with all our knowledge and the data we possess, we declare that all data in this prospectus constitute a full and truthful presentation of the assets and liabilities, losses and profits, the financial position and operations of the issuer, the rights contained in the securities related to them and that facts have not been omitted which might influence the completeness and truthfulness of this prospectus. The prospectus shall not conceal material facts and shall not contain the data or information that might mislead potential investor.” (2) The statement from the paragraph 1 of this Article shall be signed by the director, the president of the management board and the president of supervisory board of the issuer.

Article 22.

Appropriate provisions of the Law which regulates the establishment of a joint stock companies shall be applied to the content of a prospectus of an issuer – a joint stock company.

1.2. The decision on issuance

Article 23.

(1) The decision on issuance of securities shall contain: a) full name and address of the issuer; b) designation and registration number of the issuer in the Register of Issuers maintained by the Commission; c) title of competent authority responsible for making a decision on issuance; d) the adoption date of the decision on issuance; e) investment objectives, manner to handle funds which will be raised by the issue and expected effects of investing; f) type of the issue; g) ordinary number of the issue, identification of the type and class of securities; h) number and nominal value of securities and total value of the issue; i) maturity, interest, manner and deadline for payment of principal and interest (in case of debt securities issue); j) total number and value of to date issued securities of the same class and the amount of registered capital; k) rights and limitation of the rights contained in the security; l) holders, deadline and manner to exercise pre-emptive right, if the issue being conducted includes that right; m) sell price and manner of its determination; n) criterion to declare the issue successful; o) opening and closing time of the subscription and the list of locations for the subscription and payment of securities; p) indication about the issuer's reserved right of renunciation of the public offer of securities prior to expiration of determined deadline for their subscription and payment; q) name, surname and the function of the issuer's persons authorized to carry out the issue of securities; r) other elements in accordance with the Commission's regulation. (2) The contract on successive foundation of a joint stock company shall represent as well the decision on the first issue of shares.

Article 24.

(1) The decision on issuance of securities shall not impose restriction on the right to purchase securities to any person, unless that right has not been restricted by the law, nor can give priority to any buyer. (2) Excluding the provisions referred to in paragraph 1 of this Article, owners of shares of the same issuer may have the pre-emption rights in accordance with the provisions of the law. 10

Article 25.

(1) The issue of securities (bonds) of the Republic Srpska shall be carried out according to a special law. (2) The issue of municipality bonds shall be carried out in compliance with the decision of the competent authority, in accordance with the provisions of this and other laws.

1.3. Contract arrangement between the issuer and a bank

Article 26.

(1) The contract arrangement on opening of temporary account for depositing of payments related to purchase of securities, between the issuer and a bank, shall regulate the rights and obligations of the contracting parties with regard to payments in securities issue procedure. (2) Closer elements of the contract referred to in the paragraph 1 of this Article shall be prescribed by the Commission.

1.4. The issuer's application**Article 27.**

(1) The issuer of securities shall submit to the Commission the request form for approval of the prospectus, at the latest within 30 days from the adoption day of the decision on issuance. (2) The application shall be filed on the form prescribed by the Commission. (3) The request form referred to in the paragraph 1 of this Article shall be accompanied by the following: a) the prospectus; b) the decision on issuance; c) the Statute; d) a court's decision on issuer's entry in the Court Register, for issuers obliged to enter into the Court Registry; e) the decision on the issuer's entry in the Register of Issuers maintained by the Commission; f) the contract arrangements between the issuer and a bank on opening the account for depositing payments, g) financial reports and an auditor's reports, in accordance with the Commission's regulations; h) minutes of sessions of the competent authority at which the decision on issuance was made; i) proof of payment of the administrative fee. (4) Apart from requirements referred to in the paragraph 3 of this Article, the Commission may also prescribe additional documents to be submitted.

1.5. Correction of documents**Article 28.**

(1) If the request form for approval of the prospectus has not been accompanied by an orderly and complete documentation in accordance with this Law, the Commission shall provide the issuer with a written request to correct all insufficiencies within the determined period from the day the Commission's request was received. (2) In case the issuer does not comply with the deadline referred to in the paragraph 1 of this Article, the Commission shall make decision to reject the application as disorderly, incomplete or submitted by an unauthorized party.

1.6. Decision making upon the issuer's application**Article 29.**

(1) The Commission shall make decision upon the issuer's application for approval of the prospectus within 30 days following the day of receipt of an orderly and complete application. (2) The decision referred to in the paragraph 1 of this Article shall be final.

Article 30.

(1) The Commission shall approve the prospectus if the issuer has submitted timely, orderly and complete application and if it contains all the data and all documentation have been attached prescribed by this Law and the Commission's regulations. (2) If throughout the decision making procedure is evident that additional data or documentation shall be submitted, the Commission shall conclude to invite the issuer to provide them within the determined deadline accompanied with necessary explanations. (3) Excluding the provisions of the paragraph 1 of this Article, if it is evident that significant facts and circumstances exist which should be stated in the prospectus, or if it is a public knowledge, or otherwise known to the Commission, or reliable proofs of those facts and circumstances are at the Commission's disposal, the Commission shall conclude to invite the issuer to supplement the prospectus accordingly. (4) Non-compliance with the Commission's request may be ground for rejection of the application.

Article 31.

(1) The Commission shall not approve the prospectus in case: a) the content of the prospectus is contrary to provisions of this Law and provisions of the Commission's regulations or the form of the

prospectus is not in accordance with provisions of this Law and provisions of the Commission's regulations; b) all necessary data have not been stated in the prospectus or prescribed documentation has not been attached; c) the data in the prospectus are not in accordance with the decision on issuance, that is the data do not correspond with the data in submitted documentation; d) the bankruptcy proceeding or liquidation proceeding have been instituted; e) it contains false or incorrect quotes, statements, assessments or prediction; f) it contains the data that give false presentation or if important facts have been omitted; g) the need for protection of investors' interest. (2) In accordance with prescribed criteria, the Commission can limit the volume of the issue to be undertaken by the issuer in proportion to the amount of the share capital.

Article 32.

(1) By its decision to approve the prospectus, the Commission shall confirm that the issuer complied with the provisions of this Law and that the prospectus contains all elements determined by the Law and the regulations of the Commission. (2) The issuer, responsible parties of the issuer and an auditor shall be liable for the truthfulness, accuracy and fullness of the data published in the prospectus. (3) The responsible parties referred to in the paragraph 2 of this Article shall be jointly and severally liable for the damage that was result of untruthful, inaccurate and non-full data in the prospectus. (4) The Commission shall not be liable for truthfulness, accuracy and fullness of the data referred to in the paragraph 3 of this Article.

1.7. Publication of the prospectus and public invitation

Article 33.

(1) The issuer shall publish, at least 15 days prior to the opening of the subscription of securities, public invitation for subscription and payment of securities in the form of an advert in a daily newspaper available throughout the whole territory of the Republic Srpska. The advert shall contain the wording of the prospectus or information on where the prospectus can be obtained or ordered, free of charge. (2) The prospectus shall be available to investors at the issuer's headquarters and in all the places where the subscription for securities is performed. (3) The issuer shall publish the prospectus and the public invitation for subscription and payment of securities on web site of the stock exchange or other regulated public market, at least 15 days prior to the opening of the subscription of securities. (4) The public invitation shall not be published prior to the receipt of the Commission's decision approving the prospectus. (5) The issuer shall submit to the Commission and the bank, within 3 days from the day of publication, proof that the public invitation referred to in the paragraph 1 of this Article has been published. (6) If the issuer should not publish the prospectus within the prescribed term, the decision of approval of the prospectus referred to in Article 22 paragraph 4 of this Law shall cease to be valid.

1.8. Modification of conditions contained in the prospectus

Article 34.

(1) Throughout the public offering, the issuer must not change its Statute or other enactments that determine the rights of securities owners described in the prospectus. (2) If throughout the public offering, a new circumstances should develop which indicate that the data stated in the prospectus are inaccurate or untruthful, or a new information emerge whose content could influence decision making regarding purchase of securities, the issuer shall terminate the public offering of securities, inform the Commission and the public and without delay file with the Commission an application for approval of the modification of the prospectus. (3) The issuer shall publish the modification of the prospectus within 3 days from the day of receipt of the Commission's decision in the same way prescribed for publication of the prospectus. (4) The issuer shall deliver the modified prospectus to all the investors who performed subscription of securities during the public offering along with information that they have right to cancel the subscription. (5) Every person who subscribed and paid in securities referring to the data from the prospectus prior to its modification, shall have right to, within 15 days from the day of receipt of modified prospectus, cancel its subscription of securities and require reimbursement of paid in deposits along with the interest on

deposits. (6) The issuer shall reimburse paid in deposits along with the interest on deposits within three days from the day of receipt of a request for reimbursement referred to in the paragraph 5 of this Article.

1.9. Promotion of the public offer

Article 35.

(1) The issuer may promote the public offer of securities. (2) The promotion related to the public offering of securities must contain information on the day of publication of the prospectus and places where the prospectus is made available to investors. (3) Information on public offering must be complete, shall not lead into wrong conclusions and shall be in accordance with the prospectus. (4) The issuer shall deliver promotional material to the Commission three days prior to its publication or distribution.

1.10. Subscription and payment of securities

Article 36.

(1) The issuer shall commence the procedure for subscription and payment of securities within 30 days from the day of receipt of the decision on approval of the prospectus made by the Commission. (2) The Commission may annul the decision on approval of the prospectus if: a) it subsequently finds out information which would have been ground for rejection of the request had they been known while approving the prospectus, b) circumstances alter to the extent that there are no more bases for approval of the prospectus, c) it determines that any related party carries out promotion contrary to provisions of this Law. (3) In case referred to in the paragraph 2 of this Article, the issuer shall terminate all activities related to the issue of securities. (4) In case referred to in the paragraph 2 of this Article, the subscription of securities shall be annulled. All paid in deposits received by the issuer for subscribed securities, along with the interest on deposits, shall be reimbursed, within three days from the day of receipt of the Commission's decision.

Article 37.

(1) The subscription of securities in a public offering shall be performed in the issuer's offices or offices of a stock exchange intermediary that has a contract with the issuer to perform these activities. (2) The issuer and stock broking companies shall secure that the subscription of securities is carried out in accordance with this Law, the Commission's regulation and the prospectus. (3) Throughout the subscription, all deposits for paid-in securities shall be deposited in a special account at a bank, and shall not be used until the successful closing of the public offering in accordance with the Article 39 paragraph 1 of this Law. (4) Provisions referred to in the paragraph 3 of this Article shall not apply to the public offering of debt securities that banks issue in accordance with the Article 38 paragraph 2 and the Article 40 of this Law. (5) The issuer's creditors may not collect paid in deposits for purchased securities prior to successful closing of the public offering. (6) In case a proposal for initiating a bankruptcy has been submitted or a bankruptcy has been initiated, the public offering shall be terminated and paid in deposits returned in accordance with the Article 39 paragraph 2 of this Law. (7) The Commission shall prescribe the manner and procedure for the subscription and payment of securities.

1.11. Deadline for the subscription and payment of securities

Article 38.

(1) The subscription and payment of securities through public offering can be 90 days at the most, from the opening day for the subscription and payment of securities. (2) Excluding the provisions referred to in the paragraph 1 of this Article public offering of debt securities that banks issue may take time up to three years, in accordance with the decision on issuance. (3) The issuer referred to in

the paragraph 2 of this Article shall be terminated by: a) the issuer's decision, b) termination of the issuer or c) a ban imposed by the Commission.

1.12. The close of the public offering

Article 39.

(1) The public offering shall be deemed successful if within the deadline referred to in the Article 38 paragraph 1 of this Law at least 60% of securities offered through prospectus are subscribed and paid in, except the issuer determined higher percentage in the prospectus for success of the issue. (2) If the subscription and payment of securities through public offering should not close in accordance with the paragraph 1 of this Article, the subscription of securities shall be annulled. All paid in deposits received by the issuer for subscribed securities, along with the interest on deposits, shall be returned to investors, within three days from the day of receipt of the Commission's decision. (3) If prior to expiration of the deadline referred to in the Article 38 paragraph 1 of this Law, prescribed percentage of offered securities or higher percentage than the prescribed one referred to in the paragraph 1 of this Law are subscribed and paid in, the issuer can close the public offering. (4) Upon closing of the public offer in accordance with the paragraph 1 and 3 of this Article, subscribed securities that has not been paid shall not induce any legal consequences nor can be included in any legal transactions. (5) After expiration of the deadline for the subscription and payment of securities, neither the issuer nor the issuing agent shall either offer or enable the subscription of securities or receive payments for securities. The subscription and payment of securities upon expiration of the deadline referred to in the Article 38, paragraph 1 of this Law shall be null.

Article 40.

(1) Provisions of the Article 39, paragraphs 1, 2 and 3 shall not apply to a public offering of debt securities that bank issue within the deadline referred to in the Article 38 paragraph 2. (2) Closer requirements for the subscription and payment of securities referred to in the paragraph 1 of this Article shall be prescribed by the Commission.

1.13. The report on results of the public offering

Article 41.

(1) The issuer shall, at the latest within seven days from the closing day of the public offering file with the Commission the report on the number and percentage of the securities subscribed and paid for, along with the bank report on payments deposited on the temporary account. The Commission is authorized to require from the issuer other data concerning the subscription and payment related to that particular issue of securities. (2) The bank shall notify the Commission of the securities subscribed and paid for in case of the public offering referred to in the Article 38, paragraph 2 and the Article 40 of this Law. (3) The Commission shall determine in its regulation the content, manner and deadline for reporting referred to in the paragraphs 1 and 2 of this Article. (4) The issuer shall publish the data referred to in the paragraph 1 of this Article at the latest within seven days from the closing day of the public offering, in at least one daily newspaper available throughout the whole territory of the Republic Srpska and on web site of the stock exchange and other regulated public market.

1.14. Registration of the subscription

Article 42.

(1) In case of successful closing of the public offering of securities, the issuer shall file the request for entering of the issue into the Register of Issuers maintained by the Commission along with the report referred to in the Article 41 paragraph 1 of this Law. (2) The Commission's decision on registration of the issue into the Register of Issuers simultaneously confirms the issue successful.

Article 43.

(1) The issuer shall, within the deadline referred to in the Article 8 paragraph 2 of this Law, file the request for registration of securities in the Registry. (2) The Registry shall notify the stock exchange or other regulated public market of the registration of securities. (3) On the basis of the Registry's report, the securities issuer through public offer shall be listed on a stock exchange free market or other regulated public market.

2. Private offering**Article 44.**

Provisions of this Law related to a public offering of securities are accordingly applied to the procedure for a private offering, unless otherwise prescribed by provisions in this part.

Article 45.

The issuer can perform a private offering of securities in accordance with provisions of this Law once in the course of one calendar year at the most.

Article 46.

(1) Securities issued and obtained through a private offering may not be sold, pledged or in any other way alienated in the period of at least one year from the registration in the Registry, except in the following cases: a) transfer on the basis of inheritance or by force of law; b) transfer of shares in case of takeover of a joint stock company; c) transfer of shares to issuer in cases pursuant to the Law. (2) Upon expiration of the period referred to in the paragraph 1 of this Article securities issued and obtained through a private offering may be listed on the stock exchange or other regulated public market, under condition that the issuer publishes a prospectus in accordance with provisions of this Law.

2.1. The decision on issuance through private offering**Article 47.**

The decision on issuance of securities through private offering, apart from elements determined by provisions of the Article 23 of this Law, must contain also: a) title or names of investors who will perform subscription and payment of securities as well as the amount of their investments; b) limitation of transfer of securities subject to the issue, in accordance with provisions of this Law.

2.2. The request for approval of the prospectus**Article 48.**

(1) With the request for approval of the prospectus for the issue through private offering, apart from attachments prescribed by provisions of the Article 27 paragraph 3 of this Law, the issuer shall submit the proof of identity of previously determined buyer and a proposal of statement for the press regarding the issuance. (2) The form and content of the request for approval of the prospectus for the issue through private offering and the statement for the press referred to in the paragraph 1 of this Article as well as the report referred to in the Article 54 of this Law shall be prescribed by the Commission.

2.3. Alteration of buyer in the private offering**Article 49.**

(1) If a buyer in the private offering should be altered throughout the private offering, the issuer shall obtain from the Commission permission for such alteration. (2) If a buyer in the private offering should be altered throughout the private offering, the issuer shall submit to the Commission corrected decision on issuance with accurate information on the buyer's identity. (3) The Commission shall declare null any issuance through private offering which ended selling securities to buyers not named in the decision on issuance.

2.4. Decision making upon the issuer's request

Article 50.

(1) The Commission shall make a decision to either approve or reject the prospectus for the issue through public offering within 30 days after receiving orderly and complete request. (2) The decision referred to in the paragraph 1 of this Article shall be final.

2.5. Communication with buyers**Article 51.**

(1) The issuer shall not publish prospectus for the issue through private offering but shall deliver it to buyers free of charge.

(2) Throughout a private offering, the issuer shall not communicate with potential investors through the mass media.

2.6. Subscription and payment of securities**Article 52.**

(1) Securities subject to a private offering shall be subscribed and paid in within 30 days from the day of receipt of the decision on approval of the prospectus referred to in the Article 50 of this Law. (2) Excluding provisions referred to in the paragraph 1 of this Article, in the case of issuance through private offering pursuant to a special program for employees, the deadline for payment of subscribed securities may be up to three years.

2.7. Closing of a private offering**Article 53.**

(1) A private offering shall be deemed successful if within the time from the Article 52 of this Law the total number of securities offered through the prospectus is subscribed and paid in. (2) If the subscription and payment of securities in the private offering should not end in accordance with the paragraph 1 of this Article, the subscription of securities shall be cancelled. All paid in deposits received by the issuer for subscribed securities, along with the interest on deposits, shall be returned to buyers, within three days from the day of receipt of the Commission's decision.

2.8. The report on the results of a private offering**Article 54.**

(1) The issuer shall at the latest within three days after closing of a private offering, deliver to the Commission the report on the number and percentage of subscribed securities, along with the bank report on payments deposited on the temporary account. The Commission shall be authorized to require from the issuer other data concerning the subscription and payment related to that particular issue of securities. (2) The Commission shall prescribe the content, manner and deadline for reporting referred to in the paragraph 1 of this Article. (3) The issuer shall publish the data referred to in the paragraph 1 of this Article at the latest within seven days from the closing of the offering in at least one daily newspaper available throughout the whole territory of the Republic Srpska and on web site of the stock exchange and other regulated public market.

2.9. Subscription of securities**Article 55.**

(1) In the case of a successful ending of a private offering of securities, the issuer shall submit the request for entering of the issue into the Register of Issuers maintained by the Commission along with the report referred to in the Article 54 paragraph 1 of this Law.

(2) The Commission's decision on registration of the issue into the Register of Issuers simultaneously confirms the issue successful. (3) The issuer shall within the time referred in the Article 8, paragraph 2 of this Law, file the request for registration of securities in the Registry. (4) The Registry shall notify the stock exchange or other regulated public market of the registration of securities.

3. Issue of securities of issuers from the Federation of B&H and Brcko District

Article 56.

Provisions of this Law related to the domestic issuer shall apply to issuers from Federation of B&H and Brcko District, which issue securities on the territory of the Republic Srpska.

4. The issue of securities of a foreign issuer

Article 57.

(1) A foreign issuer may issue securities in the Republic Srpska pursuant to provisions of this Law only through a stock exchange intermediary that is engaged to act as an agent or an underwriter. (2) The request for approval of the prospectus shall be filed on behalf of a foreign issuer by the stock exchange intermediary referred to in the paragraph 1 of this Article. (3) The request shall be accompanied by a contract on agency or underwriting between the foreign issuer and the stock exchange intermediary. (4) The stock exchange intermediary shall also perform other tasks on behalf and for the account of the foreign issuer in the procedure for issuing securities.

Article 58.

(1) The Commission may approve the prospectus of a foreign issuer although the request is not accompanied by all the prescribed attachments or the request does not contain all the prescribed data if: a) the stock exchange intermediary engaged to act as an agent or an underwriter should prove that pursuant to legislation of the issuer's country these attachments and data cannot be furnished, and if the Commission considers that will not lessen the potential investors' possibilities for making an objective assessment of the prospectus and risks of the investment and of making a decision concerning the investment and b) the stock exchange intermediary engaged to act as an agent or an underwriter should prove that pursuant to legislation of a country in which the issuer of securities has a head office, there attachments and data are not required for approval of the prospectus, under condition of reciprocity, which is assumed. (2) The stock exchange intermediary referred to in the paragraph 1 of this Article shall also jointly and severally guarantee that the data contained in the prospectus of a foreign issuer in truthful and complete.

5. Issue of securities outside of Republic Srpska

Article 59.

(1) A domestic issuer that intends to issue securities outside the Republic Srpska shall previously notify the Commission of the characteristics of the intended issue in accordance with provisions of this Law. (2) Within eight days from the closing day of the issue referred to in the paragraph 1 of this Article, the issuer shall inform the Commission about the number of securities subscribed and paid for. (3) Within ten days after receiving appropriate decision on closing the issue referred to in the paragraph 1 of this Article, the issuer shall publish results of the issue in the manner and form prescribed by provisions of this Law.

6. Exceptions from the compulsory production of a prospectus

Article 60.

(1) The issuer may issue securities without production of a prospectus in the following cases: a) simultaneous foundation of a joint stock company and increase of share capital, b) on the basis of conversion of reserves and retained earnings into the share capital, c) on the occasion of decrease of the share capital, d) on the occasion of status change; e) when the total amount of the issuance does not exceed 100.000 BAM and number of buyers is not bigger then 10; f) issuance of new shares on their merger, division, conversion and denomination, g) issuance on the basis of conversion of convertible bonds and warrants into shares, and h) issuance of short-term securities. (2) Short-term securities shall not be issued with a maturity deferment clause through the issuance of a new series of securities. (3) In case of the issuance referred to in paragraph 1 of this Article, the issuer shall notify the Commission of the issuance within seven days from day of decision-making, attaching the decision and other documents determined by the regulation of the Commission. (4) The issuer shall

execute the issue referred to in paragraph 1, item d) of this Article once in two calendar years. (5) The Commission, by its regulation, regulates in detail the content of decisions and other documents which the issuer shall submit to the Commission, the manner for reporting to the Commission as well as other obligations relating the issuance referred to in paragraph 1 of this Article.

Article 61.

(1) The issuer of publicly issued securities, which are traded in organized way on the stock exchange or other regulated public market, may issue shares by conversion of claims into the share only when it is particularly prescribed by other law, in case of re-organization of a debtor in bankruptcy proceeding or in the process of restructuring on the occasion of preparation of a company for privatization.

IV TRANSACTIONS WITH SECURITIES AND AUTHORIZED PARTICIPANT ON THE SECURITIES MARKET

Article 62.

Transactions with securities shall be as follows: a) brokerage in purchase and sale of securities by the order of a client, on its behalf for the client's account (broker's activities); b) securities trade on its behalf and for its account in order to make a profit (dealer's activities); c) transactions in special stock exchange trade – simultaneous bid-ask of securities, on one's own behalf and for one's own account, to maintain constant demand for certain security (market support activities – market making); d) management of a securities portfolio on behalf of a customer (portfolio managing activities); e) organization, preparation and implementation of subscription and payment of securities, and performance of other activities for the issuer related to issuance of securities, preparation for the listing of securities on a stock exchange and regulated public market including the filing of the listing on behalf of the issuer (performance of the business of an issuing agent); f) organization, preparation and implementation of issuance of securities for the issuer and related subscription and payment of all securities, for their further sale to potential investors, to ensure the success of the subscription and payment of an issue (underwriting activities); g) advising clients on investments in securities (investment advice activities) and h) custody activities.

Article 63.

Authorized participants of the securities market shall be legal entities and natural persons that have been licensed by the Commission to perform transactions with securities such as stock exchange intermediary, brokers, investment advisors and investment managers.

1. Stock exchange intermediary

Article 64.

(1) Transactions with securities referred to in the Article 62 of this Law as a business activity may be performed exclusively by a broker-dealer company and bank (hereinafter: stock exchange intermediary) that have been licensed by the Commission to conduct such transactions and have entered such transactions as their business activities in the court register. (2) Trade of publicly issued securities shall be carried out exclusively by the stock exchange intermediaries on a stock exchange or other regulated public market. (3) With its regulations the Commission shall determine terms related to the trade in securities which were not issued through public offer for sale, on a stock exchange or other regulated public market. (4) Securities issued for sale pursuant to provisions of this Law may be also traded directly between stock exchange intermediaries providing that a stock exchange is notified of the trade on a daily basis. (5) The Commission shall prescribe closer terms related to trading and reporting referred to in paragraphs 3 and 4.

Article 65.

(1) Stock exchange intermediary that performs brokerage activities must have at least one employed broker. (2) Stock exchange intermediary must have at least two employed brokers to perform other transactions with securities. (3) Stock exchange intermediary may perform investment advice activities if it also employed, in addition to a broker, at least one investment advisor. (4) Stock

exchange intermediary may perform investment portfolio managing activities if it also employed, in addition to a broker, at least one investment manager.

1.1. Broker-dealer company

Article 66.

(1) Broker-dealer company shall be founded as a joint stock company seated in the Republic Srpska, whose sole business shall be transactions with securities pursuant to provisions of this Law, for which it has received a license from the Commission. (2) Provisions related to founding and business conduct of joint stock companies shall apply to broker-dealer company, unless otherwise prescribed by this Law.

Article 67.

(1) Shares of a broker-dealer company shall be registered share and must be paid in full before the entry in the court register of the establishment or the initial capital increase. (2) Shareholder of a broker-dealer company may not be an entity who was committed of an offence against economy, payment operation, his/her official duty or an offence against this Law, for which legal consequences have become effective, as long as that consequence lasts.

Article 68.

(1) For performing brokerage activities and investment advice activities, the money part of share capital of the broker-dealer company shall not be less than 50.000 BAM. (2) For performing dealer's activities, the money part of share capital of the broker-dealer company shall not be less than 75.000 BAM. (3) For performing investment portfolio managing activities and the business of an issuing agent, the money part of share capital of the broker-dealer company shall not be less than 100.000 BAM. (4) For performing market support activities, the money part of share capital of the broker-dealer company shall not be less than 200.000 BAM. (5) For performing underwriting activities, the money part of share capital of the broker-dealer company shall not be less than 600.000 BAM. (6) Should the broker-dealer company perform several activities, it shall provide the share capital according to the highest amount prescribed.

Article 69.

(1) Broker-dealer company which does not meet the requirements regarding money part of the share capital intended for activities specified in the Article 62 items e) and f) of this Law, may, based on the contract signed with other broker-dealer company, request a license from the Commission to be able to perform these activities, for the exact issue of securities. (2) The Commission shall issue the license referred to in the paragraph 1 of this Article provided that: a) contracting parties are both broker-dealer companies; b) contracting parties meet the requirements regarding the money part of the share capital intended for activities referred to in the Article 56 items e) and f) of this Law.

1.2. Bank

Article 70.

(1) Provisions of this Law related to business conduct of a broker-dealer company shall appropriately apply also to the bank that conducts transactions with securities. (2) A bank may conduct transactions with securities after receiving license from the Commission for each individual activity and the bank enters these transactions as one of its activities in the court register.

Article 71.

A bank may perform the transactions with securities providing that: a) it has special organizational part; b) it has a special business account opened; c) it provides a separate recording and the data on business conduct of that organizational part in the books.

1.3. Limitation to acquire shares and conflict of interest

Article 72.

(1) The same legal entity and natural person cannot either directly or indirectly, own shares of more than one broker-dealer company. (2) Stock exchange intermediary cannot either directly or indirectly, own shares of another broker-dealer company. (3) One person may be employed by only one stock exchange intermediary or be a member of the management or supervisory board of only one stock exchange intermediary. (4) A brokerage company shall furnish information on every change in its ownership structure to the Commission within eight days from the day when the change occurred.

1.4. License to Conduct Transitions with Securities**Article 73.**

(1) With a license to conduct transactions with securities the Commission shall determine the type of activities which a stock exchange intermediary may perform. (2) The Commission shall prescribe closer conditions related to business conduct and issuing the license. (3) The Commission shall issue a license to conduct transactions with securities valid for the period of three years from the issuing day. (4) The Commission may extend validity of a license to conduct transactions with securities if a stock exchange intermediary should continuously meet the requirements and fulfil obligations prescribed by this Law and the Commission's regulations and should it submit to the Commission the request for extension of validity of the license at the latest within 30 days before the license expires.

Article 74.

(1) Before making an entry of the establishment of a broker-dealer company in the court register, and before each next entry of business activities in the court register, for every individual activity with securities, the broker-dealer company shall obtain from the Commission a license to conduct transactions with securities. (2) The application for the issuance of a license to conduct transactions with securities shall be filed with the Commission by founders or the management of the broker-dealer company.

Article 75.

The following documents shall be attached to the application for the issuance of a license to conduct transactions with securities and submitted to the Commission: a) founding act; b) the Statute; c) Rules of business conduct of a broker-dealer company; d) enactment on fees for conduct of transactions with securities; e) an extract from the court register, when a broker-dealer company, which already has a license for the performance of individual transactions with securities, files the application; f) proof of payment in money of the share capital; g) statements of each shareholder of the broker-dealer company that there are no obstacles related to acquisition of shares pursuant to provisions of this Law; h) proof that the broker-dealer company has permanently employed appropriate number of brokers, and/or investment advisors and/or investment managers in accordance with the Article 65 of this Law; i) the data on parties with special authorizations and responsibilities; j) certificate issued by the competent authority stating there are no obstacles specified in the Article 67, paragraph 2 of this Law; k) other documentation determined by the Commission's regulation on the basis of which it can be determined if the personnel, technical and organizational conditions exist for providing services to which the application for issuance of a license relates; l) proof of payment of administrative fees (for decision making upon application for the issuance of a license to conduct transactions with securities).

Article 76.

A bank shall submit to the Commission the following documents attached to the application for the issuance of a license to conduct transactions with securities: a) the Statute; b) decision on the establishment of organizational part to conduct transactions with securities; c) the data on parties with special authorizations and responsibilities; d) approval of the Banking Agency of Republic Srpska for establishment of the organizational part to conduct transactions with securities; e) decision on an entry of the organizational part in the court register; f) other documentation, pursuant to the Article 75 of this Law, determined by the Commission's regulation on the basis of which it can be determined if the personnel, technical and organizational conditions exist for providing services to which the application for issuance of a license relates.

Article 77.

(1) If the application for the issuance of a license to conduct transactions with securities has not been accompanied by an orderly and complete documentation in accordance with provisions of this Law, the Commission shall provide the issuer with a written request to correct all insufficiencies within the determined period from the day the Commission's request was received. (2) If throughout the decision making procedure is evident that additional data or documentation shall be submitted, the Commission shall conclude to invite the issuer to provide them, within the determined deadline from the day the conclusion was delivered, accompanied with necessary explanations. (3) In case the issuer does not comply with the deadline referred to in the paragraph 1 and 2 of this Article, the Commission shall make decision to reject the application as disorderly, incomplete or submitted by an unauthorized party. (4) The Commission shall make decision to either adopt or reject the application for the issuance of a license to conduct transactions with securities within 30 days from the day of the filing of an orderly and complete application. (5) The decision referred to in the paragraph 4 of this Article shall be final. (6) The Commission shall issue a license to conduct transactions with securities if the applicant fulfils the conditions prescribed by this Law and the Commission's regulation and if the prescribed documentation has been attached to the application. (7) In the decision on the issuance of a license to conduct transactions with securities, the Commission shall specify for which particular activities the license is issued. 26

Article 78.

The Commission shall refuse the application for the issuance of a license to conduct transactions with securities if: a) provisions of the founding act and the Statute of a stock exchange intermediary are contrary to provisions of this Law and the Commission's regulation, b) a stock exchange intermediary does not fulfil conditions prescribed by this Law and the Commission's regulation.

Article 79.

The Commission shall keep a register of stock exchange intermediaries.

Article 80.

In case of status changes of merging by overtaking, merging or division, a stock exchange intermediary shall file an application for approval of status change with the Commission before submitting the application for the entry in the court register.

Article 81.

Stock exchange intermediaries that are merging shall file an application with the Commission for the stock exchange intermediary that will be formed by merger before the entry of the new stock exchange intermediary in the court register.

Article 82.

(1) A stock exchange intermediary may conduct transactions with securities outside of the Republic Srpska by establishing a branch office or a special legal entity in accordance with the laws of the country or the entity in which it intends to perform the business. (2) Before the establishment of a branch office outside of the Republic Srpska, the stock exchange intermediary shall advise the Commission of its intention to establish a branch office or a special legal entity. (3) The stock exchange intermediary shall notify the Commission of the established branch office or a special legal entity within 10 days from the day of the entry of the branch office in the register outside of the Republic Srpska or from the obtaining of a license to conduct transactions with securities outside of the Republic Srpska. (4) The Commission shall prescribe the content of the notice and the documentation which shall be submitted.

Article 83.

(1) The stock exchange intermediary whose head office is outside of the Bosnia and Herzegovina may establish in the Republic Srpska branch office to conduct transactions with securities referred to in this Law, on the basis of a license issued by the Commission. (2) The branch office referred to in paragraph 1 of this Article shall be legal entity. (3) The stock exchange intermediary referred to in

paragraph 1 of this Article, shall file the following documents attached to the application for the issuance of a license to conduct transactions with securities: a) a certified translation and the original of the authorization to conduct transactions with securities in the country of its domicile, b) a certified translation and the original of the receipt proving that the notice of establishment of a branch office in the Republic Srpska has been delivered to a competent regulatory body in the country of its domicile. (4) The provisions of this Law that relate to the issuance and revocation of license to the stock exchange intermediary and to the business and supervision of the stock exchange intermediary shall also apply as appropriate to the branch offices referred to in paragraph 1 of this Article, unless otherwise prescribed by individual provisions of this Law.

Article 84.

(1) The license to perform transactions with securities issued to the stock exchange intermediary from the Federation of Bosnia and Herzegovina and from Brcko District shall be valid also on the territory of the Republic Srpska under condition that the stock exchange intermediary fulfils conditions for the establishment and business conduct prescribed by this Law and also respecting the principle of reciprocity. (2) The stock exchange intermediary referred to in the paragraph 1 of this Article shall register the branch office established on the territory of the Republic Srpska and enter it in the Register of the Commission referred to in the Article 79 of this Law. (3) Provisions of this Law related to business conduct, supervision and revocation of a license shall apply to the stock exchange intermediary referred to in the paragraph 1 of this Article unless otherwise prescribed by provisions of this Law.

Article 85.

Licenses to conduct transactions with securities shall cease to be valid: a) upon expiration of the period for which it was issued, if a request for its extension has not been submitted within the prescribed period; b) on the day of the opening of bankruptcy or liquidation proceedings of a stock exchange intermediary; c) on the date of delivery of a decision to revoke the license to conduct transactions with securities; d) on the date of delivery of a decision to revoke the approval to provide banking services, pursuant to provisions of the Law on Banks; e) on the entry of the merging for overtaking in the court register, in the case of the merging for overtaking of a stock exchange intermediary; f) on the date of entry of the merger in the court register related to all the entities to be merged.

Article 86.

If a stock exchange intermediary should inform the Commission about discontinuation of its business activities and submits the application for removal from the Register of stock exchange intermediaries, the Commission shall make decision that the license to perform transactions with securities of that stock exchange intermediary cease to be valid providing that it fulfilled all obligations to its clients.

1.5. Supervision over business activities and revocation of license to perform transactions with securities

Article 87.

(1) If in the procedure of supervision of a stock exchange intermediary illegalities should be established or irregularities in operations, the Commission shall make a decision ordering it to eliminate founded irregularities within determined deadline and may also undertake one or more following measures: a) admonish it; b) give public reprimand; c) revoke approval for appointment of a director and issue the order for initiation of procedure for appointment of a new person to that position; d) give the order to temporary ban the performance of certain activities or all the activities the license to perform transactions relates to – for the period up to six months; e) give the order for temporary ban to dispose of funds on accounts and securities on account as well other assets – for the period of up to three months, f) revoke the license to conduct transactions with securities; g) undertake other measures in accordance with this Law and the Commission's regulation. (2) The Commission shall prescribe closer conditions and manner for supervision, the procedure for giving orders and undertaking measures as well as deadline for compliance with the orders and duration of measures.

Article 88.

The Commission shall revoke the license of a stock exchange intermediary to conduct one or more transactions with securities if: a) within 30 days from the issuance of the license does not file an application to enter in the court register or within 30 days from the issuance of the license does not file an application to enter in the court as its business activity the transactions with securities for which it has obtained subsequent license from the Commission; b) within six months from the issuance of the license, the stock exchange intermediary fails to commence conducting transactions with securities or if it does not conduct such transactions for more than 6 months; c) it conducts transactions with securities for which it does not have a license from the Commission; d) it performs business activities that are not transactions with securities; e) the license for conducting transactions with securities has been obtained on the basis of false data; f) it no longer fulfils the conditions prescribed for obtaining the license to conduct transactions with securities; g) it fails to bring its business operations into conformity with the provisions of this Law and the Commission's regulation; h) it repeatedly or severely violates the provisions of both this Law and the Commission's regulation related to manner for conduct of transactions with securities; i) it violates the provisions related to manipulation and usage of privileged information; j) it fails to comply with the decision on temporary ban to conduct transactions with securities; k) within the time set by the Commission's enactments it fails to comply with the order to eliminate established unlawfulness or irregularities and l) in other cases when it fails to conduct transactions relating securities in accordance with this Law and the Commission's regulations.

Article 89.

Apart from the cases referred to in the Article 88 of this Law, the Commission shall revoke the license to conduct transactions with securities of a branch office of a foreign stock exchange intermediary if the license to conduct transactions with securities in the country of domicile of that stock exchange intermediary should be revoked.

Article 90.

(1) By the decision to revoke the license to conduct transactions with securities, the Commission shall set a time period in which the stock exchange intermediary cannot re-apply for the issuance of a license to conduct transactions with securities, which however cannot be longer than one year. (2) By the decision to revoke the license to conduct transactions with securities, the Commission may order that unexecuted orders and other documents of customers of a stock exchange intermediary whose license has been revoked by the Commission be transferred to another stock exchange intermediary, with the consent of that other stock exchange intermediary. (3) From the day on which the decision of the revocation of the license to conduct transactions with securities becomes final, or from the day on which the license becomes invalid under compulsion, the stock exchange intermediary shall not conclude, start performing or perform any new transaction related to the performance of the business activities for which the license was issued. (4) The Commission shall notify the stock exchange, regulated public market, the Registry and the court register of the revocation of the licence. (5) On the day on which the decision of the revocation of the license to conduct transactions with securities was made, the Commission shall instruct the bank at which the accounts of the stock exchange intermediary are kept, to block these accounts.

Article 91.

(1) In the course of bankruptcy proceedings of a broker-dealer company trustee in bankruptcy cannot renounce an order for purchase or sale of securities which was accepted by that broker-dealer company. (2) Bankruptcy estate of a broker-dealer company shall include neither claims of its clients based on investment in securities nor claims of the Republic Srpska and the Central Bank of Bosnia and Herzegovina on that basis. (3) The decision to institute liquidation proceeding or bankruptcy proceeding on broker-dealer company shall be submitted to the Commission within eight days from the day on which the decision was made.

2. Broker, investment advisor and investment manager

Article 92.

The Commission shall organize and implement examinations for acquiring broker, investment advisor and investment manager vocation and shall issue appropriate certificates.

Article 93.

(1) Broker, investment advisor and investment manager may perform transactions referred to in the Article 62 of this Law only as an employee of a stock exchange intermediary or other authorized participant, providing that it has a license from the Commission. (2) The license shall be valid for the period of two years. (3) One person cannot at the same time possess the operating license for broker, investment advisor and investment manager. (4) The Commission shall prescribe the conditions for acquiring vocation and obtaining operating license for broker, investment advisor and investment manager. (5) Person who does not have a license issued by the Commission shall not provide services of broker, investment advisor and investment manager. (6) The Commission shall keep a register of brokers, investment advisors and investment managers.

2.1. Application for issuance of operating license to broker, investment advisor and investment manager**Article 94.**

(1) The person filing an application for the issuance of a broker, investment advisor or investment manager license shall attach to the application the following: a) a copy of a certificate of acquiring of broker, investment advisor or investment manager vocation; b) the certificate of a competent authority that he/she has not been condemned for criminal acts against economy and payment operations, his/her official duty and criminal acts under this Law and that no measures have been pronounced against him/her in terms of prohibition to perform the same or similar activities relating to securities; in the case of a foreign applicant, also certified translation of the certificate issued by the competent authority of the country whose citizen he/she is; c) a certificate of citizenship; d) a certified copy of his/her passport if a person is a foreign citizen; e) a certified copy of an employment booklet; f) proof of fulfilment of the conditions pursuant to regulations for the employment of foreign persons; g) proof that he/she is employed with a stock exchange intermediary or confirmation of that stock exchange intermediary that he/she will be employed; h) proof of payment of the administrative fee. (2) Apart from documents referred to in paragraph 1 of this Article, the person who filed the application shall sign the following statement: a) that he/she will consciously, expertly and responsibly perform activities he/she files the application for; b) that his/her employment with former employers ceased by legally effective decision on termination of employment due to violation of working duties.

2.2. Commission's decision-making on the basis of application for issuance of operating license to broker, investment advisor and investment manager**Article 95.**

Provisions of the Article 77 of this Law shall appropriately apply to the Commission's decision-making on the basis of application for issuance of operating license to broker, investment advisor and investment manager.

2.3. Acceptance of vocation**Article 96.**

(1) The person who acquired broker, investment advisor or investment manager vocation outside the territory of the Republic Srpska shall file with the Commission the application for acceptance of vocation in the Republic Srpska. (2) The Commission shall regulate closer conditions for acceptance of vocation by its regulation. (3) Excluding provisions of paragraph 1 of this Article, broker, investment advisor or investment manager vocation acquired in the Federation of Bosnia and Herzegovina and Brcko District shall be accepted with an obligation to register it with the Commission.

Article 97.

Member of the Commission or the person, who has been employed by the Commission with professional duties of at least three years, shall have the right to acquire broker, investment advisor or investment manager vocation without passing examinations, and in accordance with regulation passed by the Commission.

2.4. Supervision of operations and revocation of license

Article 98.

(1) If during supervision illegalities should be established or irregularities in transaction with securities, the Commission may do the following to broker, investment advisor or investment manager: a) admonish it; b) give public reprimand; c) temporary ban the conduct of transactions with securities and d) revoke the license to conduct transactions with securities. (2) The Commission shall prescribe closer conditions and manner for supervision, undertaking measures and its duration.

Article 99.

The Commission shall revoke a broker, investment advisor or investment manager operating license to conduct transactions with securities if: a) it establishes that the data on basis of which the license was issued were untrue, b) he/she has been condemned for criminal acts against economy and payment operations, his/her official duty and criminal acts under this Law or measures have been pronounced against him/her or are in effect in terms of prohibition to perform activities relating to securities; c) he/she has been condemned with legal effect for an offence referred to in Article 299 of this Law; d) he/she repeatedly or severely violates the provisions of both this Law and the Commission's regulation related to manner for conduct of transactions with securities; e) he/she no longer fulfils the conditions on the basis of which the license was issued and fails to fulfil such conditions within the time set by the Commission and f) he/she performs activities he/she does not have license for issued by the Commission.

3. Conducting transactions with securities

3.1. The Code of ethics

Article 100.

(1) In performing its activities, stock exchange intermediaries shall exclusively be led by a client's interests that have priority over their own interest. (2) A stock exchange intermediary, members of the board of directors, supervisory board, brokers, investment advisors and investment managers shall, while conducting transactions with securities, in all respects take care of the client's interests and act with due professional care.

Article 101.

A stock exchange intermediary cannot conduct transactions with securities that may destabilize the market. This especially refers to: a) providing false information regarding the price of securities; b) spread false information in order to influence the price of securities; c) handle securities owned by its client without the client's order.

3.2. Conflict of interest

Article 102.

(1) The following parties shall be deemed parties related to a stock exchange intermediary for the purposes of this Law: a) shareholders of the stock exchange intermediary who possess at least 10% of shares of the stock exchange intermediary, b) members of management and supervisory boards, the director and employees of the stock exchange intermediary, c) spouses and lineal relatives to the third degree of kinship and in a lateral line to second degree of kinship of the persons referred to in items a) and b) of this paragraph 1; d) legal entities in which the stock exchange intermediary or the person referred to in items a), b) and c) of this paragraph, separately or jointly, directly or indirectly holds 25% or more of the shares of the capital, e) entities that in the legal entity which is a shareholder of

the stock exchange intermediary, possess 25% or more of the shares of the capital, f) persons who perform activities for the stock exchange intermediary on the basis of a contract. (2) In order to prevent conflict of interest, the persons referred to in the paragraph 1 of this Article shall within five days from the day of acquiring or alienating securities, notify the stock exchange intermediary of every acquisition or alienation of securities including data on number, price and the date of the transaction as well data on acquisition or alienation of stakes in related legal entities. (3) The stock exchange intermediary shall make entry of all notices referred to in the paragraph 2 of this Article in a special register, which shall be kept for at least five years. (4) The Commission shall prescribe the content and accessibility of data kept in the register referred to in the paragraph 3 of this Article.

Article 103.

(1) A stock exchange intermediary shall inform its client about possible conflict of his interest with the interest of the stock exchange intermediary, or with interests of other clients of the stock exchange intermediary. (2) The stock exchange intermediary shall organize its operations in order to limit to the smallest extent possible conflict of interest of clients, the stock exchange intermediary itself and employees of that stock exchange intermediary.

3.3. Confidentiality

Article 104.

(1) Members of the board of directors, supervisory board, brokers, investment advisors, investment managers other employees of a stock exchange intermediary shall keep secret information about clients, the balance and transactions on clients' securities accounts, operations performed for clients and other data and facts they learn in connection with conducting transactions with securities for the clients. These data are considered confidential, and the said persons shall neither use them nor divulge them to third parties nor enable their usage by third parties. (2) Data referred to in paragraph 1 of this Article shall not be considered confidential if required by the Commission, a stock exchange, regulated public market, legal and administrative bodies in the execution of their supervisory capacity or other public authorities pursuant to this Law or other laws, or if their publication has been approved in writing by the client.

3.4. Net liquid capital

Article 105.

(1) The broker-dealer company shall balance its liquid funds and liabilities. (2) The balance referred to in paragraph 1 of this Article shall be expressed by the net liquid funds indicator, which shall be the quotient of total liquid funds and total current liabilities of the broker-dealer company. (3) The net liquid funds indicator of a broker-dealer company shall not be less than 1.00 (one). (3) The Commission shall prescribe the manner for determination of indicator of capital adequacy, the liquidity and risks, the manner of balancing the liquidity and reserves for risks and reporting to the Commission.

3.5. Public advertising of stock exchange intermediary

Article 106.

(1) Only stock exchange intermediary may publish advertisements offering transactions with securities. (2) It is prohibited to publish advertisements whose content might mislead investors as to the rights and risks resulting from securities or transactions with securities conducted by a stock exchange intermediary. (3) A stock exchange intermediary shall file with the Commission the text of advertisements before publication. The Commission shall, within three days from the filing of the text of the advertisement make conclusion on approval or rejection of the publication. (4) The Commission shall prohibit publication of advertisements whose content is contrary to the provisions of paragraph 2 of this Article, or is otherwise contrary to this or other laws and the Commission's regulation. (5) Public advertising referred to in paragraph 1 of this Article means distribution of printed material and advertising in the mass media. (6) The provisions of this Article do not apply

when the purchase or sale of securities or public advertising is a part of the take-over of joint stock companies pursuant to law.

3.6. General enactments of stock exchange intermediary

Article 107.

(1) General enactments of a stock exchange intermediary are the Statute, rules, tariffs and other general enactments. (2) The Statute is basic general enactment which regulates issues determined by the Law on Enterprises and this Law. (3) Rules of business conduct regulate activities performed by a stock exchange intermediary, conditions and manner for its performance, mutual rights and obligations of the stock exchange intermediary and its clients and other issues related to the stock exchange intermediary operations. (4) The Commission shall prescribe the content and manner for publication of the Rules of business conduct. (5) The stock exchange intermediary shall exhibit the Rules of business conduct and tariffs in all the premises in which it performs activities for its clients in a visible place easily accessible to a client. (6) All the general enactments must be in compliance with the Statute. (7) The Commission shall give consent to the Statute, Rules of business conduct, tariffs and other general enactments, which regulate work and performance of a broker-dealer company, as well as all changes and amendments to those enactments. (8) The Commission shall give consent to the Rules of business conduct, tariffs and other general enactments, which regulate work and performance of an organizational part of a bank which perform activities of a stock exchange intermediary, as well as all changes and amendments to those enactments.

Article 108.

A stock exchange intermediary shall collect commission for its services exclusively pursuant to its tariffs.

3.7. Boards of stock exchange intermediary

Article 109.

(1) The Commission shall give consent to the appointment of director of a broker-dealer company that is of a manager of a special organizational part of a bank, which has the license to conduct transactions with securities. (2) The Commission shall give consent to the appointment of members of managing and supervisory board of a broker-dealer company.

Article 110.

Director and members of managing and supervisory board of a broker-dealer company that is a manager of a special organizational part of a bank, which has the license to conduct transactions with securities, must have university qualification and three years of working experience as well fulfil other conditions prescribed by the Commission.

3.8. Broker's and dealer's activities

Article 111.

(1) A stock exchange intermediary shall inform the client about all the circumstances that are necessary for making a decision about a purchase or sale or other transactions with securities, and in particular give the investor true information on supply and demand, trade in securities and trends in their prices. (2) A stock exchange intermediary shall respect the principle of equality in its business conduct.

Article 112.

(1) A stock exchange intermediary shall conclude in writing a contract with a client, which regulates their mutual rights and obligations in conducting activities of stock exchange intermediary (hereinafter: contract). (2) A stock exchange intermediary shall inform a client with Rules of business

conduct of the stock exchange intermediary and present it to him/her. (3) A stock exchange intermediary shall inform a client about changes to the Rules of business conduct before it has taken effect. (4) The Commission shall prescribe mandatory elements of the contract referred to in the paragraph 1 of this Article.

Article 113.

After the contract referred to the Article 112, paragraph 1 of this Law has been concluded, the stock exchange intermediary shall open client's account with the stock exchange intermediary, in accordance with provisions of this Law and general enactments of the Registry.

Article 114.

A stock exchange intermediary shall close client's account either at the request of the client or if there are no securities on the client's account for more then 12 months.

Article 115.

(1) A stock exchange intermediary shall check a client's identity prior to opening the client's account with the stock exchange intermediary at the Registry as well as when receiving client's order. (2) A stock exchange intermediary shall act in accordance with the general enactments of the Registry if it establishes differences when checking client's identity in relation to the data entered in the Registry.

Article 116.

(1) An order is a one-sided statement of the client's will given orally, in writing or as an electronic record that is addressed to the stock exchange intermediary, to conduct a certain transaction with securities. (2) The Commission shall prescribe the content and types of orders, manner for receipt and handling the client's orders.

Article 117.

(1) The stock exchange intermediary shall receive clients' orders: a) in its own branch office, b) in a branch office of a legal entity, this receives orders on behalf and for the account of that stock exchange intermediary. (2) The Commission shall prescribe the manner for delivery of a confirmation on order receipt and its elements.

Article 118.

The order shall be deemed accepted by its entry in the order book and when conditions set in the Rules of business conduct of the stock exchange intermediary and the contract referred to in the Article 112 of this Law have been fulfilled.

Article 119.

The stock exchange intermediary may refuse an order: a) for purchase, when it establishes that there are insufficient funds on client's account for settlement of its obligations that would materialize on the basis of execution of the order for purchase of securities; b) for sale, when it establishes that there are not enough securities on the client's securities account that the order relates to; c) in other cases prescribed by the Commission.

Article 120.

(1) The stock exchange intermediary shall keep the order book in electronic form. The order book for the purposes of this Law shall mean the sum of all individual orders. (2) Every order shall be entered in the order book. Purchase and selling orders shall be entered in the order book in chronological order of the acceptance of that particular order, and each shall be given a reference in the form of an ordinal number (3) If an order has been executed only partially, the remainder shall keep its place in the order book. (4) The stock exchange intermediary shall, without delay deliver to the customer at his request a certified listing of orders from the order book. (5) The data in the order book and those in the order must be identical at all times. (6) Every refusal, modification, cancellation of an order and information about the execution of the order shall be entered in the order book. Only order in which

the quantity of securities has been lowered shall keep the same order reference and the same order of execution. The order in which the quantity of securities has been raised or the price has been changed represents a new order. (7) The order book shall be kept in a manner that will prevent any subsequent change of entered data. (8) The Commission shall prescribe the content of the order book and the manner it is kept. (9) The order book shall be kept for at least five years from the end of the business year to which it refers.

Article 121.

(1) The stock exchange intermediary shall execute orders exactly according to clients' requests and their priority in the order book. (2) When all the prescribed conditions have been fulfilled, the stock exchange intermediary shall, without delay, present orders to purchase or sell securities to the trade system of the stock exchange, unless the term of presentation has not been expressly specified otherwise. (3) The Commission shall prescribe closer conditions for execution of orders.

Article 122.

A stock exchange intermediary cannot execute order for its own account, for the account of members of board of directors of the stock exchange intermediary or for the account of a person employed with the stock exchange intermediary, if due to that it could not simultaneously execute clients' orders or if due to that clients' orders would be executed on less favourable terms. 38

Article 123.

A stock exchange intermediary shall deliver to a client notice in writing (material or electronic form) of transaction account for every executed transaction with securities, at the latest on the following day of the execution.

Article 124.

(1) A stock exchange intermediary shall open a separate account for client's funds with a bank. (2) The funds in the client's account referred to in paragraph 1 of this Article for the purchase of securities may be used exclusively in accordance with the client's orders. (3) The stock exchange intermediary shall remit the funds in the client account earned by sale of securities exclusively in favour of the client account. (4) The stock exchange intermediary shall not use the funds on the client account for the purpose of assignments, conveyances or compensations, with exception of compensations with the customer him/herself for the purchase of new securities, provided that the customer account is not blocked. (5) Funds in client's account are not owned by the stock exchange intermediary, they shall not be included in its property, its assets if in liquidation, or in its bankruptcy estate, nor can they be used in seizures related to claims against the stock exchange intermediary.

Article 125.

A stock exchange intermediary shall undertake all necessary activities to make payments related to transactions with securities and to transfer securities in accordance with the Law, and regulations of the Commission and of the Registry.

Article 126.

(1) A stock exchange intermediary may grant and raise loans in securities only with the written consent of the owner of those securities. (2) Transactions related to loaning securities can be concluded only for the purpose of settlement of transactions concluded on the stock exchange and other regulated public market. (3) The Commission shall prescribe closer conditions for granting loans and selling loaned securities and reporting those transactions to the Commission.

3.9. Managing activities of securities portfolio

Article 127.

(1) Under a contract on the management of securities portfolios, a stock exchange intermediary shall undertake to perform, on the company's behalf and for the account of a client, operations related to investments of funds in securities under the most favourable terms, and to manage the client's securities, and the client shall pay a fee for that. (2) The contract on the management of securities

portfolios shall determine in particular: a) amount of funds, and type and number of securities subject to the management; b) the policy of investment in securities; c) conditions under which the client entrusts securities for managing to a stock exchange intermediary; d) a commission and the basis for account and collecting of the commission; e) other mutual rights and obligations. (3) The policy of investment referred to in the paragraph 2, item b) of this Article shall mean the particular type of securities which will be bought using client's funds, characteristics of the issuer of securities, the largest amount allowed for investment in securities of one issuer and parties related to it, as well as other circumstances significant for determination of investment risk level. (4) The provisions of this Law that relate to trading in securities in one's own name and for the account of the client shall also apply as appropriate to operations related to the management of securities portfolio. (5) The Commission may prescribe closer conditions for performance of activities related to management of securities portfolio. (6) A stock exchange intermediary managing a portfolio of securities shall keep the securities in the client's account with the Registry, i.e. separated from its own property.

3.10. Custody activities

Article 128.

(1) Custody activities for the purposes of this Law shall be: a) opening and record-keeping of owners' accounts – its clients' ones; b) opening and record-keeping of securities accounts in the Registry on behalf of the custody bank for the account of the owner – its clients, i.e. on behalf of its clients who are not owners of securities for the account of the owners (joint custody account); c) execution of orders for transfer of rights from securities and orders for entering third parties rights on securities and taking care of transfer of rights from those securities; d) collect of claims from issuers on the basis of securities that become due, interest and dividends for the account of owners of those securities, and taking care of the exercise of other rights belonging to the securities owners, who are its clients; e) loaning of securities services; f) informing shareholders about annual assemblies of joint stock companies and representing them at the assemblies; g) informing about rights related to shares and the execution of clients' orders related to the exercise of these rights, h) informing about legal changes that directly or indirectly influence the reporting to the client on the balance of the custodian account; i) taking care of performance of tax liabilities of securities owners; j) other services related to securities, the exercise of rights and fulfilment of obligations resulting from securities, as agreed between the client and the bank performing custody activities and which are not contrary to law. (2) Activities referred to in the paragraph 1 of this Article shall be performed by a bank which has a license from the Commission (hereinafter: custody bank). (3) Activities referred to in the paragraph 1, except the activities referred to in the item b) of this Article can be performed also by a broker-dealer company, which obtain license from the Commission to perform these activities.

Article 129.

(1) Under a contract, the custody bank undertakes to perform one or more custody activities for a client's account pursuant to provisions of this Law. (2) Custody bank shall perform custody related activities in a special organizational part. (3) The Commission shall prescribe closer condition for performance of custody activities.

Article 130.

(1) The custody bank shall open with the Registry (custodian) accounts of securities on which the client's securities are kept. The custodian account can be either in the name or joint custodian account. (2) The custody bank can handle securities in the (custodian) account only by the client's order. (3) Securities in the account with the custody bank are the client's property and shall not be included either in property of the custody bank, its assets if in liquidation, or in its bankruptcy estate, nor can they be used for seizures related to claims against the custody bank. (4) The custody bank shall handle the client's funds in accordance with provisions of this Law. (5) The custody bank shall be liable for all damages suffered by its client due to inadequate implementation of the custody contract, including loss of profit. (6) The custody bank's responsibility cannot be limited or excluded under the custody contract.

Article 131.

(1) The custody bank shall keep a special record for each client on securities with whose custody it is entrusted and on clients' orders. (2) The custodial book on custodian accounts shall be kept in the same manner as the order book referred to in the Article 120 of this Law. (3) At the Commission's request, the custody bank shall enable the Commission to inspect the custodial book and all other documentation. (4) The custody bank shall, without delay inform the client about each deal made in accordance with the client's order even if the client does not require so.

Article 132.

Provisions of this Law related to business conduct, supervision and revocation of the license to a stock exchange intermediary shall appropriately apply also to the custody bank, unless otherwise prescribed by individual provisions of this Law. 41

Article 133.

The Commission can require from the custody bank to provide data on all the clients and quantities of securities they have on the custodian account.

3.11. Reporting data related to business conduct of stock exchange intermediary**Article 134.**

The stock exchange intermediary shall publish and present to the Commission annual financial and other reports on its business conduct with content, on manner and within deadline prescribed by the Commission.

4. Professional organization**Article 135.**

(1) Authorized participants on the securities market can form a professional organization of authorized participants on the securities market that is professional organization for realization, improvement and protection of mutual interest and development of the market (hereinafter: the professional organization). (2) The professional organization referred to in paragraph 1 of this Article may be formed by legal entities authorized to conduct transactions with securities, by signing the contract on establishment and by adoption of appropriate general enactments. (3) The Commission shall give preliminary consent on the contract on establishment of the professional organization, the Statute and other general enactments.

Article 136.

The professional organization can: a) pass rules for performance of activities of authorized participants on the securities market, in aim to improve the professional activities, practice equalization and development of securities market; b) pass the trading rules, trade usage and standards which are obligatory in practice for all authorized participants on the securities market; c) pass the moral codex which is obligatory in practice for all authorized participants on the securities market; d) cooperate with authorized regulatory and supervisory bodies liable for the securities transactions, in aim to improve the regulative rules and their implementation, and it can also give initiatives regarding any changes of rules and regulations, i.e. delivery of new legal enactments and bylaws; e) prepared and receives member's information, analyses, project and other materials which refer to implementation of rules, standards, usages and codex, that is participants behaviour on the securities, in order to enhance the profession, protect the interest of investors and authorized participants on the securities market, develop the securities market, enable transparency, prevent manipulation of securities prices or any other manipulation on the securities market; f) carry out the supervision over implementation of regulations and its proper enactments, proclaims measures towards authorized participants on the securities market and undertake measures to protect the interest of users of authorized participants' services and their compensations in case of loss caused by errors, negligence and illegal activities of the members of the professional organization.

Article 137.

The professional organization, apart from the contract on establishment and the Statute which are determined at the moment of establishment, shall also pass the rules, usage and standards and other normative enactments which are obligatory in practice for all members of the organization in order to perform the activities specified in the contract on establishment and the Statute.

Article 138.

The general enactments of the professional organization referred to in the Article 137 of this Law shall strongly prohibit that is preclude the following: a) discrimination of clients which use the services of members of the professional organization; b) discrimination of members of the professional organization; c) unjustified restriction regarding entrance in membership or termination of the membership of the professional organization; d) prevention of competition development among authorized participants on the securities market, as well as unjustified restriction regarding members' profits and commissions earned during performance of their activities at the professional organization; e) compilation of incorrect, incomplete or unclear information for the members of the professional organization.

Article 139.

The professional organization shall be financed through membership fees, contributions and donations received from the members and third parties, as well as from compensations arising from services provided for the members and third parties where as profits earned during the activity performance shall be invested in further development of the professional organization.

Article 140.

Regulations that regulate professional organization of enterprises shall be applied to business conduct of the professional organization, unless otherwise regulated by this Law.

V THE STOCK EXCHANGE AND OTHER REGULATED PUBLIC MARKET

Article 141.

(1) Trading in securities in the sense of this Law, shall be performed in an organized manner on stock exchange and other regulated public market established to create conditions to bring together the supply and demand of securities. (2) The activities of bringing together the supply and demand of securities can be performed only by stock exchange and other regulated public market. 43

Article 142.

The Commission shall prescribe closer conditions for trading in securities on stock exchange and other regulated public market.

Article 143.

(1) Stock exchange and other regulated public markets may perform the operations pursuant to this Law only if they have a license from the Commission. (2) The Commission shall issue the license referred to in paragraph 1 of this Article under the condition that all prerequisites under this Law and the Commission's regulations are fulfilled. .

1. Stock exchange

1.1. General provisions

Article 144.

(1) Stock exchange shall be established and shall operate as a joint stock company. (2) Provisions of the Law referring to the establishment and business operations of joint stock companies apply to the establishment and business operations of stock exchanges, appointment, competence and activities of governing bodies of the stock exchange and the pass of general enactments.

Article 145.

The stock exchange shall conduct the following activities: a) organize a connection between the supply and demand in the securities trade; b) provide information on supply, demand, market price as

well as other information on securities; c) determine and publish quotation list of securities; d) perform other activities according with the Law and regulations of the Commission.

Article 146.

(1) The stock exchange shall ensure that: a) all participants in trading on the stock exchange can simultaneously, equally and under the same conditions give and receive orders for the purchase and sale of securities; b) all participants in trading on the stock exchange can at the same moment have equal access to market information on securities being traded and can all sell or purchase securities under the same conditions. (2) The participants referred to in paragraph 1 of this Article shall mean stock exchange intermediaries that are members of the stock exchange.

Article 147.

(1) The stock exchange can be general or specialized one. (2) All types of securities are traded on the general stock exchange. (3) Only certain types of securities are traded on a specialized exchange. (4) The type and the form of securities the exchange is specialized for must be stated in the name of the stock exchange referred to in paragraph 1 of this Article.

1.2. Establishment of the Stock Exchange

Article 148.

(1) The stock exchange shall be established by at least five stock exchange intermediaries authorized to conduct transactions with securities. (2) The number of members and shareholders of the stock exchange cannot be less than five. (3) The member of the stock exchange need not be the shareholder of the stock exchange.

Article 149.

(1) The stock exchange can be established if the following conditions have been fulfilled: a) if the minimum amount of share capital pursuant to this Law as well as appropriate premises have been provided; b) if the personnel, technical conditions and organizational capacity to perform stock exchange trade have been provided, that is other stock exchange activities. (2) An adequate business premises in the context of paragraph 1 of this Article shall be provided either by the transfer of property right onto business premises or by renouncing rights to use premises with the contract on rental agreement. (3) Personnel eligibility of the stock exchange in the context of paragraph 1 of this Article shall mean that at least one the stock exchange employee is person who possesses the authorization to act as a broker. (4) Technical eligibility of the stock exchange in the context of paragraph 1 of this Article shall mean that the stock exchange possess developed information system for the stock exchange trade and the system for public disclosure of information. (5) Organizational eligibility of the stock exchange in the context of paragraph 1 of this Article shall mean the existence of organizational parts enabling efficient and unique performance of activities of the stock exchange.

Article 150.

(1) At the request of the founders, the Commission shall issue the license for establishment and operations of the stock exchange when it determines that all the conditions for the stock exchange operations have been fulfilled in accordance to provisions of this Law. (2) Provisions of Article 73 to 78 of this Law shall appropriately apply to the procedure for issuance of the license referred to in the paragraph 1 of this Article. (3) The Commission shall give consent to status changes of the stock exchange.

Article 151.

(1) The stock exchange shall become a legal entity once entered in the Court Register. (2) Legal entity not established as a stock exchange, in accordance with this Law, cannot be entered in the court registry as such, and it cannot use “The Stock Exchange” in its legal title or as a part of the company name.

1.3. Share capital and shareholders of the stock exchange

Article 152.

(1) The initial capital of the stock exchange is at least 1.000.000 BAM and it is divided into a common registered shares. (2) The stock exchange net capital cannot be less than the amount determined in the paragraph 1 of this Article. (3) Shareholders of the stock exchange may receive cash payment of 50% of gained profit, at most.

Article 153.

(1) Members of the stock exchange must possess at least 75% of the stock exchange shares. (2) The member of the stock exchange can have 20% of the stock exchange shares, at most. (3) An entity, which is not the member of the stock exchange, cannot have, directly or indirectly, more than 5% of the stock exchange shares. (4) The entity referred to in the paragraph 3 of this Article shall not exercise the voting right on the basis of acquired shares of the stock exchange before it obtains the Commission's consent. (5) The shareholder of the stock exchange, who exceeds the restrictions related to acquisition referred to in the paragraph 2 and 3 of this Article, and the entity referred to in paragraph 4 of this Article, who does not obtain the Commission's consent, shall sell the acquired shares of the stock exchange within 3 months from the acquisition, that is from receiving the Commission's decision. (6) Shares above restrictions referred to in paragraph 2 and 3, as well as shares for which the Commission's consent referred to in paragraph 4 has not been obtained, do not give voting right. (7) Shares of the stock exchange are traded on the stock exchange at the specially organized auctions in accordance with the rules of the stock exchange. (8) The stock exchange shall submit to the Commission and publish the data on shareholders.

Article 154.

(1) Other restrictions in relation to acquisition of shares can be determined by the Statute of the stock exchange. (2) The restrictions referred to in the Article 153 of this Law shall not apply to acquisition of shares as a result of a strategic integration with another stock exchange. (3) The Commission shall give consent to acquisition of the stock exchange shares in accordance with provisions of paragraph 2 of this Article.

1.4. General enactments of the stock exchange

Article 155.

(1) General enactments of the stock exchange are the Statute, the Rules of the stock exchange, tariffs and other general enactments, which defines operations of the stock exchange. (2) The Commission shall give consent to enactments referred to in paragraph 1 of this Article, as well as to changes and amendments to those enactments.

Article 156.

By its general enactments the stock exchange determines amounts and manner of payment arising from: a) entry fees for the members of the stock exchange; b) annual fees for the members of the stock exchange; c) compensations for services rendered by the stock exchange to the members and third parties; d) member's contribution into a contingency fund; e) fines for violation of the stock exchange enactments.

1.5. Bodies of the stock exchange

Article 157.

(1) Bodies of the stock exchange are the assembly, managing board, supervisory board and the director. (2) Managing board shall consist of at least five members, and the supervisory board of at least three members. (3) Candidates for members of managing and supervisory board must have university qualification of Economics or Law and at least five years of working experience in that profession. (4) Selection of members of managing and supervisory board shall be carried out on the basis of previously announced public contest. (5) The mandate for the members of managing and supervisory board shall be five years with the possibility of re-election. (6) The Commission shall give consent to the appointment of the members of managing board, supervisory board and the director of the stock exchange. (7) The stock exchange may also form other bodies, in accordance with the Statute of the stock exchange.

Article 158.

(1) Candidate for the director of the stock exchange must have university qualification of Economics or Law, five years of working experience in the capital market field, appropriate professional knowledge and personal attributes making him/her worthy to perform this function. (2) Selection of the director shall be carried out on the basis of previously announced public contest. (3) The mandate for the director shall be five years with the possibility of re-election.

Article 159.

The members of managing and supervisory board and the director of the stock exchange must not: a) be in the matrimony or related to each other; b) be condemned for criminal acts against economy and payment operations, his/her official duty and criminal acts under this Law or measures have been pronounced against him/her or are in effect in terms of prohibition to perform activities relating to securities; c) hold, directly or indirectly, more than 5% of shares of the capital of the legal entities licensed by the Commission to perform activities; d) conduct professional activities and affairs which are contrary to the principles for protection of investors, and independence and impartiality of the stock exchange.

Article 160.

The stock exchange shall form the stock exchange court in order to solve all disputes between the participants arising from transactions concluded on the stock exchange.

1.6. Members of the stock exchange**Article 161.**

(1) Only stock exchange intermediaries that fulfil the conditions for membership, determined by the rules of the stock exchange may be shareholders of the stock exchange. (2) A stock exchange shall accept as its member a stock exchange intermediary that files an application for membership and fulfils the following conditions: a) it has the Commission's license to perform transactions with securities; b) it fulfils other conditions prescribed by the stock exchange. (3) The stock exchange shall make decision within 60 days from the filing of the application referred to in paragraph 2 of this Article. (4) The applicant can lodge an appeal to the Commission against the stock exchange decision within 15 days from the day the decision was received, i.e. upon expiration of the deadline referred to in paragraph 3 of this Article. (5) Excluding provisions referred to in paragraph 1 of this Article, member of the stock exchange with a special authorization shall be:

- a) the Registry, in relation to clearing and settlement operations, in accordance with the Commission's regulations and the stock exchange enactments,
- b) the Central Bank of Bosnia and Herzegovina, the Ministry of Finance and Treasury of Bosnia and Herzegovina, and the Ministry of Finance of Republic Srpska, in relation to the issuance of securities of the Bosnia and Herzegovina and the Republic Srpska. 48

Article 162.

The member of the stock exchange shall immediately notify the stock exchange, in writing, of each change that occurred related to its authorizations, rights and obligations and particularly of changes related to the facts based on which it has obtained the license for the stock exchange membership.

1.7. Impartiality**Article 163.**

(1) The stock exchange must not trade in securities for its own account, furnish advice on securities or investment in securities nor give opinions on favourability and non-favourability of purchase/sale of securities. (2) Excluding restrictions referred to in paragraph 1 of this Article the stock exchange can acquire shares in the process of strategic integration with another stock exchange and shares of the Registry. (3) The stock exchange is authorized to present in public the advantages of listing securities in the stock exchange and trading in those securities.

1.8. The stock exchange activities

Article 164.

(1) Members of the stock exchange shall trade in securities listed on the stock exchange in accordance with the Statute and the Rules of the stock exchange. (2) The stock exchange shall prescribe different conditions for at least two quotations (markets) for listing securities. (3) Markets referred to in paragraph 2 of this Article are the official market and free market. (4) The Commission can prescribe also additional conditions for listing securities.

Article 165.

(1) Securities listed on an exchange shall be fully negotiable and entirely paid for. (2) An issuer can, under conditions prescribed by the stock exchange and the Commission, make a public offering of securities through the stock exchange.

Article 166.

Applications for listing securities in the official market shall be filed by an issuer and shall relate to all securities of the same class of that issuer.

Article 167.

(1) The issuer which fulfils the following requirements: a) issues shares through public offering, b) has more than 100 shareholders, c) has share capital of at least 10 million BAM and d) has total annual revenue of at least 10 million BAM, shall file an application for listing securities in the official market within 90 days from the day the conditions have been fulfilled. (2) The issuer referred to in paragraph 1 of this Article shall publish the prospectus in accordance with enactments of the stock exchange and regulations of the Commission. (3) Provisions of this Article shall not apply to issuers referred to in paragraph 1 of this Article against which bankruptcy or liquidation proceedings has been instituted.

Article 168.

Bonds issued by entities (of Bosnia and Herzegovina), Brcko District and the Bosnia and Herzegovina itself can be listed on the official market under no specific conditions and restrictions

Article 169.

Securities of an issuer with its domicile outside the Republic Srpska may be listed on a stock exchange under the conditions prescribed by this Law, the Commission's regulations, enactments of the stock exchange, as well as subject to fulfilment of all other conditions determined by regulations in effect in the domicile of the issuer.

Article 170.

(1) The stock exchange may temporarily suspend trading of particular securities traded on the stock exchange in the following cases: a) if large market imbalance or other extraordinary circumstances occur, b) if it estimates that trading in those securities shall cause market disruption, and also that it might cause damage, c) if at the beginning or in the course of trading big price fluctuations occur or other abnormal circumstances (for example greater quantities, market imbalance etc), d) if the issuer whose shares are traded does not fulfil obligations it has on the basis of this Law and the stock exchange Rules, e) if it estimates that it is needed for protection of investors. (2) Temporary suspension referred to in paragraph 1 of this Article shall take time until conditions to continue trading are satisfied, six months from the day the stock exchange's decision on temporary suspension of trading was made, at the most. (3) The stock exchange shall prescribe closer condition for temporary suspension of trading with particular securities.

Article 171.

(1) The stock exchange shall exclude from the official market the securities of a particular issuer or securities of certain class or series of securities of the same issuer: a) if the issuer no longer fulfils the conditions for listing; b) if it is established that the securities have been accepted to the official market on the basis of false or wrong data; c) if the issuer withdraws its securities or their maturity expires; d)

if the bankruptcy proceeding or liquidation proceeding of the issuer have been instituted; e) if an issuer files an exclusion request, except the issuer referred to in the Article 167 of this Law; f) in other cases determined by the Rules of the stock exchange. (2) The stock exchange may exclude from the official market the securities of a particular issuer that is securities of certain class or series of securities of the same issuer if the securities have not been traded more then six months.

Article 172.

The stock exchange shall exclude from free market the securities of a particular issuer or securities of certain class or series of securities of the same issuer: a) if the issuer withdraws its securities or their maturity expires; b) if the liquidation proceeding of the issuer have been instituted; c) in other cases determined by the Rules of the stock exchange.

Article 173.

(1) The stock exchange shall make decision on temporary suspension of trading with securities and exclusion of securities from the stock exchange market which shall apply on the day they are made. (2) The stock exchange shall deliver to the issuer and the Commission the decision referred to in paragraph 1 of this Article, on the next working day from the day it was made, and shall publish it on the web page of the stock exchange on the day the decision was made. (3) An appeal can be made to the Commission against the stock exchange decision referred to in paragraph 1 of this Article within 8 days from the day the decision was received.

Article 174.

(1) Trade in financial derivatives shall be carried out at the special stock exchange market. (2) Financial derivatives can be subject to trade from the day of issuance until the maturity of the contract. (3) The Commission shall prescribe the conditions for introduction of financial derivatives to the stock exchange trading, conditions for trading in those derivatives and manner for discharge of obligations arising from transactions concluded in trading in financial derivatives. (4) The stock exchange shall determine standardized rights and obligations of the contracting parties and the date of commencement of trading in financial derivatives. (5) The stock exchange may only introduce to trading those financial derivatives which ensure the fulfilment of the economic interests of legal entities and other organizations and persons and which are not in contravention of the public interest. (6) The stock exchange shall be obliged, at least thirty days prior to the commencement of trading in an individual financial derivative, to notify the Commission of the planned introduction of the said instrument to trading. (7) The Commission shall prohibit the introduction of a financial derivative to trading that is further trading in a financial derivative which has previously been introduced to trading, if this is necessary in order to protect investors' interests. 51

Article 175.

(1) The provisions of this Law related to trade in securities and discharge of obligations arising from transactions made in trading in securities shall apply as appropriate to trading in financial derivative, ban on misuse of privileged information and discharge of obligations arising from transactions made in trading in those instruments. (2) Clearing and settlement of transactions related to financial derivatives shall be carried out at the stock exchange.

1.9. Supervision over the stock exchange activities

Article 176.

(1) The Commission shall carry out supervision over the stock exchange activities in accordance with this Law and its regulation. (2) During the procedure referred to in paragraph 1 of this Article, the Commission can exam enactments, books and other documentation of the stock exchange.

Article 177.

If illegal acts or irregularities have been found during the supervision, the Commission shall give the order and deadline for their elimination and shall undertake measures pursuant to Article 266 to 268 of this Law.

1.10. Revocation of the license

Article 178.

(1) The Commission shall revoke the license to the stock exchange if: a) it does not conduct its activities for more than three months; b) the license for business has been obtained on the basis of false data; c) it does not conduct activities related to securities in accordance to this Law; d) it no longer fulfils the conditions on the basis of which it has obtained the operating license; e) it violates the ban on manipulation; f) if fails to eliminate illegalities or irregularities established within the time prescribed by the Commission's decision; g) it notifies the Commission of termination of business conduct and files an application for removal from the register of issued licenses for business of stock exchange. (2) When the Commission revokes the license for business of the stock exchange, it shall institute liquidation proceeding, in accordance with the Law.

1.11. Reporting and transparency of work of the stock exchange work

Article 179.

(1) The stock exchange shall inform the Commission on: a) realized trade; b) membership on the stock exchange; c) acceptance and withdrawal of securities on the stock exchange. (2) More specific elements of informing referred to in paragraph 1 of this Article shall be prescribed by the Commission. (3) The stock exchange shall be obliged to submit to the Commission financial reports on the stock exchange activities and the audit report. (4) The stock exchange shall be obliged to notify the Commission of changes to the stock exchange share capital and changes of shareholders of the stock exchange. (5) The stock exchange shall make possible for the Commission on-line monitoring of trading in the stock exchange trade system free of charge. (6) The Commission can prescribe as an obligation also submission of other reports, that is data on trading on the stock exchange and on its business conduct.

Article 180.

The stock exchange shall be authorized to inform the public about trading in securities and the data which it is obliged to publish on the basis of this Law, the Commission's regulation and its own general enactments.

1.12. Confidentiality and a special restrictions

Article 181.

(1) Provisions of Articles 269 to 270 of this Law shall appropriately apply to the members of the stock exchange bodies and its employees. (2) The stock exchange shall be obliged to inform the persons cited in paragraph 1 of this Article, at least once a year, about their obligations with respect to preserving professional secrecy.

Article 182.

The stock exchange shall once a month present to the Commission a report on acquisitions or alienations of securities of the members of the stock exchange managing and supervisory boards, the director and employees of the stock exchange.

Article 183.

The director and persons who are employees of the stock exchange shall not be members of managing and supervisory bodies nor employed with the stock exchange intermediaries or the issuer whose securities are traded on the stock exchange.

1.13. Termination of the stock exchange activities

Article 184.

In case of the opening of bankruptcy proceedings or termination of the stock exchange activities, the Commission shall be authorized to undertake measures for security of data on securities listed on the stock exchange.

2. Other regulated public market

Article 185.

(1) The stock exchange intermediaries can, by a contract, in accordance with the Law, establish other regulated public market on which trade in securities that are not listed at the stock exchange market takes place, pursuant to previously determined rules. (2) The provisions of this Law that regulate the establishment and operation of the stock exchange shall also apply as appropriate to other regulated public market.

Article 186.

(1) The application for listing of securities in the quotation of other regulated public market may be submitted by an issuer or a stock exchange intermediary. (2) The Commission shall prescribe the data that an issuer must publish when listing securities in the quotation on other regulated public market.

Article 187.

(1) Other regulated public market shall publish the data about concluded transactions, including the number of executed transactions, the number and prices of securities in a daily newspaper available throughout the whole territory of the Republic Srpska. (2) Other regulated public market shall present to the Commission the report on concluded transactions. (3) The Commission shall prescribe the content, deadline and manner of reporting referred to in paragraph 2 of this Article.

VI THE CENTRAL REGISTRY OF SECURITIES

Article 188.

(1) “**The Central Registry of Securities**” (hereinafter: Registry) shall be legal entity, with public authority to perform activities referred to in the Article 189, paragraph 1 of this Law, which maintains the register in which the data on securities, owners, the rights and restrictions of rights arising from securities are entered, record-kept and maintained in accordance with the Law, regulations of the Commission and general enactments of the Registry. (2) The Registry shall keep shareholder ledger for issuers whose shares are publicly traded on the organized market of securities.

Article 189.

(1) The Registry shall perform the following activities: a) registration and maintenance of information on securities and their owners, and all transactions transferring the ownership or other changes in the status of securities; b) registration and maintenance of data regarding acquisition of ownership and other rights arising from securities; c) entry and removal of the third parties rights arising from securities as well as entry and removal of ban on disposal on the basis of contracts, judicial decisions or decisions of competent authorities; d) opening and record-keeping of the issuer account, keeping the shareholders ledger, opening and record-keeping of the account of securities owners as well as issuing of reports, statements and certificates on status and changes in those accounts; e) opening and record-keeping of the account of a stock exchange intermediary and other members of the Registry; f) clearing, settlement and transfer of securities on the basis of transactions with securities concluded on the stock exchange or other regulated public market; g) transfer of securities on the basis of contracts, judicial decisions or decisions of the other competent authorities. (2) The Registry can perform tasks of a depository of privatization investment funds and investment funds and other activities for which it obtains approval from the Commission.

Article 190.

(1) For performance of activities from the Article 189 of this Law, the Registry shall apply provisions of the Law on General Administrative Proceedings. Regarding the data it keeps and maintains in accordance with this Law, it shall issue to the authorized participant the following public documents: a) the list of shareholders, b) the report based on which the voting rights on an issuer’s assembly is exercised, pursuant to provisions of law, c) confirmation on ownership of securities and d) statement on balance in an account. (2) The Registry shall prescribe the type of data contained in the documents

referred to in paragraph 1 of this Article. (3) The acts of the Registry shall be final, and an administrative dispute may be instituted against them.

Article 191.

Appropriate provisions of this Law which regulate establishment and business conduct of joint stock companies shall apply to business conduct, appointment, competence and the work of the Registry's bodies, and pass of general enactments, unless otherwise prescribed by of this Law.

1. Founding of the Registry

Article 192.

(1) The Registry shall be founded as a joint stock company. (2) The conditions for founding of the Registry shall be as follows: a) the minimum amount of share capital pursuant to this Law as well as appropriate premises has to be provided; b) the personnel, technical conditions and organizational capacity to perform the Registry activities have to be provided. (3) An adequate business premises in the context of paragraph 2 of this Article shall be provided either by the transfer of property right onto business premises or by renouncing rights to use premises with the contract on rental agreement. (4) Personnel eligibility of the Registry in the context of paragraph 2 of this Article shall consider that employees of the Registry are qualified to perform activities falling under the Registry's scope of work. (5) Technical eligibility of the Registry in the context of paragraph 2 of this Article shall consider that the Registry possess adequate information system for the Registry's activities, as well as the system and methodology for public disclosure of information (6) Organizational eligibility of the Registry in the context of paragraph 2 of this Article shall consider the existence of organizational parts enabling efficient and unique performance of activities of the Registry. (7) Operations regarding clearing and settlement related to transactions concluded on the stock exchange and other regulated public market, the Registry shall perform in a special organizational part (hereinafter: department for clearing and settlement). (8) For conduct of operations referred to in paragraph 7 of this Article, the Registry shall open a separate business account and provide a separate recording and the data on business conduct of that organizational part in the books, in accordance to regulations of the Commission.

Article 193.

(1) The Registry shares shall be ordinary and registered. (2) The Registry shares cannot be traded on the stock exchange or other regulated public market. (3) The Registry shares can be acquired, alienated, transferred and pledged only on the basis of previously acquired approval of the Commission.

Article 194.

(1) Shareholder of the Registry may be the Republic Srpska, a stock exchange, other regulated public market, a stock exchange intermediary, investment fund management company and other legal entity which obtains the Commission's approval. (2) An individual shareholder of the Registry referred to in paragraph 1 of this Article, may, directly or indirectly, acquire at the most 10 % of the total number of issued shares of the Registry. (3) Excluding paragraph 2 of this Article, the Republic Srpska, the stock exchange and other regulated public market may acquire up to 25% of the total number of issued shares of the Registry.

Article 195.

(1) The registered capital of the Registry shall amount to at least 1.000.000 BAM. (2) Net capital of the Registry cannot be less then the amount determined in paragraph 1 of this Article.

Article 196.

(1) The Registry may perform transactions referred to in the Article 189 of this Law only with a license issued by the Commission. (2) The Commission shall issue the license referred to in paragraph 1 of this Article if condition prescribed by this Law and regulations of the Commission have been fulfilled.

2. General enactments of the Registry

Article 197.

(1) General enactments of the Registry shall be the Statute, regulations, tariffs and other general enactments which regulate the business of the Registry. (2) The Commission shall give consent to general enactments referred to in paragraph 1 of this Article, as well as all changes and amendments to those enactments. (3) General enactments referred to in paragraph 2 of this Article shall be published in the Official Gazette after obtaining consent of the Commission and shall come into effect 8 days from the day of being published.

Article 198.

The Register shall determine by general enactments the following: a) manner and procedure for registration of securities, manner for opening issuers' accounts and securities owners' accounts; b) rights and obligations based on membership; c) manner for clearing, settlement and provision of discharge of obligations resulting from transactions concluded on the stock exchange or other regulated public market; d) manner for record-keeping of special money account; e) manner for forming and conditions for usage of assets of the guarantee fund and other rules to overcome risks of failure to fulfil obligation by an individual member of the Registry; f) manner for entry and removal of third parties rights arising from securities; g) manner for entry and removal of ban on disposal on the basis of contracts, judicial decisions or decisions of other competent authorities; h) manner for transfer of securities on the basis of contracts, judicial decisions or decisions of other competent authorities; i) manner for performance of tasks of a depository of privatization investment funds and investment funds; j) manner for filing away documentation and maintaining the data in electronic form; k) manner and procedure for informing owners of securities, issuers and members of the Registry, as well as other forms of right of access to the public character of the work of the Registry; l) fees for services provided by the Registry.

Article 199.

General enactments referred to in the Article 198 shall apply to each member of the Registry, issuer and every person whose right and obligation occur in relation to securities.

Article 200.

The Registry shall determine detailed procedure for application and enforcement of general enactments by instructions passed by managing board or the director of the Registry.

3. Bodies of the Registry

Article 201.

(1) The Assembly, managing and supervisory board and director are the bodies of the Registry. (2) The managing board shall consist of at least five members, and supervisory board of at least three members. (3) Candidates for members of managing and supervisory board must have university qualification of Economics, Law or Electrical Engineering and at least five years of working experience in that profession. (4) Candidate for the director of the Registry must have university qualification of Economics or Law, five years of working experience in the capital market field, appropriate professional knowledge and personal attributes making him/her worthy to perform this function. (5) Selection of members of managing and supervisory board and director shall be carried out on the basis of previously announced public contest. (6) The mandate for the members of managing and supervisory board and director shall be five years with the possibility of re-election. (7) The Commission shall give consent to the appointment of the members of managing and supervisory board and the director of the Registry.

Article 202.

The members of managing and supervisory board and the director must not: a) be in the matrimony or related to each other; b) be condemned for criminal acts against economy and payment operations, his/her official duty and criminal acts under this Law or measures have been pronounced against him/her or are in effect in terms of prohibition to perform activities relating to securities; c) hold,

directly or indirectly, more than 5% of shares of the capital of the legal entities licensed by the Commission to perform activities; d) conduct professional activities and affairs which are contrary to the principles for protection of investors, and independence and impartiality of the Registry.

4. Member of the Registry

Article 203.

(1) Member of the Registry may be bank, stock exchange intermediary, stock exchange, other regulated public market, investment fund management company, an issuer of securities, the Central Bank of Bosnia and Herzegovina, and foreign bank and foreign stock exchange intermediary if it has the Commission's license. (2) Acceptance to membership shall be carried out on the basis of an application and documentation prescribed by the Law, the regulations of the Commission and general enactments of the Registry.

Article 204.

(1) The member of the Registry shall have the right of access to the part of electronic record of the data in the system of the Registry which has been linked up with its identification mark, in accordance with this Law, the regulations of the Commission and general enactments of the Registry. (2) The member of the Registry – stock exchange intermediary shall either submit written order to the Registry, or enter an electronic order into the system of the Registry, in accordance with the regulations of the Commission and general enactments of the Registry. (3) The member of the Registry – stock exchange intermediary shall either possess a client's order to submit or enter the order referred to in paragraph 2 of this Article or have other legal basis in accordance with the regulations of the Commission and general enactments of the Registry. (4) The member of the Registry shall have right of issuance of an excerpt from electronic record of data kept by the Registry related to the balance in the client's account, which was opened with that member of the Registry. (5) Members of the Registry, when fulfilling obligations arising from transactions concluded on a stock exchange or other regulated public market must act in accordance with this Law, the regulations of the Commission and general enactments and instructions of the Registry.

Article 205.

(1) The member of the Registry shall be accountable to the owner or other person vested with rights from securities, subject to entry in the Registry, for damage caused by either omission to enter the order or irregular entry of the order, on the principle of presumed responsibility. (2) The member of the Registry shall not be liable for the damage referred to in paragraph 1 of this Law if it proves that causes that led to omission to enter the order or irregular entry of the order, could not have been anticipated, prevented or avoided. (3) The member of the Registry shall not be liable for the damage referred to in paragraph 1 of this Law if it proves that omission to enter the order or irregular entry of the order were caused by acts of the owner, other person vested with rights or third party, that could not have been anticipated, prevented or avoided.

Article 206.

Securities and funds of owners and members of the Registry shall not be included either in the Registry's property, or in its bankruptcy or liquidation estate, nor can they be used for distraint levied on the Registry.

Article 207.

(1) If the member of the Registry should either fail to discharge obligations arising from transactions with securities concluded on a stock exchange or other regulated public market or violate provisions of the Law, the regulations of the Commission and general enactments of the Registry, the Registry can temporarily or permanently exclude it from membership of the Registry. (2) Conditions and procedure for the exclusion shall be determined by general enactments of the Registry.

5. Business activities of the Registry

Article 208.

(1) The Registry must not trade in securities for its own account, furnish advice on securities or investment in securities or give opinions on favourability and non-favourability of purchase/sale of securities. (2) Purchase of securities for the purpose of clearing and settlement shall not be considered trade referred to in paragraph 1 of this Article. (3) Excluding restrictions referred to in paragraph 1 of this Article, the Registry can acquire shares in the process of a strategic integration with another registry of securities, subject to consent of the Commission. (4) The Registry shall be authorised to present in public the general advantages of registration of securities, listing of securities in quotation on a stock exchange and trading in those securities.

5.1. Record-keeping of register of securities

Article 209.

The following shall be entered in the Registry: a) securities, b) rights from securities and their owners, c) third parties rights from securities and persons vested with those rights, d) bans and restrictions of transfer of securities.

Article 210.

(1) The following accounts shall be opened and kept in the Registry: a) accounts of owners of securities, b) accounts of issuers, c) accounts for depositing securities, d) accounts of members of the Registry and of their clients, e) custodian accounts and f) other accounts necessary for performance of activities of the Registry, and in accordance with general enactments of the Registry. (2) On the accounts referred to in paragraph 1 of this Article, the following activities shall be performed: a) keeping of the balance of securities; b) entering and transfer of rights from securities, c) entering third parties rights, d) entering restrictions of transfer and ban on disposal and e) entering other restrictions and bans in accordance with the Law.

Article 211.

(1) The Registry shall make entry of rights from securities in accordance with the decision on issuance and the Law. (2) Entering of rights shall be carried out in the manner, within deadline and under conditions determined by general enactments of the Registry. (3) The owner's rights arising from security shall have effect toward third parties from the day of their entry in the Registry.

5.2. Clearing and settlement of transactions concluded on the stock exchange and other regulated public market

Article 212.

(1) The members of a stock exchange or other regulated public market and custody banks may be members of the clearing and settlement system. (2) Acceptance to membership shall be carried out in accordance with general enactments of the Registry. (3) The members of the clearing and settlement system, when fulfilling obligations arising from transactions concluded on a stock exchange or other regulated public market must act in accordance with the Law, the regulations of the Commission and general enactments of the Registry.

Article 213.

The members of the clearing and settlement system shall be accountable to the owners for damage caused by issuance of illegal or inaccurate orders based on which transactions were concluded, subject to clearing and settlement.

Article 214.

(1) If the member of the clearing and settlement system should either fail to discharge obligations arising from transactions with securities concluded on a stock exchange or other regulated public market or violate provisions of the Law, the regulations of the Commission and general enactments of the Registry, the Registry can temporarily or permanently exclude it from membership of the clearing

and settlement system. (2) Conditions and procedure for the exclusion shall be determined by general enactments of the Registry.

Article 215.

(1) Clearing and settlement of transactions concluded on a stock exchange or other regulated public market shall be carried out on the basis of a report on concluded transaction delivered by the stock exchange or other regulated public market. (2) The register shall not be liable for damages that occur due to inaccuracy of the data in the report referred to in paragraph 1 of this Article. (3) Members of clearing and settlement system discharge obligations related to payments arising from transactions with securities concluded on the stock exchange and other regulated public market, which are included for clearing and settlement, through clearing and settlement account.

Article 216.

Provisions of the Article 205 of this Law shall apply as appropriate to issues related to liability of the member of clearing and settlement.

Article 217.

(1) The Registry must create a guarantee fund, to ensure fulfilment of obligations based on transactions with securities concluded on the stock exchange and other regulated public market. (2) The assets of the guarantee fund shall consist of payments made by the members that use clearing and settlement services. (3) The assets of the guarantee fund shall be used for settlement of obligations of the members if they fail to fulfil obligations within time determined by general enactments of the Registry. (4) The assets of the guarantee fund shall not be used for any other purpose and cannot be the object of seizure either in the case of members or in the case of the Registry. (5) The Registry shall prescribe by its general enactment, the rules of payment and the usage of the assets of the guarantee fund.

5.3. Entering transfer of rights from securities

Article 218.

(1) Transfer of rights from securities on the basis of transactions with securities concluded on the stock exchange and other regulated public market shall be carried out based on the report of the department for clearing and settlement, in the form and manner prescribed by the Registry. (2) Transfer of both, securities and money, on the basis of clearing and settlement of transactions performed on the stock exchange and other regulated public market shall be carried out simultaneously on the principle of „delivery versus payment“. (3) Transfer of securities related to transactions concluded on the stock exchange and other regulated public market shall not be longer than three days from the day of conclusion of a transaction.

Article 219.

(1) Transfer of rights from securities on the basis of an act of a competent authority shall be carried out in compliance with the data from that act. (2) The competent authority shall be obliged to, at the request of the Registry, deliver the data necessary for entering transfer of rights from securities. (3) The Registry shall make entry of the data by official duty or upon request of a person who has legal interest. (4) The Registry shall be responsible for the accuracy of the data entered in the order relative to the data from the act referred to in paragraph 1 of this Article.

Article 220.

(1) Transfer of rights from securities on the basis of a contract on gifting shall be carried out based on the data from the contract, verified by a competent authority. (2) The order for transfer of rights from securities shall be submitted by a person giving a gift, a person receiving a gift or a stock exchange intermediary, on the order form determined by the Registry. (3) The Commission shall prescribe the circle of relatives among which transfer of securities is allowed, on the basis of the contract on gifting. (4) A submitter of the order shall be liable for the accuracy of the data from the order.

5.4. Entering third parties rights on securities

Article 221.

Entry and removal of third parties rights on securities the Registry shall carry out in accordance with this Law, regulations of the Commission and general enactments of the Registry.

Article 222.

(1) The Registry shall make entry of third parties rights by official duty or upon the order of the owner of securities. (2) If the order for the entry of third parties rights on the securities should be submitted by the owner, the document which proves the legal basis shall be submitted along with the order.

Article 223.

(1) The order for entry of the lien on securities shall contain: a) the data on a pledger and a pledgee; b) amount and maturity of claim secured by the lien on securities and c) the data about securities subject to pledge. (2) If the lien on securities should be entered to secure not one's own debt, the order shall contain also the data about a debtor.

Article 224.

(1) Legal basis for entry of the lien on securities in the Registry may be: a) the law, b) a judicial decision and c) a contract on pledge of securities if a claim from the contract is secured in the economy. (2) A new lien cannot be entered on securities of one owner on which the lien have already been entered in the Registry. (3) Provisions of the Law on Contracts and Torts related to pledge on movables shall apply to the lien in the context of this Law, unless otherwise prescribed by this Law.

Article 225.

(1) The order referred to in the Article 223 of this Law may contain also provisions on who has the right to dividend and other income from the pledged security. (2) If the order for entry of the lien should not contain provisions referred to in paragraph 1 of this Article it shall be considered that the right to dividend and other income from pledged securities belong to a pledgee.

Article 226.

(1) If the debtor related to the contract referred to in the Article 224, paragraph 1 item c) fail to fulfil its obligation secured by the lien, the pledge shall have right to sell pledged securities on the organized market within 8 days from the day he warned the debtor in writing, by registered mail. (2) In case referred to in paragraph 1 of this Article, the pledgee shall submit to the Registry the order to sell pledged securities and shall specify in that order a stock exchange intermediary that he gives the authorization to, to sell, for his account, pledged securities on the organized market. (3) Along with the order to sell pledged securities, the pledgee shall submit to the Registry the statement on the amount of his claim based on underlying debt and the proof that he warned, in writing, the debtor and a pledger, when it is not the same person, that he will initiate the procedure to sell pledged securities. (4) The stock exchange intermediary, authorized by the pledgee to sell pledged securities in accordance with this Article, may refuse to execute the order at the latest on the following working day from the day of receipt of the notice from the Registry stating that the pledgee has authorized it to sell pledged securities. (5) Sale expenses shall be defrayed first from the amount received by selling pledged securities, and then the pledgee up to the amount of his claim based on the underlying debt. (6) Creditor's claims on the basis of interest shall be defrayed as per computation of interest made up by a bank or an authorized legal expert. (7) Settlement to the creditor which acquired the lien on the basis of the law or a judicial decision shall be carried out in accordance with a special regulation.

Article 227.

(1) Removal of the lien on securities shall be carried out on the basis of the order issued by either the pledgee or the owner of securities. (2) The content of the order referred to in paragraph 1 of this Article shall be prescribed by the Registry. (3) Along with the order of the owner of securities referred to in paragraph 1 of this Article, either the certified statement of the pledgee stating that he allows removal of the lien on securities shall be enclosed or legally effective judicial decision which replaces such a statement.

Article 228.

In case of change of the number of securities due to decrease of capital, merging, division or conversion of securities, the lien on securities shall be transferred in proportion to the part of securities resulting from such an activity. The Registry shall notify a pledgee and a pledger of it, within three working days from execution of the entry.

Article 229.

(1) Right of usufruct on securities shall be acquired by the entry (of that right) in the Registry on the basis of an order of the owner of securities and a legal affair by which the owner of securities transfers to third party the right to dividend and other income from securities. (2) If not otherwise agreed, it shall be considered that usufruct for natural persons have been established until the end of life of the person vested with that right. (3) In case he requires removal of the right of usufruct prior to expiry of time for which the right was established, the owner of securities shall be obliged to attach to the order a certified statement of user of right of usufruct allowing removal of that right or legally effective judicial decision which replaces such a statement.

5.5. Entry and removal of ban on disposal on basis of a contract, a judicial decision and a decision of competent authority**Article 230.**

Entry and removal of ban on disposal on basis of a contract, a judicial decision and a decision of competent authority the Registry shall carry out in accordance with this Law, regulations of the Commission and general enactments of the Registry.

5.6. Safekeeping, liability of the Registry and responsible persons**Article 231.**

(1) The Registry shall be required to protect the information system and the data it contains against unauthorised use and against change and loss. (2) The Registry shall be required to keep permanently documentation and the data recorded on electronic media, unless otherwise prescribed by the Law. (3) The Registry shall be obliged to provide safety of continuous functioning of information system by forming secondary database and secondary computer system, which shall secure continuity of its work in case of fire, flood or other circumstances which derange normal functioning.

Article 232.

(1) The Registry shall be accountable to an issuer or owner of securities, for damage occurring because of inaccuracy or loss of data related to securities, due to failure to execute or irregular execution of an order, as well as because of violation of other obligations prescribed by this Law, on the principle of presumed responsibility. (2) The Registry shall not be liable for the damage referred to in paragraph 1 of this Law if it proves that causes that led to failure to execute or irregular execution of an order, as well as violation of other obligations within its competence, could not have been anticipated, prevented or avoided.

(3) The Registry shall not be liable for the damage referred to in paragraph 1 of this Law if it proves that failure to execute or irregular execution of an order, as well as violation of other obligations within its competence, have been caused by actions of issuer or owner, member of the Registry or third party, which could not have been anticipated, prevented or avoided.

Article 233.

Certain individuals must be designated responsible for the accuracy of data and the correctness of individual operations in connection with securities in the acts of the Registry, and the scope of their responsibility must be defined.

6. Supervision over the work of the Registry

Article 234.

(1) Supervision over the work and business of the Registry shall be carried out by the Commission.
(2) In the procedure referred to in paragraph 1 of this Article, the Commission may examine enactments, books and other documents of the Registry.

Article 235.

If illegalities or irregularities should be found in the procedure of supervision, the Commission shall issue orders and set time for their elimination and undertake measures prescribed in Articles 265 to 267 of this Law.

Article 236.

(1) If illegalities in the Registry's business should be found in the procedure of supervision, the Commission is authorized to render a decision to revoke the license for conducting activities referred to in the Article 189 of this Law. (2) The Commission shall revoke the license of the Registry if: a) it no longer fulfils the conditions for the issuance of a license prescribed by this Law, and if it is certain that it will not be able to fulfil them for a long period of time, b) it performs transactions for which it is not authorized by the Commission's license and the provisions of this Law, c) it repeatedly violates the provisions of this Law, d) it does not apply, does not have, or acts contrary to the Law, other regulations, enactments of the Commission and its own enactments, e) it does not eliminate established illegalities or irregularities within time set by the decision of the Commission.

7. Reporting, transparency of work and accessibility of data from the Registry

Article 237.

The Registry is authorized to inform the public about registration of securities and the data which it is obliged to public on the basis of this Law, regulations of the Commission and general enactment of the Registry.

Article 238.

(1) Owner of securities, investment fund and custody bank shall have right of access to the data referred to in the Article 209 of this Law and to the history of entries of securities kept in the Registry.
(2) The issuer of securities shall have the right of access to the data referred to in Article 209 of this Law and to the history of entries of securities kept in the Registry whose issuer it is. (3) The data from the shareholder ledger are available to public, except personal identification number of owner and the number of ownership account. (4) The Registry shall be obliged to make the list of shareholders of an issuer of securities available to public in the manner and under conditions prescribed by the Commission. (5) The Commission shall have the right of access to all the data kept in the Registry, without any restrictions. (6) Judicial and administrative bodies shall have the right of access to the data kept in the Registry, within its legal authorities. (7) Each person who proves his legal interest shall have the right of access to the history of transactions of individual securities.

Article 239.

(1) The Registry shall, in the manner and scope it has prescribed, inform: a) the issuers of securities - on securities they issued kept in the Registry and on owners of these securities, b) the owners - on the balance and changes in their securities account, c) members - on data that are essential for transactions with securities they have made for their own account or for the customers' account. (2) The Registry shall present the Commission reports on its work, within the period, in the manner and with the content prescribed by the Commission. (3) Issuer of securities shall inform the Registry on all the changes of the data kept in the Registry within seven days from the day the change occurred, that is from the day of entry of the change in court register, providing the entry of such a change has been prescribed by a special law.

8. Confidentiality and special restrictions

Article 240.

(1) The provisions of Articles 269 and 270 of this Law regulating the obligation to keep official secrets by employees and members of the Commission shall apply to members of the boards and employees of the Registry. (2) The Registry shall be obliged to inform the persons cited in paragraph 1 of this Article, at least once a year, about their obligations with respect to preserving professional secrecy.

Article 241.

The Registry shall once a month present to the Commission a report on acquisitions and alienations of securities of the members of the managing and supervisory boards, the director and employees of the Registry.

Article 242.

Persons who are employees of the Registry shall not be members of governing bodies nor employed with the stock exchange intermediaries or the issuer whose securities are entered in the Registry.

9. Termination of the work

Article 243.

In case of the opening of bankruptcy proceedings or termination of the Registry work, the Commission shall be authorized to undertake measures for security of data kept in the Registry.

VII SECURITIES COMMISSION

1. Status and organization of the Commission

Article 244.

(1) The Commission is permanent and independent legal entity, established for the purpose to regulate and control the issuance and trade of securities. The liabilities and authorizations of the Commission are determined by this Law. (2) The head office of the Commission shall be in Banja Luka.

Article 245.

(1) The Commission shall be accountable to the Republic Srpska National Assembly for performing its affairs set by the Law. (2) The Commission shall deliver an annual report to the Republic Srpska National Assembly on its work and the state of the securities market.

Article 246.

(1) The Commission consists of the president, deputy president and other three members appointed by the Republic Srpska National Assembly. (2) The President of the Republic Srpska submits proposal for appointment of the president, deputy president and other three members of the Commission (hereinafter: members of the Commission) to the Republic Srpska National Assembly, on the basis of previously announced contest, in accordance with the Law. (3) The mandate for the member of the Commission shall be five years. (4) The same person may be more than once appointed for the certain position within the Commission. (5) When appointing new members of the Commission, at least two members from the previous mandate have to be re-appointed, providing the fulfil criteria of the contest referred to in paragraph 2 of this Article.

Article 247.

Candidates for the member of the Commission must have university qualification of Economics or Law, 10 years of working experience in that profession, of which 5 years in capital market field, appropriate professional knowledge and personal attributes making him/her worthy to perform this function.

Article 248.

(1) The members of the Commission must not: a) be in the matrimony or related to each other; b) be convicted of crimes which character is incongruous with the nature of professional performance in the Commission; c) be professionally engaged in any political party or participate in political activities incongruous with the nature of professional performance in the Commission; d) hold, directly or indirectly, more than 5% of shares of the capital of the legal entities licensed by the Commission to perform activities; e) be members of bodies of legal entities licensed by the Commission to perform activities or scope of work, as well issuers of securities; f) conduct professional activities and affairs which are contrary to the principles for protection of investors' interest and the independence of the Commission's work. (2) Provisions of the Article 248 of this Law shall apply to all employees in specialised staff service of the Commission.

Article 249.

(1) Members of the Commission, before appointed, must give the written consent evidencing their acceptance of offered position. (2) The written consent of a person referred to in paragraph 1 of this Article represents statement of appointed person claiming non-existence of disturbances in the context of Article 248 of this Law. (3) Members of the Commission shall be permanently employed with the Commission.

Article 250.

(1) A member of the Commission may be relieved of his/her duty before the end of the term of his/her appointment if: a) a member should request it; b) a member should permanently lose the ability to perform his/her duty; c) a member should commit an offence against economy, payment operations, his/her official duty or criminal offence against this Law; d) a member should perform scope of work or conduct activities incompatible with his/her duty as a member of the Commission; e) it is established that a member of the Commission fails to fulfil conditions related to appointment determined by this Law. (2) Before the decision is rendered to relieve a member of the Commission of his/her duty, the member shall be given the opportunity to make a statement on the reasons for his/her relief. (3) Simultaneously with relief pursuant to paragraph 1 of this Article, another person shall be appointed for the position of the member of the Commission, in the manner and pursuant to procedure determined by this Law. (4) In case referred to in paragraph 3 of this Law, the other person shall be appointed for the period until the end of the term of his/her predecessor.

Article 251.

Members of the Commission and persons employed with the Commission neither can be prosecuted for criminal acts, nor be liable in civil-administrative proceeding for any action undertaken with good intentions, during performance of their duties and within the framework of legal authorizations.

2. The Commission's performance manner**Article 252.**

(1) The Commission shall decide while in sessions. (2) The Commission shall decide effectively based on majority of the member's votes, and no member of the Commission may abstain from voting. (3) Member of the Commission shall be exempted from voting when deciding on requests of legal entities in which they participate in ownership.

Article 253.

(1) The president represents the Commission and manages its work, and in his absence the deputy president. (2) President of the Commission shall: a) sign regulations and enactments which in the Commission's competence; b) pass particular enactments relating participants on the securities market; c) defend and represent the Commission before other institutions and participants on the securities market; d) convene and preside the sessions of the Commission; e) be responsible for implementation of the Commission's regulations; f) decide on employment and its termination, salaries and execution of employees' responsibilities in specialised staff services. (3) The Commission shall have specialised staff service, whose organization shall be determined by the Statute.

Article 254.

(1) The Commission shall pass the Statute for which the Government of Republic Srpska has to give its consent.

(2) The Statute of the Commission shall specifically regulate the organization and performance manner of the Commission, authority to defend and represent the Commission, rights, liabilities and responsibilities of the members and employees in specialised staff services of the Commission, manner of providing finance, manner of passing general and individual enactments and other issues important for the Commission's activities. (3) To implement and perform activities determined by this and other laws, the Commission shall pass regulations, orders, instructions, rules and other general enactments. (4) The Statute and other general enactments of the Commission referred to in paragraph 3 of this Law shall be published in "The Official Gazette of the Republic Srpska" and they come into effect within eight days from the day of being published.

Article 255.

(1) Registers kept by the Commission shall be public. (2) The Commission shall, by its regulations, in more detail determine content, manner of maintenance and manner of exercise the right of access to the registers from this Article.

Article 256.

The Commission may pass views, opinions as well as other forms of statements, when it is necessary for implementation and enforcement of individual provisions of this Law and other laws regulating field of securities and competence of the Commission.

Article 257.

(1) When deciding on administrative issues the Commission shall apply provisions of the Law on General Administrative Proceeding, unless otherwise determined by this Law. (2) Administrative acts of the Commission shall be final. (3) An administrative dispute may be instituted against administrative acts before the competent court, in accordance with the Law on Administrative Disputes. (4) Administrative acts referred to in paragraph 3 of this Article, shall be published in accordance with the Statute and the Rules of Procedure of the Commission.

Article 258.

The Commission may be a member and may participate in activities of domestic and international organization dealing in securities, unless it is not contrary to the Constitution and Law.

3. Financing of the Commission**Article 259.**

(1) The Commission shall pass the Tariff of charges, determining amount of charges for performance of the activities within its competence, subject to approval of the Government of the Republic Srpska. (2) The Commission shall be financed from charges collected by the Commission in accordance with tariffs, for performance of the activities within its competence, as well as other revenues that the Commission collects for its services. (3) Activities of the Commission may be financed from donations of international governments of non-government organizations.

4. The Commission's authorizations**Article 260.**

The Commission is authorized to: a) pass regulations to implement this Law and other laws when authorised to do so by law; b) monitor and study the status and trends on the securities market and notifies the Republic Srpska National Assembly of it; c) issue or suspend licences, permits and approvals when authorised to do so by this and other laws; d) supervise the obedience of rules of customary trade and loyal competition in securities trade; e) supervise entities that it licenses to perform activities, and issuers of securities in procedure for issuance of securities, as well impose measures for elimination of illegalities and irregularities established; f) prescribe, organise, undertake and supervise measures to guarantee the effective functioning of the securities market and the

protection of investors' interest; g) determines rules for trade of securities; h) suspend issuance and trade of particular securities and undertake other measures in case when it estimates that certain activities are endangering interests of the investors and the public, or they are not in accordance with the Law and other regulations; i) prescribe general and special conditions for business, which must be fulfilled by legal entities which are licensed by the Commission to perform activities or their scope of work; j) prescribe the mandatory content of information that issuers must release when securities are issued with a public offering; k) prescribe the mandatory content of information that participants who take part in trading in securities shall deliver to the Commission or publicly announce; l) press charges against legal entities and natural persons before competent authority, if during the supervision process over them it establishes existence of grounds for suspicion that a criminal act or an offence has been committed; m) implement the previous activities if provisions and regulations of the Law and other regulations have been violated; n) provide information and spread knowledge on activities of the securities market; o) cooperate with cognate organizations abroad; p) keep the records and registers in accordance with provisions of this and other Law; q) prescribe the amount of fees for performing services within its authority; r) initiate pass of law and other regulation relating to issuance of securities and trading in securities, give proposals for changes to law and other regulations relating this field, participate in preparation of other laws and regulations of interest to participants of the securities market, inform the public on principles on which the securities market functions; s) give opinion relating implementation of regulations which contain authorizations of the Commission, at the request of parties involved or persons who prove their legal interest; t) undertake other measures and carry out different activities in accordance with legal authorizations.

Article 261.

Natural persons and legal entities shall be obliged to deliver all information and documents that the Commission requires from them, carrying out its authorizations and responsibilities, in the manner and within deadline determined by the Commission.

5. The co-operation of supervisory bodies

Article 262.

(1) The Commission, Ministry of finance of the Republic Srpska, Banking Agency of the Republic Srpska, and other bodies responsible for supervision of other financial institutions in the Republic Srpska, shall co-operate and exchange information. (2) Supervisory bodies referred to in paragraph 1 of this Article shall notify one another about any illegalities of irregularities found during supervision if these findings are essential for the work of another supervisory body. (3) Each supervisory body referred to in paragraph 1 of this Article shall, at the request of an another supervisory body, deliver to that body all the data and information on the entity being supervised that are necessary when carrying out supervision and in procedures relating issuing or revocation of a license or an approval.

6. The authority of the Commission in the implementation of the supervision

Article 263.

(1) The Commission shall perform supervision by analysing and inspecting financial and other reports, business documentation, and other data and records which the persons under supervision are obliged to keep or deliver to the Commission, pursuant to the provisions of this and other laws and regulations of the Commission, and by taking statements or declarations from responsible persons and other employees of the legal person under supervision, as well as from other natural persons who have information that is of interest for the supervision. (2) The supervision referred to in paragraph 1 of this Article shall be performed by either persons employed with the Commission by analysis of delivered documentation or by professional authorised persons of the Commission through direct inspection of documentation, in the premises of the supervised person or of the legal person with whom the supervised person is directly or indirectly connected through business, management or capital. (3) Supervised persons shall give access to authorised persons of the Commission to their premises, provide appropriate rooms and personnel, and deliver and present for inspection the required papers

and documentation, make statements or declarations and ensure all other conditions have been met necessary for supervision. (4) Authorised persons of the Commission may temporarily seize, upon the issuance of a receipt, the documentation and books referred to in paragraph 1 of this Article, securities, money or objects which can be used as evidence in criminal or misdemeanour proceedings, but only until the institution of these proceedings, when they shall be given over to the body authorised for conducting the proceedings.

Article 264.

The Commission shall prescribe the manner for supervision performance, procedure for order issuance and undertaking measures as well as deadlines for their elimination.

Article 265.

(1) Supervisory measures shall be used to order the elimination of illegal acts and irregularities established and to undertake activities necessary for their elimination. (2) If illegal acts or irregularities have been found, the Commission shall, by rendering a decision, order that action be taken to contribute to the establishment of law and compliance of work with laws and other regulations, or the Commission shall pronounce the appropriate measure prescribed pursuant to this or other laws. (3) In the decision referred to in paragraph 2 of this Article, the Commission shall set the deadline for the implementation of the decision that shall not exceed 60 days, and the obligation to produce to the Commission proof of the elimination of the illegal act or irregularity. If the Commission should establish that the illegal act or irregularity has not been eliminated, the Commission can render a decision pronouncing new measure.

Article 266.

When the Commission finds illegal acts and irregularities endangering the functioning of the entire capital market, the position of individual participants on the capital market or a possibility for a considerable damage, the Commission shall: a) cancel a transaction made on a stock exchange, regulated public market or through any other legal operation if it is found that one or more elements of the transaction are not correct or indicate manipulation of the price or quantity of securities, b) cease all activities related to the transfer of ownership from the account of the transferor (owner) to the account of the transferee at the Registry if the Commission disposes of information that lead to the suspicion that the securities have been obtained in an illegal manner, c) order a modification or amendment to or suspend the application of provisions of the general acts of a stock exchange, other regulated public market, the Registry, a stock exchange intermediary and other participants licensed by the Commission to perform activities, or order the writing of new general and individual acts in the cases when the Commission finds that it is necessary to guarantee the effective functioning of the securities market and the protection of participants, d) cancel or abolish an individual act of legal entities referred to in item c) of this paragraph in accordance with provisions of the Law on General Administrative Proceeding, e) dispossess the stock exchange intermediary of the management of the securities account when the Commission finds that it disposed of them in the manner contrary to the instructions of the owner of securities, f) admonish it and give public reprimand to a stock exchange, other regulated public market, the Registry, a stock exchange intermediary and to other participants licensed by the Commission to perform activities, when the Commission finds frequent violations of the provisions of this and other laws; g) undertake other measures prescribed by other provisions of this and other laws and the Commission's regulations, that are necessary for the elimination of consequences of acts or omissions committed by entities referred to in item f) of this paragraph, which could affect the market as a whole.

Article 267.

(1) In cases where this Law or other laws and regulations of the Commission are violated, or in cases when the continuation of business of the supervised entity is uncertain, the Commission can order the implementation of the following special measures: a) prohibition of performance of certain activities arising from this and other laws for which the Commission gives a license; b) revocation of its

consents to appointment of director, members of management and supervisory board and issuance of orders for appointment of new persons; c) revocation of the license to perform activities regarding securities. (2) Where the Commission finds that there is ground for suspicion that a criminal act or offence has been committed, the Commission shall report to a competent authority.

Article 268.

(1) To protect the interests of investors, members and other users of services of the Registry, the Commission may render a decision ordering the Registry to take action that will block or render impossible the alienation, acquisition or entry of third parties rights on securities, the securities that in the process of clearing or settlement or transfer should be entered into individual accounts opened with the Registry if: a) the Commission has at the disposal data that raise suspicion that the securities entered on the account of the investor have been acquired by actions contrary to this Law and regulations founded upon this Law, b) the person authorized to conduct transactions with securities has made a mistake or some other inappropriate action whose consequence has been the entry of securities into the investor's account, c) it is necessary for the implementation of the supervision of authorized persons. (2) In case referred to in paragraph 1 of this Article, the prohibition of the alienation or entry of third parties rights on securities cannot exceed the period of sixty days.

7. Confidentiality and a special restrictions

Article 269.

(1) The members of the Commission, employees and associates must preserve the secrecy of information which they learn either as they carry out their obligations or perform their tasks in the Commission, or in some other way, unless they are in a particular case authorised otherwise by law. This information shall be considered an official secret. (2) The persons referred to in paragraph 1 of this Article shall not furnish advice concerning trade in securities and investment in securities or give opinions on favourability or unfavourability of acquisition or alienation of securities. 75

Article 270.

(1) The members of the Commission and employees shall, within five days from the date of purchase or sale, report to the Commission each purchase or sale of securities including the data on the number, price and the date of the transaction. (2) The Commission shall keep a special register of reports referred to in paragraph 1 of this Article. The data from the register shall be kept for at least five years. (3) Provision of paragraph 1 and 2 of this Article shall appropriately apply to member of management, supervisory board and employed of the stock exchange, the Registry and a stock exchange intermediary.

VIII BAN AND RESTRICTIONS OF ACTIVITIES RELATED TO SECURITIES

1. Ban on use of privileged information

Article 271.

(1) Privileged information, for the purposes of this Law, shall be all facts that are not known to the public that pertain to either one or more issuers of securities, or to securities, and which, if known, might influence the price of securities. (2) The Commission shall prescribe the modes of preventing misuse of privileged information.

Article 272.

Persons who possess privileged information shall be those persons who learn about privileged information in the course of their work, profession, duty or based on family relations, and those are: a) members of management, supervisory board or other equivalent bodies of an issuer and a company related to the issuer in the context of provisions of the law regulating business activities of joint stock companies; b) members of management, supervisory board and employees of authorized participants; c) persons employed, professionally engaged or persons who execute certain functions that enable

them access to such information; d) persons directly or indirectly possess 10% or more of registered capital of an issuer; e) lineal relatives to the first degree of kinship of natural persons referred to in items a), b), c), d) and g) of this Article; f) other persons, for which the Commission should find, by the supervision or in some other way, that they used privileged information.

Article 273.

(1) Persons referred to in the Article 272 are forbidden to: a) take advantage of privileged information when directly or indirectly buying or selling securities which are traded or securities issued by issuers registered in the Republic Srpska, regardless of where they are traded, b) divulge privileged information or make it accessible to third parties, c) take advantage of privileged information in furnishing advice to third parties on the purchase or sale of securities. (2) Stock exchange intermediaries and other authorized participants that learn privileged information shall neither purchase nor sell securities for their own account, nor advise on investments in securities to which the privileged information relates. (3) For the purpose of establishment of misuse of privileged information, all persons referred to in the Article 272 of this Law, shall be obliged to, at the request of the Commission, deliver all required data and documents.

Article 274.

(1) The persons referred to in the Article 272 of this Law shall be obliged to deliver information on executed transactions with securities of that issuer, to the issuer, to the Commission and to the exchange or other regulated public market on which such securities are listed, and to do so within 15 days from the date on which the transaction takes place. (2) Every person, who suffered damage due to violation of prohibition to use privileged information, has right to require compensation from the person who caused damage, in the proceeding before the competent authority.

Article 275.

(1) The issuer must promptly inform the public of all material facts that can influence the price of securities. (2) When an issuer is unable to publish the information referred to in paragraph 1 of this Article because that would jeopardize his legitimate interests, it shall inform so the Commission, which may exempt it from that obligation, but only for a period of time which may not be longer than three months.

2. Manipulation on the market

Article 276.

(1) It shall be prohibited to manipulate on the securities market. (2) It shall be prohibited to influence or attempt to influence decisions of other parties regarding purchase or sale of securities, by: a) using false or ambiguous information such as promises, forecast or other similar activities directed to the other party and b) distortion or concealment of important information which certain party knows or has to know, and which refers to the issuer and issuer's securities.

Article 277.

To prevent manipulation on the market it shall be prohibited to: a) conduct a transaction with securities in such a manner that its execution does not result in a change of a legal owner or in some other way creates an appearance of an executed transaction; b) issue an order for the purchase or sale of a security knowing that an order has been given or will be given for the sale or purchase of that security, at the price or in the number which is the same or approximately the same, by the same or another person in order to create a fictitious price or appearance of active trading

Article 278.

It is prohibited to conduct transactions with securities in order to: a) increase the price of that security and thus encourage other investors to buy that security; b) depress the price of that security and thus encourage investors to sell that security; c) give the appearance of active trading in that security and thus encourage other investors to purchase and/or sell that security.

Article 279.

Every person, who suffered damage due to manipulation on the market, has right to require compensation from the person who caused damage, in the proceeding before the competent authority

3. Commission-motivated trading**Article 280.**

A stock exchange intermediary shall be prohibited from selling securities or issuing orders for their sale, or buying securities or issuing orders for their purchase, exclusively with the intention of earning the commission collected for that service.

IX PROTECTION OF INVESTORS' INTERESTS AND TRANSPARENCY OF WORK**1. Security for the fulfilment of obligations resulting from securities****Article 281.**

(1) An issuer's obligation to pay dividends may not be secured by a bank guarantee, warranty or a similar form of security. (2) Any guarantee or security for payment of a future dividend shall be null and void.

Article 282.

The obligations of an issuer of securities to pay the principal and interest from debt securities may be secured by a bank guarantee or a similar form of security that must ensure the fulfilment of obligations from all securities of the same class.

Article 283.

(1) An issuer's obligation to pay the principal and interest may be secured by a lien on real estate and securities, whose value shall not be less than the total issuer's obligations from all the secured securities. (2) The value of the pledged real estate and securities must be established by an authorized legal expert.

2. Reporting to public and information publishing**Article 284.**

(1) Issuers which issued securities through public offer pursuant to provisions of this Law shall be obliged to publish: a) annual, semi-annual financial reports, b) audit reports if obliged to audit reports, in accordance with regulations, c) reports on significant events and activities influencing business of the issuers. (2) The stock exchange and other regulated public market shall be authorized to take over annual and semi-annual financial reports from the institution determined by the Law to collect and process financial reports and shall be obliged to publish them. (3) The Commission shall prescribe the content, manner and deadline for publishing and filing the reports referred to in paragraph 1 of this Article.

Article 285.

(1) Depending on the amount of capital of an issuer, the number of shareholders and structure of ownership in the capital of the issuer, the Commission may prescribe types, scope and content of reports that issuers are obliged to produce and publish. (2) Issuers referred to in the Article 167, paragraph 1 of this Law shall file with the Commission and the stock exchange the following: a) quarterly financial reports within 30 days from the last day of each quarter, b) annual financial and business reports including consolidated reports within 60 days after the end of business year, c) audit report within 5 days from the date of receipt of that report. (3) Issuers referred to in the Article 167, paragraph 1 of this Law shall be obliged to cite facts concerning application of Standards of Corporate Governance of Republic Srpska ("The Official Gazette of Republic Srpska" No. 02/05).

Article 286.

(1) Stock exchange intermediary shall be obliged to file with the Commission the following reports: a) financial reports and other reports on business activities; b) audit reports; c) report on executed transactions; d) reports on events that influence business activities of stock exchange intermediary; e) report on fulfilment of conditions; f) other reports at the request on in accordance with the regulations of the Commission. (2) The authorised company shall notify the Commission within three days of every change in the data given in the application for the issuance of a license to a stock exchange intermediary, broker, investment advisor or investment manager. (3) The Commission shall prescribe the content, manner and deadline for publishing and filing the reports of stock exchange intermediaries.

Article 287.

(1) The stock exchange shall inform the Commission on: a) filed requests for membership and acceptance into the membership, issued trading licenses, exclusion of a member from trade on the stock exchange/termination of membership on the stock exchange as well exclusion of a broker/termination of a broker's right to trade on the stock exchange; b) filed requests for listing in (quotation) the official market, listing of securities and revocation of listing of securities; c) trading on the stock exchange and reported block transactions; d) every change in the data given in the application for the issuance of a license. (2) The stock exchange shall file with the Commission: a) list of securities quotation; b) financial and audit reports; c) other reports at the request of the Commission. (3) Stock exchange shall publish: a) Rules of the stock exchange and other general enactments, b) list of persons composing the governing bodies of the stock exchange, c) list of members of the stock exchange with names of authorized brokers, d) list of securities listed on the stock exchange market, e) list of securities quotation, f) other reports in accordance with the regulations of the Commission. (4) The Commission shall prescribe the content, form, manner of publishing and filing the data referred to in paragraph 1, 2 and 3 of this Article. (5) Stock exchange shall be authorized to publish bulletin and publications on the securities data and the trading on the stock exchange.

Article 288.

(1) The provisions of this Law relating obligations of the stock exchange shall apply as appropriate to obligations of other regulated public market regarding reporting to the Commission. (2) The Commission shall prescribe the content, form, manner of publishing and filing the data referred to in paragraph 1 of this Article.

Article 289.

(1) Professional organization shall file with the Commission: a) rules, regulations, trade usage and standards of professional organization; b) list of members; c) information on measures taken against members, officers and personnel of a professional organization; d) other data at the request of the Commission. (2) Professional organization shall file with the Commission and also publish other information on its business, in scope and in manner determined by the regulations of the Commission.

Article 290.

(1) The Registry shall notify an issuer and the Commission in writing and to make public the data on acquisition of shares in the following cases: a) if a person collects 5% or more shares with a voting right of issuer or right incorporated in such shares; b) if a person's portion of any class of share of the issuer, with a voting right, increases up to the level dividable by 5 over 5% of that class of shares; c) if a person's portion of shares with a voting right decreases to the level dividable by 5 over 5% of that class of shares. (2) With regard to shares referred to in paragraph 1 of this Article, the following information shall be published: a) name of the owner; b) designation of shares; c) name of the issuer; d) number of shares of the issuer; e) number of shares and relative share of shares which belong to the owner in relation to their total number.

X PENALTY CLAUSES

1. Criminal acts

1.1. Unauthorized usage and divulgence of privileged information

Article 291.

(1) Whosoever, through authorized or unauthorized disposal of privileged information not known to the public and pertaining to one or more issuers of securities, or to securities that, if known to the public, would influence the price of securities: a) knowing the privileged nature of such information, uses it to buy or sell securities traded on the territory of the Republic Srpska or securities issued by an issuer seated in the Republic Srpska regardless of where they are traded, with a view to realising material gain for himself or for a third party or to cause damage to a third party, b) knowing the privileged nature of such information, without authorization communicates such information, delivers such information or in some other way makes them accessible to a third party, c) knowing the privileged nature of such information, uses it to furnish advice to a third party on the purchase or sale of securities traded on the territory of the Republic Srpska or of securities issued by issuers with a seat in the Republic Srpska, regardless of where they are traded, with a view to realising material gain for himself or a third party or to cause damage to a third party shall be subject to a fine or imprisonment up to one year. (2) If the material gain or damage caused to a third party through the criminal offence referred to in paragraph 1 of this Article exceeds the amount of 1.500,00 BAM, the perpetrator shall be subject to a fine or imprisonment up to two years.

1.2. Manipulation of prices and spreading of false information

Article 292.

(1) Whosoever, with the intention of thus influencing the increase or decrease of the price or to create an appearance of active trading, and thus realises material gain for himself or for a third party or causes damage to a third party: a) concludes or executes a contract on the sale of securities in order to give an appearance that a deal has been made although none of the parties wishes to execute it, b) gives an order to purchase or sell a security on a stock exchange or on other regulated market knowing that the order to purchase or sell that security has been given or will be given by some other party at a price and in number that is the same or approximately the same, or if he himself gives the order and counter-order; c) spreads information about an issuer, securities or other facts he/she knows to be false, shall be subject to a fine or imprisonment up to one year. (2) If the material gain or damage caused to a third party through the criminal offence referred to in paragraph 1 of this Article exceeds the amount of 1.500,00 BAM, the perpetrator shall be subject to a fine or imprisonment up to two years.

1.3. Presentation of false data in a prospectus or a public invitation

Article 293.

(1) Whosoever as a member of management of an issuer allows or facilitates the distribution of a prospectus or a public invitation whose contents differ from the contents prescribed by Articles 14 to 21, or as member of management allows or facilitates the presentation of false data and false representation of material facts in a prospectus shall be subject to a fine or up to two years imprisonment. (2) If the perpetrator acquired the material gain for himself or for other or caused damage that exceeds the amount of 1.500,00 BAM through the criminal offence referred to in paragraph 1 of this Article, the perpetrator shall be subject to a fine or imprisonment up to three years.

1.4. Unauthorized listing of securities

Article 294.

(1) Whosoever as a member of management or other body of a stock exchange allows the listing of securities on the official market which do not meet the conditions prescribed under this Law and regulations of the stock exchange, he/she shall be subject to a fine or up to two years imprisonment. (2) If the perpetrator acquired the material gain for himself or for other or caused damage that exceeds the amount of 1.500,00 BAM through the criminal offence referred to in paragraph 1 of this Article, the perpetrator shall be subject to a fine or imprisonment up to three years.

1.5. Illicit trade in securities

Article 295.

(1) Whosoever is engaged in unauthorized mediation in the purchase or sale of securities shall be subject to a fine or up to one-year imprisonment. (2) If the perpetrator acquired the material gain for himself or for other or caused damage that exceeds the amount of 1.500,00 BAM through the criminal offence referred to in paragraph 1 of this Article, he/she shall be subject to a fine or imprisonment up to three years. (3) Whosoever organizes a network of agents to commit the criminal offence referred to in paragraph 1 of this Article shall be subject to a fine or up to five years imprisonment.

2. Misdemeanours

Article 296.

(1) A legal person shall be subject to a fine of between 10,000.00 and 50,000.00 BAM for a misdemeanour if:

- 1) an issuer does not file an application to enter the data into the Registry of Issuers within the prescribed period (Article 7 paragraph 3 of this Law),
- 2) a issuer does not file an application for registration of securities with the Central Registry within the prescribed period (Article 8 paragraph 2 of this Law),
- 3) an issuer publishes a prospectus or delivers it to previously determined buyers before it has been approved by the Commission (Article 11 paragraph 3 of this Law),
- 4) an issuer does not publish the prospectus or the public invitation in the manner and within the period prescribed by the Article 33 of this Law,
- 5) an issuer, throughout the public offering, changes its Statute or other enactments that determine the rights of securities owners described in the prospectus (Article 34 paragraph 1 of this Law),
- 6) an issuer does not inform the Commission and the public of the modification of circumstance in the prospectus in accordance with the Article 34, paragraph 2 of this Law,
- 7) an issuer does not publish the modification of the prospectus within deadline referred to in the Article 34, paragraph 3 of this Law,
- 8) an issuer does not deliver the modified prospectus to all the investors who performed subscription of securities during the public offering along with information that they have right to cancel the subscription (Article 34, paragraph 4 of this Law),
- 9) an issuer does not carry out reimbursement in accordance with the Article 34, paragraph 6 of this Law,
- 10) an issuer's promotion related to the public offering of securities does not contain information on the day of publication of the prospectus and places where the prospectus is made available to investors (Article 35, paragraph 2 of this Law),
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- 11) an issuer's Information on public offering are not complete, if they lead into wrong conclusions or are not in accordance with the prospectus (Article 35, paragraph 3 of this Law),
- 12) an issuer does not deliver promotional material to the Commission in accordance with the Article 35, paragraph 4 of this Law,
- 13) issuer carries out the subscription and payment of securities in the manner contrary to Articles 36 and 37 of this Law,

- 14) an issuer or the issuing agent either offer or enable the subscription of securities and receive payments for securities after expiration of the deadline for subscription and payment (Article 39, paragraph 5 of this Law),
- 15) an issuer after closing of the public offering does not file the report with the Commission in accordance with the Article 41, paragraph 1 of this Law,
- 16) a bank does not notify the Commission of the securities subscribed and paid for in case of the public offering in accordance with the Article 41, paragraph 2 of this Law,
- 17) an issuer does not publish data after closing of the public offer in accordance with the Article 41, paragraph 4 of this Law,
- 18) The Registry does not notify the stock exchange or other regulated public market of the registration of securities (Article 43, paragraph 2 of this Law),
- 19) an issuer does not file the request to obtain the Commission's permission to alter a buyer in private offering in accordance with the Article 49, paragraph 1 of this Law,
- 20) an issuer publish the prospectus or make contact with a potential buyer through the mass media in the case of a private offering (Article 51 of this Law)
- 21) an issuer, after closing of a private offering, does not deliver the report to the Commission in accordance with the Article 54, paragraph 1 of this Law,
- 22) an issuer does not publish the data after the closing of a private offering in accordance with the Article 54, paragraph 3 of this Law,
- 23) a foreign issuer issues securities in the Republic Srpska contrary to provisions of the Article 57 of this Law,
- 24) an issuer, when issuing securities outside of the Republic Srpska does not act in accordance with the Article 59 of this Law,
- 25) an issuer does not notify the Commission of the issuance of securities referred to in the Article 60, paragraph 1 of this Law, in the manner and within the deadline referred to in the Article 60, paragraph 3 of this Law,
- 26) an issuer issues securities contrary to provisions of the Article 60, paragraphs 2 and 4 of this Law,
- 27) an issuer issues securities contrary to provisions of the Article 61, paragraph 1 of this Law,
- 28) a stock exchange intermediary performs transactions with securities without a license from the Commission (Article 64, paragraph 1 of this Law),
- 29) contrary to the Article 72, paragraph 1 of this Law, directly or indirectly owns shares of more than one broker-dealer company,
- 30) contrary to the Article 72, paragraph 1 of this Law, directly or indirectly owns shares of another broker-dealer company;
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- 31) broker-dealer company does not furnish information on every change in its ownership structure to the Commission within the deadline referred to in the Article 72, paragraph 4 of this Law,
- 32) it establishes a company to perform activities regarding securities or make an entry of a new business activities in the court register without a license from the Commission (Article 74, paragraph 1 of this Law),
- 33) a stock exchange intermediary executes status changes of merging by overtaking, merging or division without a license from the Commission (Article 80 of this Law),
- 34) a stock exchange intermediary, before the entry of the data relating status change of merging, does not act in accordance with the Article 81 of this Law,
- 35) a stock exchange intermediary if on the occasion of establishment of a branch office or other legal entity outside the Republic Srpska acts contrary to provisions of the Article 82 of this Law,
- 36) a stock exchange intermediary whose head office is outside of the Republic Srpska, establishes a branch office to conduct transactions with securities without a license from the Commission (Article 83 of this Law),
- 37) stock exchange intermediary which has a license issued in the Federation of Bosnia and Herzegovina and in Brcko District, acts contrary to provisions of the Article 84, paragraph 2 of this Law,

- 38) a stock exchange intermediary performs transaction with securities after revocation of the license or after the day on which the license to perform transaction with securities becomes invalid (Article 90, paragraph 3 of this Law),
- 39) a bank does not block the accounts of a stock exchange intermediary upon the order of the (Article 90, paragraph 5 of this Law),
- 40) a stock exchange intermediary whose interest have priority over a client's interests that is in performing transactions with securities acts contrary to a client's interests (Article 100 of this Law),
- 41) a stock exchange intermediary which, by providing false information to investors regarding the price of securities, by spreading false information in order to influence the price of securities and by handling securities owned by its client without the client's written order, destabilizes the market, which is contrary to the Article 101 of this Law,
- 42) it does not notify the stock exchange intermediary of every acquisition or alienation of securities in accordance with the Article 102, paragraph 2 of this Law,
- 43) a stock exchange intermediary does not keep a special register in accordance with the Article 102, paragraph 3 of this Law,
- 44) a stock exchange intermediary does not acts in accordance with the Article 103 of this Law,
- 45) a stock exchange intermediary does not balance its liquid funds and liabilities and exposure to risk in the prescribed manner (Article 105 of this Law),
- 46) a stock exchange intermediary publish advertisement in the manner contrary to the Article 106, paragraphs 2 and 3 of this Law,
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- 47) a stock exchange intermediary does not exhibit the Rules of business conduct and tariffs in a visible place easily accessible to a client (Article 107, paragraph 5 of this Law),
- 48) a stock exchange intermediary does not collect commission for its services pursuant to its tariffs (Article 108 of this Law),
- 49) a stock exchange intermediary, in its business, acts contrary to the Article 111 of this Law,
- 50) a stock exchange intermediary does not conclude in writing a contract with a client and does not inform him/her about the Rules of business conduct and does not present it to him/her (Article 112, paragraphs 1 and 2 of this Law),
- 51) a stock exchange intermediary does not inform a client about changes to the Rules of business conduct (Article 112, paragraph 3 of this Law),
- 52) a stock exchange intermediary does not open client's (Article 113 of this Law),
- 53) a stock exchange intermediary does not act in accordance with the Article 115 of this Law,
- 54) a stock exchange intermediary receives clients' orders contrary to the Article 117 of this Law,
- 55) a stock exchange intermediary refuses an order contrary to the Article 119 of this Law,
- 56) a stock exchange intermediary does not keep the order book in accordance with the Article 120 of this Law,
- 57) a stock exchange intermediary executes a client's orders contrary to the Articles 121 and 122 of this Law,
- 58) a stock exchange intermediary does not notify a client of the execution of orders in the manner and within the deadline referred to in the Article 123 of this Law,
- 59) a stock exchange intermediary handles client's funds contrary to the Article 124 of this Law,
- 60) a stock exchange intermediary fails to undertake all necessary activities to make payments related to transactions with securities and to transfer securities in accordance with the Law and regulations of the Commission and of the Registry (Article 125 of this Law),
- 61) a stock exchange intermediary raises loans in securities contrary to the Article 126 of this Law,
- 62) a stock exchange intermediary does not keep the securities of a clients in accordance with the Article 127, paragraph 6 of this Law,
- 63) a bank that is a broker-dealer company performs custodian activities without a license from the Commission (Article 128, paragraph 2 of this Law),
- 64) a custody bank that is a broker-dealer company performs custodian activities contrary to the Article 129, paragraph 2 of this Law,
- 65) a custody bank that is a broker-dealer company handles securities in the custodian account without clients' orders (Article 130, paragraph 2 of this Law),

- 66) a custody bank that is a broker-dealer company handles the client's funds contrary to the Article 130, paragraph 4 of this Law,
- 67) a custody bank that is a broker-dealer company does not keep a special record and custodial book in accordance with the Article 131, paragraphs 1 and 2 of this Law,
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- 68) a custody bank that is a broker-dealer company disable the Commission to inspect the custodial book and all other documentation or without delay does not inform the client about each deal made in accordance with his/her order (Article 131, paragraphs 3 and 4 of this Law),
- 69) a custody bank that is a broker-dealer company does not present, at the Commission's request, the data referred to in the Article 133 of this Law,
- 70) a stock exchange intermediary does not present to the Commission and does not publish annual financial and other reports in accordance with the Article 134 of this Law,
- 71) authorized participants on the securities market which form a professional organization and did not obtain preliminary consent of the Commission on the contract on establishment, or a professional organization which apply the Statute and other general enactments for which it did not obtain preliminary consent of the Commission (Article 135, paragraph 3 of this Law),
- 72) a professional organization uses profits earned on the basis of provision of services to members and third parties contrary to the Article 139 of this Law,
- 73) a legal entity which performs activities referred to in the Article 141 of this Law without a license from the Commission (Article 143 of this Law),
- 74) a stock exchange does not ensure all participants in trading the same conditions referred to in the Article 146 of this Law,
- 75) a stock exchange executes status changes without a consent of the Commission (Article 150, paragraph 3 of this Law),
- 76) it was not established as a stock exchange in accordance with this Law, nevertheless uses title "The Stock Exchange" in legal operations (Article 151, paragraph 2 of this Law),
- 77) a stock exchange applies the Statute, the Rules of the Stock Exchange and other general enactments referred to in the Article 155, paragraph 1 and the Article 156 of this Law for which the Commission did not give its consent,
- 78) a stock exchange selects members of managing board, supervisory board and the director or appoints the director without consent of the Commission (Article 157, paragraph 6 of this Law),
- 79) a stock exchange accepts as its member a stock exchange intermediary that does not fulfil conditions for membership referred to in the Article 161 of this Law,
- 80) a member of a stock exchange does not immediately notify the stock exchange, in writing, of referred to in the Article 162 of this Law,
- 81) a stock exchange trades in securities, furnishes advice on securities or investment in securities, gives opinions on favourability and non-favourability of purchase/sale of securities (Article 163, paragraph 1 of this Law),
- 82) an issuer does not file an application for listing securities in the official market to the stock exchange and does not produce the prospectus in accordance with the Article 167, paragraph 1 and 2 of this Law,
- 83) a stock exchange does not exclude securities from the official market in accordance with the Article 171, paragraph 1 of this Law,
- 84) a stock exchange does not act in accordance with the Article 173, paragraph 2 of this Law,
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- 85) a stock exchange does not act in accordance with the Article 174, paragraph 6 of this Law,
- 86) a stock exchange does not inform the Commission in accordance with the Article 179 of this Law,
- 87) a stock exchange does not inform employees and members of the stock exchange bodies about their obligations with respect to preserving professional secrecy in accordance with the Article 181, paragraph 2 of this Law,
- 88) a stock exchange does not present to the Commission a report on acquisitions or alienations of securities of the members of the stock exchange managing and supervisory boards, the director and employees of the stock exchange in accordance with the Article 182 of this Law,

- 89) an other regulated public market does not publish the data and does not present the data in accordance with the Article 187 of this Law,
- 90) the Registry performs activities referred to in the Article 189 of this Law without a license and approval of the Commission (Article 196, paragraph 1 of this Law),
- 91) the Registry applies general enactments for which the Commission did not give consent (Article 197, paragraph 2 of this Law),
- 92) the Registry selects members of managing and supervisory board that is appoints the director without consent of the Commission (Article 201, paragraph 7 of this Law),
- 93) the Registry trades in securities, furnish advice on securities or investment in securities or give opinions on favourability and non-favourability of purchase/sale of securities (Article 208, paragraph 1 of this Law),
- 94) the Registry does not create a guarantee fund (Article 217, paragraph 1 of this Law),
- 95) the Registry uses assets of the guarantee fund contrary to the Article 217, paragraphs 3 and 4 of this Law,
- 96) the Registry does not transfer securities and money, on the basis of clearing and settlement of transactions performed on the stock exchange and other regulated public market, simultaneously on the principle of „delivery versus payment” and within prescribed deadline (Article 217, paragraphs 2 and 3 of this Law),
- 97) the Registry does not secure record-keeping the data in the manner referred to in the Article 231 of this Law,
- 98) the Registry does not provide right of access to the data kept in the Registry in the manner prescribed by the Article 238 of this Law,
- 99) the Registry does not perform the obligation to inform in accordance with the Article 239, paragraphs 1 and 2 of this Law,
- 100) an issuer does not inform the Registry on changes of the data kept in the Registry within prescribed deadline, in accordance with the Article 239, paragraph 3 of this Law,
- 101) the Registry does not inform employees and members of the Registry bodies about their obligations with respect to preserving professional in accordance with the Article 240, paragraph 2 of this Law,
- 102) the Registry does not report on acquisitions and alienations of securities of the members of the managing and supervisory boards, the director and employees of the Registry, in accordance with the Article 241 of this Law,
- 103) it, in the manner and within deadline determined by the Commission, does not deliver all information and documents that the Commission requires from them, carrying out its authorizations and responsibilities (Article 261 of this Law),
- 104) an issuer does not publish information in accordance with the Article 284, paragraph 1 of this Law,
- 105) an issuer does not produce, publish and present reports in accordance with the Article 285 of this Law,
- 106) a stock exchange intermediary does not present to the Commission reports and the data in accordance with the Article 286 of this Law,
- 107) a stock exchange does not present to the Commission prescribed data within prescribed deadlines and does not execute publishing in accordance with the Article 287 of this Law,
- 108) other regulated public market acts contrary to the Article 288 of this Law,
- 109) professional organization acts contrary to the Article 289 of this Law,
- 110) the Registry acts contrary to the Article 290 of this Law.
- (2) For misdemeanours referred to in paragraph 1 of this Article, the responsible person in a legal person shall also be subject to a fine in an amount from 1,000,00 to 5,000.00 convertible marks (BAM).

Article 297.

A natural person shall be subject to a fine in the amount from 500,00 to 1.500,00 convertible marks if:

- 1) this person should acquire shares contrary to the provisions of Article 72 paragraph 1 of this Law,

- 2) he/she is employed or should be a member of the management of supervisory board of more stock exchange intermediaries (Article 72, paragraph 3 of this Law),
- 3) he/she renounces an order for purchase or sale of securities which was accepted by that broker-dealer company (Article 91, paragraph 1 of this Law),
- 4) he/she provides services of broker, investment advisor and investment manager without a license of the Commission (Article 93, paragraph 5 of this Law),
- 5) he/she does not take care of the client's interests and does not act with due professional care (Article 100 of this Law),
- 6) he/she does not notify the stock exchange intermediary of every acquisition or alienation of securities in accordance with the Article 102, paragraph 2 of this Law,
- 7) he/she does not notify of every acquisition or alienation of securities in accordance with the Articles 181, 240, 269 and 270 of this Law,
- 8) he/she acts contrary to provisions relating to preserving professional secrecy referred to in Articles 181 and 240 of this Law,
- 9) he/she acts contrary provision relating to preserving official secret (Article 269 of this Law),
- 10) he/she uses, divulges to third parties or enable usage by third parties data about clients, the balance and transactions on a client's securities accounts, operations performed for a client and other data and facts they learn in connection with conducting transactions with securities for a clients (Article 104, paragraph 1 of this Law),
- 11) he/she publishes advertisement offering transactions with securities and it is not a stock exchange intermediary (Article 106, paragraph 1 of this Law),
- 12) he/she violates provisions of Articles 183, 242 and 248 of this Law,
- 13) in the manner and within deadline determined by the Commission, he/she does not deliver the data and documents that the Commission requires from them, carrying out its authorizations and responsibilities (Article 261 of this Law),
- 14) at the request of the Commission, he/she does not deliver required data and documents (Article 273, paragraph 3 of this Law),
- 15) within the prescribed deadline, he/she does not deliver information on executed transactions with securities of that issuer, to the issuer, to the Commission and to the exchange or other regulated public market (Article 274, paragraph 1 of this Law),
- 16) he/she performs transactions with securities contrary to the prohibitions referred to in Articles from 276 to 278 of this Law.

3. The statute of limitation

Article 298.

Misdemeanour proceedings relating misdemeanour referred to in this Law shall not be instituted nor conducted after the expiry of three years after the misdemeanour was committed.

4. Protective measures

Article 299.

A broker, an investment advisor or an investment manager who has committed a misdemeanour referred to in the Article 297, paragraph 1 of this Law may be sentenced to the protective measure of revocation of his license to conduct transactions with securities for a period of up to one year. (2) If the person referred to in paragraph 1 of this Article repeats the misdemeanour referred to in Article 297 or commits it in order to realize a material gain, or if the misdemeanour committed has resulted in material or immaterial damage to a stock exchange intermediary, or material damage to clients or third parties, the offender shall be sentenced to the mandatory protective measure of revocation of his license to conduct transactions with securities for the period of one year (3) A stock exchange intermediary that has committed a misdemeanour referred to in Article 296 of this Law can be sentenced to the protective measure of revocation of the license to conduct transactions with securities for a period of up to one year. (4) If the stock exchange intermediary referred to in paragraph 3 of this Article repeats a misdemeanour or commits it in order to realize material gain, or if the misdemeanour

committed has resulted in material or immaterial damage to clients or third parties, the offender shall be sentenced to the mandatory protective measure of revocation of his license to conduct transactions with securities for the period of one year.

XI TRANSITIONAL AND FINAL PROVISIONS

Article 300.

(1) Provisions of Articles from 13 to 41 of this Law shall not apply to shares issued in the privatization process of state capital in enterprises and banks and in the process of re-organization of a debtor in bankruptcy proceeding. (2) After implementation of privatization of state capital in enterprises and banks, shares referred to in paragraph 1 of this Article shall be considered shares issued through public offer and are subject to compliance of provisions of this Law. (3) If a joint stock company that has more than 50 shareholder should be entered in the court register after the issuance of shares in the process of re-organization of a debtor in bankruptcy proceeding, provisions of this Law shall not apply to that joint stock company.

Article 301.

The Commission shall be obliged to harmonize and legislate, within the period of six months from the day of this Law coming into effect, the following regulations: a) Regulation on the Registry of Issuers of Securities Maintained by the Securities Commission of the Republic Srpska; b) Regulation on Conditions and Procedures for Securities Issuance; c) Regulation on Conditions and Procedures on Issuance of Operating License to Perform Securities Activities; d) Regulation on Acquiring the Vocation and Licensing of Brokers, Investment Managers and Investment Advisors; e) Regulation on Securities Trade; f) Regulation on Stock Exchange Intermediary Business Operation; g) Regulation on capital adequacy, risk exposure, special reserves and liquidity of a broker-dealer company; h) Regulation on Supervision of Participants on the Securities Market; i) Regulation on Disclosure Requirements of Issuers of Securities Subject to Public Trade; j) Regulation on Disclosure Requirements about Performing Securities Activities; k) Regulation on Performance of Custodian Activities; l) Regulation on Electronic Exchange of Business Messages; m) Statute of the Securities Commission of the Republic Srpska; n) Rules of procedures of the Securities Commission of the Republic Srpska; o) Code of Ethics of the Securities Commission of the Republic Srpska; p) Decision on charges.

Article 302.

(1) The Central Registry of Securities, a.d. Banja Luka shall be considered to have a license for conducting activities under Article 189 paragraph 1 of this Law. (2) Banja Luka Stock Exchange a.d. Banja Luka and the Central Registry of Securities, a.d. Banja shall within nine months from the effective date of this Law bring their business 91 into conformity with provisions of this Law and submit their harmonised general enactments to the Commission for approval. (3) If legal entities referred to in paragraph 2 of this Article should fail to bring their business into conformity with provisions of this Law and submit their harmonised general acts to the Commission for approval, their licence for conducting activities shall cease to be valid after the expiry of the specified period. (4) The Central Registry must adjust the amount of capital in accordance with the Article 195 of this Law, within three years from the effective date of this Law.

Article 303.

(1) Stock exchange intermediary shall within nine months from the date of entry into force of this Law bring their business into conformity with the provisions of this Law and submit their harmonised general enactments to the Commission for approval. (2) If stock exchange intermediary should fail to bring their business into conformity with provisions of this Law and should fail to submit their harmonised general enactments to the Commission for approval within cited period, the licence to conduct transactions shall cease to be valid.

Article 304.

On the date of entry into force of this Law, the Law on Securities – updated text (“The Official Gazette of the Republic Srpska, No 04/02) and the Law on the Central Registry of Securities (“The Official Gazette of the Republic Srpska, No 24/98) shall cease to be valid

Article 305.

All procedures initiated prior to the date this Law come into effect shall be completed pursuant to provisions of the Law on Securities – updated text (“The Official Gazette of the Republic Srpska, No 04/02).

Article 306.

This Law comes into effect on the eight day of its publication in “The Official Gazette of the Republic Srpska”, with that provisions of Articles 296 and 297 of this Law will commence to apply on 1st September, 2006. Number: President of the Republic Srpska National Assembly Date, Igor Radojičić

ANNEX X. THE LAW ON SECURITIES (BRČKO DISTRICT)

Pursuant to Articles 23 and 62 of the Statute of the Brcko District of Bosnia and Herzegovina, the Assembly of the Brcko District of Bosnia and Herzegovina at the 70th session, held on July 30, 2003, adopted

I. GENERAL PROVISIONS

Purpose of the law

Article 1.

This Law shall regulate: issuance and trade in securities in Brcko District of Bosnia and Herzegovina (hereinafter: the District), authority and responsibilities of participants in the securities market, establishment and competence of the Securities Commission of the District (hereinafter: the Commission), protection of investors' interests in the securities market, public character of activities in trading securities and the Central Registry of Securities of the District (hereinafter: the Central Registry).

Definition of terms

Article 2.

Issuer shall designate a legal person involved in issuing securities for the purpose of raising funds and which is responsible to security holders for fulfilment of all obligations incorporated in the security itself.

Investor shall designate a legal or natural person investing available funds in purchase of securities.

Owner shall designate a legal or natural person whose ownership over securities is based on the ownership right (owner) or a respective contract (nominee owner).

Registered securities shall designate securities which contain the name (title) of their owner. Transfer of the right to securities and exercise of all rights incorporated in securities requires obligatory and unconditional identification of their owner.

Excerpt (hereinafter: the Certificate) from the Central Registry shall designate a document issued by the Central Registry to a registered person or a proxy thereof, containing the following information about the registered person: number of his personal account, number of securities from each class on the account as of the moment of issuing the Certificate, information on indebtedness as well as other information relevant to securities. The Certificate from the Central Registry should contain remarks regarding all restrictions or debits influencing securities for which the Certificate is issued as well as regarding liabilities recorded to the day of issuing the Certificate by the Central Registry.

Registered party shall designate a securities owner entered in the Central Registry.

Holder of securities shall designate a person that owns securities, or an agent that keeps certain securities with him.

Agent shall designate an authorized participant in the securities market and a holder of securities included in business transactions thereof performed on his own behalf or according to the order of his clients (owners of securities or a another agent), provided that he himself is not the owner of the respective securities.

Class of securities shall designate the aggregate of all securities of one issuer having the same rights.

*** Manipulation in securities markets*** shall designate a process of creating a semblance of active trade in the securities market, through purchase or sale of securities or by use of other means in order to increase or decrease, support or destabilize their market price (value).

Trade in securities shall designate transfer and registration of ownership rights over securities based on concluded transaction in purchase, sale, exchange, gifting, inheriting, lending, as well as based on other civil and legal affairs.

Authorized participants in the securities market shall designate legal or natural persons involved in one or more activities in the securities market that are stipulated by provisions of this Law.

Professional association of authorized participants in the securities market shall designate a voluntary professional association of authorized participants engaged in activities of the securities market functioning in compliance with the law and its internal rules and regulations (self-regulatory body).

Definition of securities

Article 3.

Securities, in terms of this Law, shall designate transferable documents in dematerialized form – electronic format, issued in series, based on which the owners acquire rights granted by issuers, in accordance with the law and decision on issuance of securities.

Securities, in narrower sense of this Law shall designate shares, bonds and other securities classified as securities by the Securities Commission.

Essential elements of securities

Article 4.

Essential elements of securities shall be as follows:

1. identification of securities' type;
2. identification of a class and serial number;
3. name (title), head office and address of the issuer of securities and its identification in the Central Registry of Issuers maintained by the Commission;
4. nominal value;
5. identification that the security is titled to the bearer;
6. information on purchaser of securities (hereinafter: the owner of securities) such as the name (title) and head office of a legal person or a full name and single identification number of a citizen, as well as , in the case of a foreign natural person, the account number of the owner of securities with the Central Registry;
7. issuer's liabilities as well as rights and responsibilities of securities owner including the manner of their fulfillment;
8. place and date of issuance of securities;
9. names of persons authorized to represent issuers;
10. other elements stipulated by regulations of the Commission.

Registration of securities

Article 5.

The issuer of securities issued in accordance with provisions of this Law shall register the securities in the Central Registry.

Article 6.

Issuer of securities, as well as owners and holders of securities and other authorized participants in the securities market shall have accounts with the Central Registry that issues appropriate certificates to all of them in accordance with the rules that regulate business operations of the Central Registry.

Acquiring, transfer and limitation of rights stemming from securities

Article 7.

Rights and liabilities stemming from securities shall be acquired and transferred by registration to the bearer's account in the Central Registry.

Legal basis for acquiring and transfer of rights stemming from securities shall include the following: contract, decision on succession, court ruling or decision of other authorized body.

Limitation of rights over securities arises after the registration in the Central Registry, in accordance with the decision on issuance of securities.

Issuers of securities and restriction of rights

Article 8.

The issuer of securities may be the Brcko District of Bosnia and Herzegovina, an investment fund or any other legal person established as a limited liability company with head office in the District.

The decision on securities issuance shall not restrict any party's right to purchase securities, unless that right is legally restricted by law, nor shall it give an advantage to any purchaser.

Exceptionally to the provisions of Paragraph 2 of this Article, the owners of shares of the same issuer have shall have preemptive rights for shares of a new issue, in accordance with provisions of the Law on Enterprises.

II. ISSUANCE OF SECURITIES

The issuance procedure**Article 9.**

The securities issuance procedure shall include the following:

1. decision-making regarding the issuance;
2. submission of an issuance approval application to the Commission;
3. contract arrangement between the issuer and the Central Registry;
4. contract arrangement between the issuer and a bank, i.e. a depositor, relevant to opening of a temporary account for depositing payments arising from purchase of securities;
5. publishing of a Prospectus and public invitation for registration and payment regarding securities, as well as publishing of results of public sale;
6. entering securities in the Central Registry of issuers with the Commission and purchasers' accounts with the Central Registry.

Closer terms on procedure of securities issue, depending on the type of issue, securities and issuer, shall be determined by regulations of the Commission.

Decision on issuance**Article 10.**

The decision on securities issuance shall contain the following:

1. full name and address of the issuer,
2. identification and registration number of the issuer from the Central Registry of Issuers maintained by the Commission,
3. title of competent authority responsible for making a decision on issuance,
4. the adoption date of the decision on issuance,
5. identification of securities type and class,
6. serial number of the issue and total number of issued securities,
7. number and nominal value of securities,
8. rights incorporated in securities,
9. the manner of securities sale,
10. indication of preemptive rights, if the issue carries such rights,
11. opening and closing time for registration procedure and list of locations where registration and payments related to securities are taking place,
12. indication whether the issuer retained the right to terminate registration and payment related to securities before the expiration of determined deadline,
13. full name and position of persons authorized by the issuer to conduct the issuance of securities,
14. other elements in accordance with the regulations of the Commission.

The statute on founding a joint stock company shall, at the same time, represent the decision on the first issue of shares.

Issuance approval**Article 11.**

The issuer of securities shall submit an application for securities issuance approval to the Commission.

In addition to the application referred to in Paragraph 1 of this Article, the submitter of the application shall submit the following:

1. decision on the issuance,
2. the Statute or contract on foundation,
3. court's decision on registering the issuer in the Court Registry,
4. document on issuers' registration in the Central Registry of Issuers with the Commission;
5. proposal of the Prospectus of Securities,
6. proof of payment of fee for issuance of securities.

In addition to the requirements referred to in Paragraph 2 of this Article, the Commission may request additional documents to be submitted.

The prospectus

Article 12.

The issuer shall prepare the Prospectus of Securities (hereinafter: the Prospectus) which must contain sufficient information that enable an investor to evaluate the condition of assets, liabilities, loss and profit, overall financial position and issuer's perspective, as well as rights incorporated in securities referred to in the Prospectus.

Article 13.

The Prospectus shall contain the following elements:

1. relevant information on securities (e.g. category indication, total number and rights incorporated in securities),
2. general information about the issuer (legal status, ownership structure, line of business, business operation, assets, indebtedness and profit and loss),
3. information on all individuals authorized by the issuer,
4. statement by the issuer's responsible persons claiming that the Prospectus contains accurate and complete overview of assets and liabilities, issuer's business result and rights incorporated in securities,
5. statement on investing that contains information on the issuer's plans in perspective of objectives and manner for usage of the capital which will be raised by selling securities,
6. place, method and time of registration and payment, name, head office and address of insurance company; if insured, name, head office and address of guarantor; if guaranteed, preemptive right,
7. name, head office and address of the signatory, if signed,
8. indication of preemptive right, if such rights are contained in the issue.

Closer requirements regarding the form and contents of the Prospectus shall be determined by regulations of the Commission.

Article 14.

Provided that prior to the expiration of a deadline for registration and payment of securities new circumstances occur, or it is found that the information published in the Prospectus is not complete and accurate, the issuer shall publish a supplement to the Prospectus with corrections and additions, in the manner determined for publishing of the Prospectus.

In the case referred to in Paragraph 1 of this Article, the Commission shall set the deadline for publishing the supplement to the Prospectus, notices by the Commission and bank, i.e. the depository, the investor's right to cancel the registration, the rights and deadlines for the reimbursement of paid off assets.

Issuance without the Commission's approval

Article 15.

As an exception from provisions of Article 11 of this Law, securities issue can take place without prior approval of the Commission provided that the Commission has been informed on such issue within eight (8) days from the day the decision on issue was made, in the following cases:

1. if the issuer or guarantor is the District,

2. in case of founding a joint stock company in accordance with the Law on Enterprises,
3. in case of issue of new shares of the joint stock company established when the existing shareholders – founders purchase the entire issue,
4. in case of issue of shares based on payment of dividends,
5. based on conversion of reserves and retained profits into share capital in accordance with the Law on Enterprises, and
6. in case of issue of new securities during merger, division, conversion and denomination.

Issue with the reduced prospectus

Article 16.

The Commission may give an approval to an issuer to issue securities with the reduced prospectus in the following cases:

1. issuance of securities where total value of the issue does not exceed 100,000 (one hundred thousand) convertible marks (hereinafter: KM),
2. issuance of shares which are to be sold to a purchaser determined beforehand, or a group of maximum 30 purchasers (sealed offer).

Details of the procedure, methods and approval of the issue referred to in Paragraph 1 of this Article as well as of the trade in these securities shall be determined by the Commission's regulation.

Revision of documentation

Article 17.

If the issuer fails to submit the required documentation in accordance with Article 11 of this Law along with the application for approval of securities issuance, the Commission shall immediately provide the issuer with a written request to correct all insufficiencies within 15 days from the day of receiving the Commission's request.

In case the issuer fails to meet the deadline referred to in Paragraph 1 of this Article, the Commission shall issue a decision to reject the application as incomplete.

Approval and rejection of issuance

Article 18.

The Commission shall a decision to either approve or reject the application for approving the issuance of securities, within 30 days after receiving the application.

The decision referred to in Paragraph 1 of this Article shall be final.

Article 19.

The Commission shall reject the application for approving the issuance of securities in the following cases:

1. if it evaluates that the issuer is unable to settle the liabilities arising from securities;
2. if the submitted documents and information are incomplete and inaccurate, or in disaccord with the law.
3. the Commission may limit the volume of issue to be undertaken by an issuer in proportion to the amount of share capital, as stipulated by criteria determined by the Commission's regulation.

Public offer

Article 20.

The issuer shall publish the public offer in the form of an advertisement in two daily newspapers in the District, which contains the wording of the Prospectus or information on where the Prospectus can be collected or ordered.

Article 21.

The issuer may publish the Prospectus even earlier, but not later than the day of publishing the public offer referred to in Article 20 of this Law for registration and payment for securities.

Article 22.

By issuing the decision on approval of securities issuance referred to in Article 20 of this Law, the Commission shall confirm that the issuer has acted in accordance with the provisions of this Law and that the Prospectus contains all elements determined by the law and Commission's regulations. The issuer and its responsible persons shall be accountable for the accuracy and authenticity of information published in the Prospectus.

Article 23.

Registration and payment of securities based on public offer may last maximum ninety (90) days, including the day of publishing. The Commission shall enact a document to set the criteria for extending the deadline referred to in this Article, but the deadline shall not be extended for more than thirty (30) days.

Article 24.

The public offer of securities may be closed before the expiration of deadline for registration and payment, provided that the total number of securities is registered and paid before the expiration of the announced deadline, or the issuer has decided to terminate registration and payment of securities in accordance with the provision of Article 10, Item 13 of this Law.

The issuer shall submit the Commission its decision on termination of registration and payment of securities and publish it in accordance with the provision of Article 19, Paragraph 1 of this Law, within eight (8) days from the day the decision was made, and not later than three months from the day of passing the Commission's decision on approving the issuance.

The decision referred to in Paragraph 2 of this Article shall contain provisions on the manner and deadline for the refund of collected payments, which may not exceed 10 days from the day of adopting the decision referred to in Paragraph 2 of this Article.

Article 25.

The bank, i.e. depository which carries out registration and payment of securities shall submit a written report to the Commission and the issuer containing information on the total number of paid securities, not later than 10 days before the expiration of the registration deadline.

Initial public offer of shares in the first issue shall be considered successful if all shares of the approved issue have been registered and paid according to the provisions of the Law on Enterprises.

The public offer of shares in the following issues and issues of other securities shall be considered successful if at least 70% of the total number of securities defined by decision on issuance has been registered and paid within the deadline prescribed in Article 23 of this Law.

Article 26.

Based on the report of a bank, i.e. depository referred to in Article 25 of this Law, the Commission shall issue a decision declaring the public offer to be either successful, in which case it determines the total number and amount of sold securities, or unsuccessful.

The Commission shall submit the decision referred to in Paragraph 1 of this Article to the issuer and the Central Registry, not later than 8 days upon receiving the report of the bank/depository.

Based on decision of the Commission referred to in Paragraph 1 of this Article, the issuer shall publish a report on total amount and number of registered and paid securities, where in the case of unsuccessful issue it needs to include the information on the manner and deadline for the refund of collected payments, in accordance with the provision of Article 20, Paragraph 1 of this Law, within 8 days from the day of receiving the Commission's decision.

Details of the bank's or depository's report, deadlines and other issues related to the completion of securities issue shall be prescribed by the Commission's regulation.

Article 27.

Unsold securities and securities offered in the public offer which has been declared unsuccessful do not induce any legal consequences, nor can they be included in any legal transactions.

Article 28.

The issuance of bonds of the District shall be carried out according to a special law.

The law referred to in Paragraph 1 of this Article shall be passed for each issue of bonds separately, in accordance with regulations of Bosnia and Herzegovina.

III. AUTHORIZED PARTICIPANTS IN THE SECURITIES MARKET

Article 29.

Authorized participants in the securities market, in terms of this Law, shall designate legal or natural persons having special authorization to trade in securities, i.e. an operating licence issued by the Commission, under the terms and in the manner prescribed by provisions of this Law and regulations of the Commissions.

Article 30.

The overall trade in publicly issued securities shall be carried out exclusively through authorized participants in the securities market referred to in Article 29 of this Law.

Transactions

Article 31.

Transactions regarding securities shall refer to the following:

1. brokerage in purchase and sale of securities upon the order of a client (on one's own behalf and for someone else's account) in exchange for the commission (brokerage transactions);
2. trade in securities on one's own behalf and for one's own account in order to make a price difference (dealership transactions);
3. trading at the stock exchange on one's own behalf and for one's own account with an obligation to purchase and sell securities at the price announced beforehand;
4. managing investment portfolio upon the order and for the account of a client, in exchange for a commission (investment portfolio management transactions);
5. performing brokerage transactions in the issuance of new securities (transactions of an issuance agent);
6. acceptance of the entire new issue of securities for the purpose further sale (takeover transactions);
7. providing advisory services to clients in relation to securities transactions (investment adviser transactions);
8. performing of depositing transactions;
9. performing of depositary transactions;
10. transactions related to registration of securities.

Article 32.

Transactions specified in Article 31, Paragraph 1, Items 1, 2, 3, 4, 5, 6 and 7 of this Law may be carried out exclusively by legal persons authorized by the Commission, and which, based on the operating licence issued by the Commission, are registered with the competent court to perform such transactions.

Transactions specified in Article 31, Paragraph 1, Items 1, 4 and 7 of this Law, may also be carried out by natural persons authorized by the Commission, and for which the Commission keeps a special registry of those transactions.

A bank may perform transactions referred to in Article 31, Paragraph 1, Items 1 through 9 of this Law.

A company for the management of investment funds and investment funds may perform transactions referred to in Article 31 of this Law in accordance with authorizations, in the manner and under terms set by a separate law and regulations of the Commission.

The Central Registry shall perform transactions specified in Article 31, Paragraph 1, Items 8, 9 and 10 of this Law, based on authorizations, in the manner and under terms set by this Law and Commission's regulations.

Establishment

Article 33.

Companies performing securities transactions shall be established as joint stock companies with headquarters in the District, Republika Srpska or the Federation of BiH, whose sole business can be transactions listed under Article 32, Paragraph 1 of this Law.

Companies performing securities transactions may issue only registered shares.

Besides the companies established pursuant to Paragraph 1 of this Article, banks may perform transactions referred to in Article 32, Paragraph 3 of this Law on condition that they have a separate organizational unit registered for that purpose, consent of the Banking Agency and operating license issued by the Commission.

In the operating license issued to legal persons, referred to in Articles 1 - 3, the Commission shall determine the volume of trading in particular securities, and through its regulation it shall define in more detail the terms of doing business as well as the requirements for granting an operating licence.

Original capital

Article 34.

Cash portion of the original capital of a company performing securities transactions intended for activities specified in Article 31, Paragraph 1, Items 1, 4, 5 and 7 of this Law must not be less than 100,000 KM.

Cash portion of the original capital of a company performing securities transactions intended for activities specified in Article 31, Paragraph 1, Items 2, 3 and 6 of this Law must not be less than 1,000,000 KM.

Article 35.

Company performing securities transactions that does not meet the requirement regarding the amount of cash portion of the original capital intended for activities specified in Article 31, Paragraph 1, Items 5 and 6 of this Law, may, based on the contract signed with some other company performing securities transactions, request to be issued a license by the Commission for performing transactions of the issuance agent for a specific issue of securities.

The Commission shall issue the license referred to in Paragraph 1 of this Article provided that:

1. contracted parties are both companies performing securities transactions;
2. contracted parties meet the requirement regarding the cash portion of the original capital intended for transactions referred to in Article 31, Paragraph 1, Items 5 and 6 of this Law.

Ownership

Article 36.

The same legal or natural person, cannot, either directly or indirectly, own shares of more than one company dealing with securities transactions.

Companies performing securities transactions, cannot, either directly or indirectly, own shares of other companies of the same kind.

Natural persons may be hired or be members of management or supervisory board of only one legal person authorized for performing securities transactions in Bosnia and Herzegovina.

Legal person authorized to perform securities transactions cannot trade in securities with other companies to which it is connected as a dependent or home enterprise, unless as an agent or a broker.

Companies performing securities transactions shall regularly submit information on the ownership structure to the Commission within the period of 8 days from the day changes in the ownership structure have occurred.

Licensing

Article 37.

In addition to the application for obtaining an operating license, companies performing securities transactions shall provide the Commission with the following:

1. charter (contract) of foundation;
2. statute;

3. job description and work plan for the next two years;
4. information on individuals having special authorities and responsibilities;

In addition to the application for obtaining the operating license to perform securities transactions banks shall provide the Commission with the following:

1. charter of foundation;
2. decision on establishing an organizational unit for performing securities transactions;
3. information on individuals granted special authorities and responsibilities;
4. the Banking Agency's consent to the approval for establishing the organizational unit for performing securities transactions;
5. decision on registration of the bank's organizational unit with the court registry.

In addition to the application for obtaining the company's operating license for performing securities transactions, legal persons referred to in previous paragraphs shall provide other information and proofs about fulfilment of financial, personnel, technical, organizational and other requirements set by the Commission depending on the type of transactions for which the operating license is being requested.

Submission of information

Article 38.

Companies performing securities transactions shall submit the following to the Commission:

1. annual business report and financial statement within 30 days upon their completion;
2. information regarding the fulfilment of prescribed requirements for performance of such activities, at least twice a year;
3. all other information, data and reports in accordance with regulations set by the Commission.

Banks with headquarters in the District shall submit the reports and information referred to in the previous paragraph for organizational units for performing of securities transactions.

Code of ethics

Article 39.

In their activities, companies performing securities transactions shall be led exclusively by the interests of clients that have a priority over their own interests.

Article 40.

Companies performing securities transactions shall not perform transactions that may destabilize the market. This especially refers to:

1. providing the investors with false information regarding the price of securities;
2. spreading false information in order to influence the price of securities;
3. handling securities without a written permission of the client;

Bookkeeping

Article 41.

Companies performing securities transactions and authorized natural persons performing activities specified in Article 29, Paragraph 1, Item 1 of this Law, shall keep a special book of orders which contains the orders or their cancellation given by the client regarding either purchase or sale of securities.

Companies performing securities transactions, i.e. authorized natural person, upon the request of the client, shall be obliged to issue an open excerpt from the book of orders of all transactions concerning client's orders.

Article 42.

The contents of the book of orders referred to in Article 41 of this Law, as well as the manner of its maintenance shall be prescribed by the Commission.

Obligation to inform the client

Article 43.

Company performing securities transactions, i.e. the authorized natural person shall immediately inform the client about every transaction conducted upon the clients order.

The client cannot wave the right granted by Paragraph 1 of this Article.

Client's assets

Article 44.

Company performing securities transactions shall keep the monetary assets, provided by the client for payment of securities, on separate account/s ("client's account/s"), open with the authorized institutions particularly for that purpose.

Assets from the Client's account/s may be used only for the payments corresponding client's orders.

Assets on the client's account/s are the property of the client and not the property of the company for performing securities transactions. These assets shall not be part of the property of the company performing securities transactions, neither will they be part of liquidation or bankruptcy estate, and they cannot be used for the settlement of client's liabilities.

Brokers

Article 45.

Brokers are natural persons authorized to perform securities transactions acting either as employees of the company that performs securities transactions or as independent tradesmen.

Requirements for obtaining an independent broker's license shall be prescribed by the Commission.

The procedure and terms concerning the "broker's exam" shall be determined by the Commission, which shall also examine professional qualifications in performing securities transactions.

The Commission shall keep the register of authorized brokers.

Companies performing securities transactions may conduct activities specified in Article 29 of this Law if they employ at least two authorized brokers that have been entered in the register referred to in Paragraph 4 of this Article.

Investment manager

Article 46.

The investment manager shall refer to a natural person who, based on the written agreement concluded with the client, takes over client's portfolio of securities, entirely or in part, for the purpose of managing and safekeeping, or managing alone.

Requirements for obtaining "the License for Performing Investment Manager Transactions" shall be prescribed by the Commission.

The Commission shall keep the register of individuals authorized to carry out investment manager transactions.

Companies performing securities transactions may conduct activities specified in Article 31, Paragraph 1, Item 4 of this Law, if they employ at least two authorized investment managers that have been entered in the Central Register referred to in Paragraph 3 of this Article.

Investment advisor

Article 47.

The investment advisor shall refer to a natural person advising on investment, purchase and sale of securities, as well as on exercise of rights arising from them.

Requirements for obtaining "the License for Performing Investment Advisor Transactions" shall be prescribed by the Commission.

The Commission shall keep the register of individuals authorized to carry out investment advisor transactions.

Companies performing securities transactions may conduct activities specified in Article 29, Paragraph 1, Item 7 of this Law, if they employ at least two authorized investment advisors that have been entered in the register referred to in Paragraph 3 of this Article.

Commission's authorizations

Article 48.

The Commission shall enact regulations determining in detail the activities of companies performing securities transactions, brokers, investment managers and investment advisors.

Through its regulations, the Commission shall determine the rules and procedures for the supervision of business performance of authorized individuals referred to in Paragraph 1 of this Article, for the issuance and revocation of licenses and authorizations, as well as undertaking of other necessary steps for the protection of investors and routine operation of the securities market.

The Commission shall give consent to the articles of incorporation and general enactments regulating the work and performance of authorized legal and natural persons for performing securities transactions and their associations involved in trade of securities, as well as amendments to those enactments.

The Commission may enact regulations on compulsory provisions, which must be included in the enactments referred to in Paragraph 3 of this Article.

The Commission shall give consent to the appointment of directors of legal persons referred to in Paragraph 3 of this Article.

Article 49.

The Commission shall, at least twice a year, carry out supervision over the business operations of legal and natural persons referred to in Article 48 of this Law.

The Commission shall, without any restrictions to its authority, review files, business records and other documents of all authorized participants in the securities market.

Trade in securities

Article 50.

Trade in securities issued for sale through the public offer shall be conducted in an organized manner in the stock exchanges in Bosnia and Herzegovina and other regulated public markets established for the purpose of creating conditions for connecting supply and demand of securities.

IV SECURITIES COMMISSION

Article 51.

The Securities Commission of Brcko District of Bosnia and Herzegovina shall be established by this Law as a permanent and independent legal person, which shall regulate and control the issuance and trade of securities. This Law shall determine liabilities and authorizations of the Commission.

The head office of the Commission shall be in Brcko.

The Commission shall have the seal containing the following inscription: "Securities Commission of Brcko District of Bosnia and Herzegovina".

Article 52.

The Commission shall be responsible to the District Assembly for performing its affairs set by the law.

The Commission shall deliver an annual report to the District Assembly on its work and situation in the securities market.

Article 53.

The Commission shall consist of the President, Deputy President and one other member, which shall be appointed by the Assembly at the proposal the Mayor's proposal.

The mandate of the Commission members shall be 5 years.

The same person may be more than once appointed in the Commission.

When appointing new members of the Commission, at least two members from the previous composition shall be re-appointed.

The Assembly may appoint both, foreign and national experts as members of the Commission.

The Commission shall have an expert (technical) service, the organization of which shall be determined by the Statute.

Article 54.

Candidates for the President, Deputy President and member of the Commission shall have university qualifications in economics or law, as well as personal attributes required for the mentioned positions.

Article 55.

The President, Deputy President and member of the Commission must not:

1. be in matrimony or related to each other;
2. be convicted of crimes the character of which is incongruous with the nature of professional performance in the Commission;
3. discharge a duty in a political party or participate in political activities incongruous with the nature of professional performance in the Commission;
4. be members of legislative, executive or judicial authority, supervisory board or managing board of an enterprise, bank, investment fund management company, investment or pension fund, insurance company or company performing securities transactions;
5. perform any other activity in exchange for financial compensation, except scientific, research and lecturing activities;
6. hold, directly or indirectly, more than 5% of securities of an enterprise, bank, investment fund management company, investment or pension fund, insurance company or any other company performing securities transactions;
7. discharge activities or conduct affairs which are contrary to the principles of protection of investors' interests and Commission's independence.

Article 56.

The President, Deputy President and a member of the Commission, before appointed, must give written consent evidencing their acceptance of offered position.

The written consent of persons referred to in Paragraph 1 of this Article shall represent a statement of appointed person specifying non-existence of obstacles in terms of Article 77, Items 3 and 4 of this Law.

The President, Deputy President and a member of the Commission may not represent any party in legal proceedings before the Commission two years after the end of their mandate.

Article 57.

The President, Deputy President and member of the Commission, upon personal request, may be relieved of duty prior to expiration of their mandate.

The President, Deputy President and a member of the Commission may be relieved of duty prior to expiration of their mandates if proven that their performance is not in compliance with the law and Commission's regulations.

At the same time of acquittal referred to in Paragraphs 1 and 2 of this Article, another person shall be appointed to the position of the President, Deputy President or member of the Commission, in the manner and according to the procedure prescribed by this Law.

In the case specified in Paragraphs 1 and 2 of this Law, another person shall be appointed for the remaining period of predecessor's mandate.

Commission's performance manner

Article 58.

The Commission shall pass the Statute for which the Government of Brcko District shall give its consent.

The Statute of the Commission shall specifically regulate the organization and performance manner of the Commission, authority to represent the Commission, rights, liabilities and responsibilities of the President, Deputy President and member of the Commission, rights, liabilities and responsibilities of

employees in administrative and technical services, financial plan as well as other issues relating to Commission's activities.

Article 59.

The Commission shall decide while in session.

The Commission shall decide effectively based on majority of the members' votes.

Enactments passed by the Commission in the course of enforcing the laws shall be published in the "Official Gazette of Brcko District Bosnia and Herzegovina".

Individual enactments of the Commission shall be published in accordance with the articles of incorporation and regulations of the Commission on its work.

Article 60.

Single administrative enactments of the Commission, passed on the basis of legal authorization, shall be final. Administrative litigation may be instituted to contest such enactments before a competent court in accordance with the Law on Administrative Disputes.

Article 61.

Commission's work shall be managed by the President or Deputy President.

The President of the Commission shall:

1. sign regulations and enactments which are under the Commission's competence;
2. pass particular enactments relating to participants on the securities market;
3. defend and represent the Commission before other institutions and participants on the securities market;
4. convene and preside the sessions of the Commission;
5. be responsible for implementation of the Commission's rules and regulations;
6. decide on employment and its termination, salaries and execution of employees' responsibilities in technical and administrative services.

Article 62.

The President, Deputy President and member of the Commission, as well as employees in technical and administrative services, shall safeguard, as a business secret, all information obtained during the performance of their activities.

Provisions of Article 55, Items 4, 5, 6 and 7 of this Law shall apply to all employees in technical and administrative services of the Commission.

Article 63.

The Commission may be a member and may participate in activities of domestic and international organizations dealing with securities, unless it is not contrary to the Constitution of BiH, the Statute of Brcko District and law.

Article 64.

The Commission shall be financed from the budget, in accordance with the financial plan approved by the Mayor of Brcko District.

Revenues from compensations and fees, realized in activities of the Commission, belong to the budget.

Activities of the Commission may be financed from donations of international governmental or non-governmental organizations.

Commission's authority

Article 65

The Commission shall be authorized to:

1. pass regulations on implementation of this Law ;
2. issue licenses and approvals, when authorized by this Law;
3. supervise abidance by rules of routine trade and fair competition in securities trade;

4. supervise authorized participants on the securities market, issuers of securities, investment funds, investment funds management companies and the Central Registry;
5. organize, take over and supervise measures aimed at ensuring the protection of investors' interests;
6. prescribe rules for trade in securities based on the privileged information;
7. suspend the issuance and trade in particular securities and undertake other activities in case of manipulations or speculations during the trade, or when it estimates that these activities endanger the interests of investors and the public, or that they are not in accordance with the law and other regulations;
8. prescribe the documentation maintenance manner for companies performing securities transactions;
9. prescribe the obligatory contents of information to be disclosed to all shareholders and general public by persons authorized to distribute securities by way of public offer;
10. monitor and study the situation and developments on the securities market;
11. implement the previous activities if legal provisions and other regulations have been violated;
12. initiate an administrative lawsuit in order to protect the investor;
13. provide information and spread knowledge on activities of the securities market;
14. cooperate with cognate organizations abroad;
15. keep the records and registries in accordance with provisions of this Law;
16. prescribe the amount of fee for services that fall under its authority;
17. undertake other measures and carry out other activities in accordance with legal authorizations.

Article 66.

For execution of authorizations and responsibilities determined by provisions of this Law, the Commission shall pass rules on Commission's work, i.e. other general and special enactments.

Article 67.

Upon the request of the Commission the District Government shall submit all information and documents, and cooperate with the Commission in other way in performing its authorizations.

Natural and legal persons shall submit all information and documents requested by the Commission during the performance of its activities, in the manner and within the deadline determined by the Commission.

V CENTRAL REGISTRY OF SECURITIES

1. General Provisions

Article 68.

The Central Registry of Securities shall be founded within the Securities Commission of the Brcko District of Bosnia and Herzegovina for the purposes of conducting activities prescribed by this Law.

The Central Registry shall perform its activities under official title: "Securities Commission of the Brcko District of Bosnia and Herzegovina, Central Registry of Securities, Brcko, Bosnia and Herzegovina".

The Central Registry shall have the stamp, containing full title referred to in Paragraph 2 of this Article.

2. Activities of the Central Registry

Article 69.

The Central Registry shall perform the following activities:

1. registration and keeping of securities, i.e. information on securities, owner of securities and all transactions having to do with transferring the ownership or other changes in the status of securities, both materialised and dematerialised;
2. registration and keeping of information defining the ownership or other rights incorporated in securities;

3. record-keeping of the Issuer accounts, i.e. accounts of Security owners, and issuing of certificates on status and changes in those accounts;
4. transfers, depositing, balancing and clearing activities arising from transactions with securities;
5. all other activities of the Central Registry, depositors and clearance of securities prescribed by the Commission.

3. Keeping of the Central Registry

Article 70.

Officer for Registration of Issued Securities shall keep the Central Registry, under supervision of the Commission.

Officer for Registration of Issued Securities shall be appointed by the Commission.

VI PROTECTION OF INVESTOR'S INTERESTS AND TRANSPARENCY OF WORK

1. Information publishing

Issuer's responsibilities

Article 71.

The issuer of securities which are subject to public sale shall publish information on securities, financial and commercial status, i.e. business operations in following forms:

1. semi-annual report on securities;
2. annual report;
3. report on significant events and activities influencing financial and commercial operations of the issuer;
4. prospectus for public offer;
5. reports on results of securities sale.

Reports referred to in Paragraph 1 of this Article must be in accordance with requirements, that is, in the form determined by regulations of the Commission.

All issuers of securities shall publish, through the mass media, reports on significant events, i.e. activities influencing financial and commercial operations of the issuer and submit them to the Commission, at the latest, within the period of 5 days from the day of publishing in the mass media.

The procedures and forms of continuous publishing of information shall be determined by regulations of the Commission.

Responsibilities of authorized participants in the securities market

Article 72.

Authorized participants in the securities market shall publish information on transactions performed in the following cases:

1. when the authorized participant in the securities market, during the period of one quarter, has performed transactions with the same type of securities of the same issuer and under condition that the number of securities in these transactions is not less than 10% of the total number of these securities; and
2. when authorized participant in the securities market has performed one-off transaction with the same type of securities of the same issuer and under condition that the number of securities in that transaction is not less than 5% of the total number of securities.

Authorized participants in the securities market shall publish precise information (e.g. the name of authorized participant, type of securities and their registration number, issuer's name, price per single security and number of securities involved in transactions), not later than 5 days upon the expiration of the corresponding quarter or a complete performance of certain one-off transaction by means of informing of the Commission.

After the presentation of offer or publication of purchase, i.e. sale prices for securities, the authorized participant shall publicly disclose the information already published by the issuer of those securities referred to in Article 71 of this Law or publish that such information is not available.

Authorized participants in the securities markets shall also publish other information on their activities in the range and manner prescribed by this Law and regulations of the Commission.

Responsibilities of securities owners

Article 73.

Owners of securities shall submit to the issuer the information on their ownership over securities of the issuer in the following cases:

1. if the owner collects 5% or more than 5% of shares with a voting right of the issuer;
2. if the owner's portion of any type of shares of the issuer, where the owner has the voting right, increases up to the level dividable by 5 over 5% of that category of shares;
3. if the owner's portion of shares, where the owner has the voting right, decreases to the level dividable by 5 over 5% of that category of shares;

In relation to securities referred to in Paragraph 1 of this Article, the owners shall publish the following information:

1. name of the owner;
2. category and registration number of securities;
3. name of the issuer;
4. number of securities owned by the issuer; and
5. relevant share of securities which belong to the owner in relation to their total value.

The owners must publish precise information by notifying the Commission no later than 5 days upon execution of certain activities (procedures), in the form and manner regulated by the Commission.

Responsibilities of related parties

Article 74.

A related party is considered any party, which owns internal information based on:

1. the membership in administrative and supervisory bodies of the issuer;
2. the share in the issuer's capital; or
3. the fact that related party is employed, professionally engaged, or performs certain activities that enable the party to have an access to such information.

Directors, members of administrative and supervisory board, the owner of 10 % or more than 10% of the issuer's registered capital, must submit to the Commission a report on the number of issuer's securities in their possession, all changes regarding the ownership of those securities, and all transactions concerning the issuer's securities.

Reports from Paragraphs 1 and 2 of this Article shall be submitted to the Commission, not later than the 10th of the following month, after the month in which transaction was performed, and in the manner and form prescribed by the Commission.

Restrictions on use of internal information

Article 75.

Internal information shall refer to very precise information, which are not to be disclosed and refer to one or more issuers of public securities or one or more public securities, and if published they could have a significant influence on price of securities, that is, securities in question.

Related party holding all relevant facts must not abuse internal information by purchasing or selling the issuer's securities, to which internal information refers to, for one's own or a third party's account. Related party must not reveal internal information to any other party in the position to use such information for performance of transactions mentioned in Paragraph 1 of this Article.

Each party that violates the requirements set forth in this Article, must compensate the damage to every other party which, for those reasons, suffered a loss, including the lost profit.

The provisions of this Law shall also apply to each party which, through a related party or in some other way, obtains an internal information of the issuer in order to use them for performance of certain transactions with the issuer's securities.

Manipulations on the market

Article 76.

No party shall be allowed to make manipulations in the securities market.

No party shall be allowed to sell or purchase registered securities or influence or try to influence decisions of other parties regarding purchase or sale of registered securities, by:

1. using false or ambiguous information such as promises, forecast, or other similar activities directed to any other party;
2. distortion or concealment of important information which a certain party knows or has to know, and which refer to the issuer and issuer's securities.

Any party involved in manipulation in the securities market, including purchase or sale of securities in the manner specified in Paragraph 2 of this Article, must compensate the damage to every party which suffered a loss, including the lost profit, with an exception of situations when such party can prove that the party asking for compensation due to loss, was completely aware of the performed manipulation.

Activities performed by authorized participant in the securities market, specified in Paragraph 2 of this Article, represent the basis for suspension or revocation of operating licence and initiation of disciplinary measures prescribed by the Law, regulations of the Commission and enactment of professional organisations.

VI PENAL PROVISIONS

Offences

Article 77.

Fine for offence in the amount ranging from KM 10,000 to KM 50,000 shall be pronounced to the legal person which:

1. fails to submit correct and complete information from Article 4 of this Law to the Central Registry;
2. restricts the purchase or disposal right of securities contrary to the provisions of Article 8, Paragraph 2 of this Law;
3. determines preemptive right on the purchase of securities contrary to the provisions of Article 8, Paragraph 2 of this Law;
4. fails to submit to the Commission complete documentation from Article 11 of this Law, with attached approval request for the issuance;
5. publishes the Prospectus referred to in Article 12 or its summarized version specified in Article 16 of this Law, without the Commission's approval;
6. issues securities without the Commission's approval, specified in Article 18, Paragraph 1 of this Law;
7. does not publish the Prospectus in accordance with provisions from Articles 20-22 of this Law;
8. fails to perform activities referred to in Article 14 of this Law;
9. issues securities, based on summarized version of the Prospectus, contrary to the provisions of Article 16 of this Law;
10. fails to inform the Commission and the public on suspension of public offer in accordance with Article 24 of this Law;
11. fails to announce information on registration and payment of securities in the manner and within deadlines determined in Article 26, Paragraph 3 of this Law;
12. publicly trades in issued securities contrary to the provisions of Article 30 of this Law;
13. performs activities regarding securities contrary to the provisions of Article 32 of this Law;
14. performs activities regarding securities contrary to prescribed conditions of performance determined by the Commission, and contrary to the Commissions' authority in Article 33, Paragraph 4 of this Law;
15. performs activities regarding securities without authorization of the Commission in Article 33, Paragraph 3 of this Law;

16. founds a company for trading in securities without providing a financial part of the original capital contrary to the provisions of Article 34 of this Law;
17. performs activities referred to in Article 35 of this Law without license issued by the Commission referred to in Article 35, Paragraph 2 of this Law;
18. owns shares in several securities' companies contrary to the provisions of Article 36, Paragraphs 1 and 2 of this Law;
19. trades in securities with companies to which it is related as a dependent or a parent company contrary to the provisions of Article 36, Paragraph 4 of this Law ;
20. fails to submit to the Commission information on changes in ownership structure contrary to the provisions of Article 36, Paragraph 5 of this Law;
21. fails to submit to the Commission all required information and proofs, with attached request for issuing of an operating licence, contrary to the provisions of Article 37 of this Law;
22. fails to submit to the Commission all required reports, data and information, contrary to the provisions of Article 38 of this Law;
23. performs activities by not protecting the interest of the client, contrary to the provision of Article 39 of this Law;
24. performs securities transactions which are a threat to the market stability, contrary to the provisions of Article 40 of this Law;
25. fails to keep the order book, or does not keep the record of the client's orders, contrary to the provisions of Article 41 of this Law;
26. fails to inform the client on transactions performed upon his order, contrary to the provisions of Article 43 of this Law;
27. does not keep the client's monetary assets on a separate account or uses them contrary to the provisions of Article 44 of this Law;
28. performs activities referred to in Article 31 of this Law and does not have at least two employed authorized brokers, contrary to the provisions of Article 45 of this Law;
29. performs activities referred to in Article 31, Paragraph 1, Item 4 and 7 of this Law, and does not have at least two employed investment managers, i.e. advisors, contrary to the provisions of Articles 46 and 47 of this Law;
30. adopts the enactments referred to in Article 48 of this Law and appoints the Director without the approval of the Commission;
31. trades in securities which are issued upon the public invitation for sale outside of the Stock Exchange or other organized public markets, contrary to the provisions of Article 50 of this Law;
32. publishes business information contrary to Article 71, Paragraph 1 of this Law and the Commission's regulations;
33. fails to submit a report to the Commission within the deadline prescribed by Article 71, Paragraph 3 of this Law;
34. securities' owner that fails to act in accordance with Article 73 of this Law and related parties that act contrary to Article 74 of this Law; (sic.)

For the offence referred to in Paragraph 1 of this Article, the responsible person within a legal person shall be fined from KM 1,000 to KM 5,000.

1. Criminal act

Article 78.

Issuer's responsible person, that is, responsible person of another authorized participant in the securities' market and professional organization, as well as authorized natural person who independently performs activities regarding securities, in the context of this Law, that prevents the authorized person of the Commission or another competent authority for supervision and control from reviewing the business records or other documents, shall be charged with the criminal act and sentenced to imprisonment for the period of maximum 3 years.

Article 79.

Person which acquires internal information that is not available to all participants in the securities' market and effectuates illegal property related benefit by trading at the Stock Exchange or other established public markets shall be charged with a criminal act and sentenced to imprisonment for the period from 3 months to 5 years.

Article 80.

Member of the Commission or a responsible person employed with the Commission, who abuses its position and information not available to other participants in the securities market and thus enabling a legal or natural person to acquire groundless property related benefit, or causes disturbances in the securities market, shall be charged with a criminal act and sentenced to imprisonment for the period from 3 months to 5 years.

VIII FINAL AND TRANSITIONAL PROVISIONS

Article 81.

Securities issued before this Law became effective shall refer to securities issued by way of public offer as stipulated by provisions of this Law.

Article 82.

Prior to this Law coming into effect, an issuer shall deposit materialized securities in accordance with the Article 5 of this Law, not later than one year after this Law comes into effect.

Article 83.

Legal persons which, to the day of this Law coming into effect, have performed activities relating to securities shall harmonize their enactments, organization and business performance with provisions of this Law within 1 year after this Law comes into effect.

Article 84.

The Mayor of Brcko District shall propose the District Assembly candidates for positions of the President, Vice-President, and a member of the Commission within 30 days after this Law comes into effect.

Article 85.

The Commission shall submit the Statute and financial plan of the Commission for approval to the Mayor of Brcko District within 30 days after the Commission's appointment.

Article 86.

The Commission shall enact the Statute and other enactments, authorized to do so by this Law, within 3 months after this Law comes into effect.

Article 87.

This Law shall come into effect 8 days after its publishing in "The Official Gazette of the Brcko District, Bosnia and Herzegovina".

**Bosnia and Herzegovina
BRCKO DISTRICT
OF BOSNIA AND HERZEGOVINA
BRCKO DISTRICT ASSEMBLY**

No. 0-02-022-261/03
Brcko, July 30, 2003

PRESIDENT
OF BRCKO DISTRICT ASSEMBLY
Mirsad Djapo, graduate lawyer
(duly signed and affixed by stamp)

ANNEX XI. LAW ON BANKS (Federation of Bosnia and Herzegovina) (Unofficially cleaned text)

(Official Gazette of the Federation of BiH, number 39/98, 32/00, 48/01, 27/02, 41/02, 58/02, 13/03, 19/03 and 28/03)

I - GENERAL PROVISIONS

Article 1

This Law regulates the establishment, business operation, governance, supervision and termination of legal persons who engage in the business of receiving money deposits and extending credits, as well as other operations in accordance with this Law (hereinafter: bank) in the Federation of Bosnia and Herzegovina (hereinafter: the Federation).

A bank shall be established and perform business operation as a joint stock company.

Article 2

No one shall engage in the business of receiving money deposits and extending credits for its own account in the Federation without a banking license issued by the Banking Agency of the Federation of Bosnia and Herzegovina (hereinafter: the Agency) pursuant to this Law.

Micro-credits which are approved by the micro-credit non-deposit and non-profit institutions are not included in the loans from the paragraph 1 of this Article.

No one shall use the word "bank" or derivatives of the word "bank" in respect to a business, product or service without a banking license or authorization issued by the Agency pursuant to this Law, unless such usage is established or recognized by law or international agreement, or unless it shall be clear from the context in which the word "bank" is used that it does not concern banking activities.

No bank shall use any words in its name that, in the opinion of the Agency, may mislead the public because of association with any state, federal or cantonal institution.

Article 2a

Terms used in this Law have the following meanings:

Supplementary

Capital of a bank – amount of permanent preferred cumulative shares, general reserves for loan losses for assets classified as good assets, subordinated debts up to 50% of core capital, hybrid capital instruments up to 50% of core capital and such other items as regulated by the Agency. Supplementary capital cannot exceed 100% of core capital.

Capital of a bank - sum of core capital and supplementary capital.

Supervisory Board - body that is responsible for the supervision of the business operations of a bank, along with other authorities as specified under this Law. The Supervisory Board and its Chairman shall be duly elected at the General Meeting of Shareholders and must act in accordance with this Law.

Dormant Account - an account where there has been no accountholder activity, either deposit to or withdrawal from the account by the accountholder, for a period of one year from the date of the last accountholder activity, and in the case of Time Deposits, one year beyond the maturity date.

Net Capital of a bank - sum of the bank's core and supplementary capital decreased for deductible items as defined and regulated by the Agency.

Core Capital of a bank - is composed of all cash and tangible assets given for all common shares, preferred non-accumulative shares as well as general legal reserves,

retained profits and certain other reserves all as regulated by the Banking Agency.

Related Banks – two or more Banks that share two or more of the same members of the Supervisory Board, or common ownership by the same legal entity or individual of at least 10% of each of their outstanding Common Shares.

Related Entities - two or more legal entities and/or natural persons who individually or jointly have:

-direct or indirect control of a bank's Supervisory Board, Management, or a Significant Ownership Interest, or

- by mutual agreement act in concert to create a Significant Ownership Interest in order to affect the operations of a bank.

Preferred Shares - those shares that pay a fixed dividend which are issued without voting rights and are permanently outstanding unless converted to Common Shares. Preferred Shares may only be converted to Common Shares upon the prior approval by the Agency and the subsequent approval by the shareholders. Preferred shareholders have a claim to the assets ahead of common shareholders in the event of liquidation.

Subsidiary - any legal entity for which a Bank holds the equivalent of 50% or more of the total voting shares, which permits the bank to exercise control over the management and policies of that legal entity. If the Subsidiary is a Bank, then the Subsidiary Bank must independently meet all requirements of this Law.

Paid in Share

Capital - the amount of cash paid by the shareholders for all Common or Preferred Shares.

Management - Director, Deputy Director and Executive Directors appointed by the Supervisory Board to direct the business operations of a bank and must act in accordance with this Law.

Participation

Interest - any shareholder's ownership participation as determined in a contract duly registered with the relevant institutions that provide for contribution of money or other property which represents a proportional interest in managing rights and rights to receive profit from that legal entity's operations.

Significant

Ownership Interest - any legal entity or natural person who owns at least 10% of the aggregate voting rights of another legal entity or bank.

Article 3

The Agency will not issue a license to any legal person who, designed to entice others to make payments, in exchange for the chance to receive financial or other gains resulting from a progressive increase (geometric or otherwise) in the number of persons making such payments.

The Agency shall be empowered to start the procedure with the authorized court of seizing the assets, books and records of any person who conduct operation described in Paragraph 1 and to liquidate the business of such person.

Article 4

Banks with headquarters outside the Federation may be authorized by the Agency to establish representative offices in the Federation.

The request for approval to open a representative office needs to include the following:

1. information on the name, legal status and headquarters of the bank
2. the bank's Charter
3. information on the financial operations of the bank
4. document on the establishment of the representative office
5. name and headquarters of the representative office
6. activities of the representative office
7. program of representative office's operations
8. information on the senior employees of the representative office
9. authorization of the person responsible for the activities and representation of the representative office
10. certified statement from the bank that confirms the bank's willingness to take over all the liabilities resulting from the operation of the representative office.

In the context of this Law, a representative office is an organizational part of the bank where banking business is not conducted. Presentations, collection and provision of data are the operations of a representative office.

A decision regarding the issuance of authorization according to the request from this Article paragraph 2 the Agency shall issue in 60 days from the day that the request was received.

Article 5

A bank with headquarters outside the Federation shall be permitted to receive money deposits and extend credits for its own account in the Federation through a branch office authorized by the Agency pursuant to Articles 36 and 37 of this Law.

In its request for issuance of authorization to open a branch office, the bank needs to provide a certified statement that confirms the bank's willingness to provide guarantees, with all of its assets for the liabilities created in the operation of the bank's branch office.

In the context of this Law, a bank's branch office is a business unit of the bank with legal authorizations, as defined in the bank's charter.

Article 6

In order for the Agency to cooperate with the Central Bank of Bosnia and Herzegovina (hereinafter: the Central Bank), and with other agencies responsible for the licensing and supervision of banks, with respect to the domestic activities of banks licensed outside the Federation and the activities of domestic banks outside the Federation, the Agency shall be authorized to provide information to the Central Bank and such other agencies responsible for licensing and supervision of banks with headquarters outside the Federation.

Article 6a

Banks may be established by independent bank associations as non-profit voluntary associations.

Bank association's charter must ensure that banks cannot sign any contract with other banks or associations that limits the principle of the free market and transparent competition in banking business.

II - LICENSING AND AUTHORIZATION

Article 7

Banking licenses shall be applied for in writing to the Agency by the founders and shall be accompanied by the following information and documents:

1. founding contract signed by all founders, draft of Charter, and other founding documents, as directed by the Agency;

2. the qualifications and experience of the Supervisory Board and Management of the proposed bank;
3. the amounts of capital stock and other forms of bank capital;
4. a business plan for the proposed bank, setting out inter alia the types of activities envisaged for and the structural organization of the proposed bank;
5. a list of owners of the bank.

Article 8

Within 60 days from the date of receipt of an application for a banking license, pursuant to Article 7 under this Law, the Agency shall finalize its decision.

Objections to the Decision from Paragraph 1 of this Article can be submitted to the Director of the Agency within 8 days from the date when the Decision was made.

Article 9

The banking license is a condition for registration at the Court Register.

The Agency shall grant a banking license if, and only if, an amount of the bank's capital stock from Article 20 of this Law has been paid in and if it is confident that:

1. the bank will comply with the provisions of this Law and projections for the future financial condition of the bank are documented;
2. the qualifications and experience of the Supervisory Board and Management of the bank will be appropriate for the banking activities that the bank will be licensed to engage;
3. all holders of Significant Ownership Interest are of sufficient financial capability, and suitable business background;

In the case of an applicant that is a legal entity, the criteria of Paragraph 2, Items 2 and 3 of this Article shall also apply to any Management official and persons with Significant Ownership Interest.

In the context of this law, members of the Supervisory Board and Management are employees who have special responsibilities and authorities in accordance to the charter of the bank.

Article 10

Licenses concerning a founding of a subsidiary of a bank whose headquarters are outside the Federation shall be granted only if that bank has a banking license issued by the institution that is in charge of issuing licenses and supervision of this bank.

(Paragraph 2 was deleted).

Article 11

Banking licenses pursuant to Article 10 of this Law shall be granted only following consultations on the granting of a banking license between the Agency and the authorities that supervise the banking activities of the founder bank concerned, and only following a finding by the Agency that the founder bank is adequately supervised.

Article 12

The Agency shall also refuse both a banking license and an authorization if the laws or regulations referring to banks' headquarters outside the Federation prevent or make it difficult to exercise effectively its supervisory functions.

The Agency shall require banks to provide it with the information required for monitoring of compliance with the conditions referred to in Paragraph 1 of this Article.

Article 13

A bank obtains the status of a legal entity upon entry into the Court Registry.

An application for registration of a founding of the bank in court register shall be submitted within 30 days starting from the date when the Agency issues a banking license.

Organizational subsidiaries or branches of the bank have to be entered into the Court Registry, in accordance with the provisions on court registration of business components of legal entities that have authorities in the legal system.

Article 14

Banking licenses shall be granted for an indefinite period of time and shall not be transferable.

The banking license of each bank shall specify the banking activities that such bank shall be authorized to engage in.

All banks licensed by the Agency shall be required to meet the membership criteria for deposit insurance in order to maintain their banking license.

Article 15

(Paragraph 1 was deleted).

Branches of foreign banks have the status of legal entities and must obtain an authorization.

Article 16

A separate register shall be kept by the Agency and it shall record for each registered bank the name, headquarter and branch office addresses and applicable documents specified under Paragraph 2 of Article 28 of this Law.

Entries and other information concerning former banks whose banking licenses have been revoked shall be removed from the separate register.

The Agency can publish data from the separate register of banks.

Article 17

The Agency can, by its decision, revoke a license or an authorization in the following cases:

1. upon a request of the bank pursuant to Article 18 of this Law;
2. following an infraction pursuant to Article 65 of this Law;
3. following the report of a provisional administrator pursuant to Article 58 Paragraph 2, Item 1 of this Law;
4. the license or the authorization has been obtained on the ground of false or fraudulent statements or other material irregularities that occurred in connection with the license application;
5. the bank has not submitted an application for registration in the court register within thirty days after the date that the banking license took effect, or has not begun to engage in banking activities within 90 days after its registration in the court register, or has ceased for more than 6 months to engage in the business of receiving money deposits or other repayable funds from the public or extending credits for its own account;
6. a merger, acquisition or division of the bank has occurred;
7. the bank no longer possesses the minimum amount of capital and reserves required by regulation of the Agency; and
8. the owner or owners of the bank have decided to liquidate the bank, or the bank has ceased to exist as a legal entity.
9. failure to meet membership for deposit insurance.

Objections to the Decision from Paragraph 1 of this Article can be submitted to the Director of the Agency within 8 days from the date when the Decision was made.

The decision from previous Paragraph of this Article shall be communicated in writing by the Agency to the bank concerned one day after the decision has been made.

Article 18

A bank can request the Agency in writing to revoke its banking license.

Within 60 days after its receipt of the request from Paragraph 1 of this Article, the Agency shall decide on the request and inform the bank of its decision.

Objections to the Decision from Paragraph 2 of this Article can be submitted to the Director of the Agency within 8 days from the date when the Decision was made.

Article 19

The Agency's decision from Article 17 of this Law determines the date when the banking license or the authorization will be revoked.

The decision to revoke a banking license or the authorization shall immediately be published in the "Official Gazette of the Federation of Bosnia and Herzegovina" and in one newspaper of general circulation in the Federation and a newspaper available in the Republika Srpska and Brcko District.

The Agency must additionally inform the Central Bank of Bosnia and Herzegovina and the Federation Deposit Insurance Agency or its successor of any actions described in Article 17 of this Law.

Starting on the date that the revocation of a banking license or an authorization takes effect, as determined by the decision in Article 17 of this Law, the former bank shall be prohibited from engaging in any of the banking activities specified in Article 39 of this Law, and shall within 90 days thereafter liquidate its assets, terminate its current deposit agreements and discharge its liabilities.

During conducting its affairs as described in Paragraph 4 of this Article, the former bank shall otherwise continue to be subject to the provisions of this Law as if it were licensed or authorized.

• III - CAPITAL AND OWNERSHIP OF A BANK

Article 20

The minimum amounts of share capital in cash of the bank and the lowest amount of net capital which the bank must keep up shall not be less than the equivalent of 15.000.000 (fifteen million) Konvertible Marks (hereinafter: KM).

No bank shall decrease its capital or deteriorate the structure of its capital by repurchasing shares or distributing reserve assets without prior written authorization from the Agency.

Paid in Share Capital cannot be treated as such if the funds originate from:

- loan funds granted by the bank into whose capital the payment is being made;
- loan funds that another bank granted for some other purposes;
- loan funds, where the bank receiving capital is a guarantor.

If a connection is established between a loan user or its related entity and a loan granted and payment made to the bank's Paid in Share Capital or if a connection is made between a payment to the Paid in Share Capital and a loan granted, then such a payment to the bank's shareholders' capital has no legal effect whether payments were made on the same or a different day.

The Agency has a right to review cash flows in a bank, loan user and its related entity. Also, the Agency holds a discretionary right to decide whether payments to the Paid in Share Capital were performed in accordance with the Law and, in a case of Law violations, to deny such payment and exclude them from the Paid in Share Capital.

Provisions of this article apply to branches of foreign banks.

Article 21

No physical or legal person, alone or acting in concert with one or more other persons, may acquire significant voting rights in a bank, or increase the amount of his ownership of the bank's voting shares

or capital in such a way that the thresholds of 10%, 33%, 50% and 66.7% are reached or exceeded without obtaining the approval from the Agency.

To obtain authorization specified under Paragraph 1 of this Article, a person must submit to the Agency a request and information specified under the regulations of the Agency.

No such gain or increase in significant voting rights in the bank, as described in Paragraph 1 of this Article, shall have legal effect without such authorization issued by the Agency.

The Agency shall respond to the request specified under Paragraph 2 of this Article within 60 days when the request was received.

Neither a political party nor a related legal entity of a political party can be a bank shareholder.

Article 22

No bank shall, directly or indirectly, without prior written authorization of the Agency:

1. hold a Significant Ownership Interest in a legal entity or indirectly in a subsidiary of that legal entity that exceeds 5% of the bank's Core Capital, or
2. hold the aggregate net value of all Participation Interests of the bank in other legal entities and in subsidiaries of those legal entities to exceed the equivalent of 20% of the bank's Core Capital.

A bank cannot directly or indirectly have a Participation Interest in a legal entity that exceeds 15% of the bank's Core Capital, and the Participation Interest in a non-financial entity the Participation Interest cannot exceed 10% of its Core Capital nor can the Participation Interest exceed 49% of ownership of the non-financial legal entity.

Total amount of all Participation Interests of a bank in other legal entities may not exceed 50% of its Core Capital, and total amount of all Participation Interests in other non-financial legal entities may not exceed 25% of the bank's Core Capital.

Loans granted by the bank to legal entities that the bank has investments in shall be considered as investments for the limitations under this Article.

Neither a bank nor a Subsidiary may invest in any legal entity that is primarily engaged in the business of armaments, gambling, nor the selling or consuming of alcohol on its premises, nor make a donation or loan to any political party. In addition, the Agency may, by regulation or decision, determine additional restrictions in investments or donations.

Article 23

The Agency may refuse authorization to acquire or increase an Ownership Interest in a bank upon any of the following grounds:

1. bad financial condition of the applicant;
2. lack of competence, experience, or trustworthiness of any of the applicants, such that the interests of the bank or its depositors could be threatened;
3. granting such authorization would lead to breach of requirements of Article 40 of this Law; or
4. the applicant submitted unreliable information or information not complying with the requirements of Paragraph 1 to 3 of this Article or regulation of the Agency, or refused to submit information required by the Agency to make a decision on the application.

Article 24

In the case of an applicant from Article 21, Paragraph 2 of this Law that is a legal entity, the criteria in Article 23 of this law shall also apply to every management official or holder of significant voting rights in this legal entity

Article 25

The Agency, upon prior application and in writing may allow that on these institutions requirements and limits described in Articles 21-24 of this law may not apply in the case of acquisition of non-voting shares in a bank by official multilateral lending institutions or regional development institutions.

Article 26

Status changes in a bank, mergers, acquisitions or divisions of a bank shall require the prior written authorization of the Agency.

To obtain authorization for a status change, the bank must submit to the Agency an analysis of the economic justification and a plan of operation of the resulting bank or banks, in accordance with the Agency's regulations.

Status changes that would be inconsistent with the provisions of Paragraphs 1 and 2 of this Article shall not have any legal effect.

Article 27

The Agency may refuse authorization for the status change of a bank on any of the following grounds:

1. any resulting bank would fail to meet the minimum capital requirement established by the Agency;
2. lack of competence and experience of Supervisory Board and Management of any resulting bank, such that the interests of the bank or its depositors could be threatened;
3. the applicant submitted unreliable information or information not complying with the requirements established by the Agency's regulation, or refused to submit information required by the Agency to make a decision on the application.

Where close links exist between the bank and other natural or legal persons, the Agency shall grant such authorization only if those links do not prevent the effective exercise of its supervisory functions.

Article 28

Bank's charter must specify bank's corporate name and address; its purposes; the jurisdiction and authority of its bodies, as well as the amount of its share and other kind of capital, the classes, numbers and nominal values of its shares, and the voting rights attaching to its shares, process of issuance of general acts and other significant questions related to the bank's business.

The Bank shall submit to the Agency a duly certified copy of its charter, and a list of the officials of the bank who are currently authorized contractually to obligate the bank, together with their specimen signatures and a description of the limits of their authority.

The Agency gives its approval to the bank's charter.

IIIa - MANAGEMENT OF BANK

Article 29

Bodies of the bank are:

1. General Meeting of Shareholders;
2. Supervisory Board;
3. Management.

1. General Meeting of Shareholders

Article 29a

The General Meeting of Shareholders of the bank shall be composed of shareholders.

The General Meeting of Shareholders shall normally be held in the place of the bank's headquarter.

The General Meeting of Shareholders shall be chaired by its Chairman, who shall be elected at the beginning of the General Meeting of Shareholders session.

Upon proposal of the Chairman, General Meeting of Shareholders shall appoint a person in charge of the minutes, two shareholders who certify the minutes and appoint members of the General Meeting of Shareholders Voting Committee.

Chairman and members of Supervisory Board, and members of Management shall be present during General Meeting of Shareholders session.

Members of Supervisory Board in a bank consisting of five shareholders or less are not obliged to be present at General Meeting of Shareholders.

In a bank with a single shareholder the authorities of the General Meeting will be carried out by the shareholder.

Article 29b

A General Meeting of Shareholders shall be held at least once a year.

Supervisory Board, except for the cases otherwise provided by this Law, shall convene General Meeting of Shareholders.

Shareholder who was placed on the list of shareholders at the Registry 45 days before the date of the General Meeting of Shareholders session shall have voting rights in the General Meeting of Shareholders.

Bank shall cover expenses of the General Meeting of Shareholders session.

1.1 Convening the General Meeting of Shareholders

Article 29c

Notification of the agenda, place, date and time of the General Meeting of Shareholders session shall be published in at least one of the daily newspapers published within the Federation, no later than 30 days before the date determined for the General Meeting of Shareholders session.

If the General Meeting of Shareholders session was convened out of headquarter of the bank, notification provided by Paragraph 1 of this Article shall within the same time period be sent to each of the shareholders by registered mail, fax or electronic mail, to the address from list of shareholders provided by Article 29b, Paragraph 3 of this Law.

1.2 Convening an Emergency General Meeting of the Shareholders

Article 29d.

A majority of members of the Supervisory Board may vote to hold an Emergency General Meeting of the Shareholders and may vote to hold this Emergency General Meeting of the Shareholders in less than the 30 days required in Paragraph 1, Article 29c of this Law. However, every shareholder must be notified of the emergency General Meeting of the Shareholders, including its purpose and the proposed Agenda in the manner provided in Article 29c. The Emergency General Meeting of the Shareholders may only be held if shareholders holding an aggregate total of 75% of the outstanding shares are represented and are available to vote. Further, any action taken at the Emergency General Meeting of the Shareholders must be approved by two thirds of the number of shares represented.

1.3 Decision Making

Article 29e

Shareholder or group of shareholders with at least 5% of the total number of shares with voting rights, shall have right to propose in writing amendments to the agenda and the proposal of the decisions of the General Meeting of Shareholders no later than eight days from the day of publication of notification provided by Article 29c, Paragraph 1 of this Law.

Supervisory Board shall publish notification on shareholders' proposal provided by Paragraph 1 of this Article in the same manner as notification on convening the General Meeting of Shareholders as provided by Article 29c, Paragraph 1 of this Law.

Supervisory Board shall not publish the proposal provided by Paragraph 1 of this Article if proposal is:

1. illegal or contrary to provisions of the charter of bank;
2. based on inaccurate and incomplete data or containing such a data;
3. the same proposal was discussed at the General Meeting of Shareholders at least two times in the last 5 years and was not supported by other shareholders with more than 5 % of the total number of shares with voting rights;
4. person who gave proposal announced that he/she will not be present at the General Meeting of Shareholders.

Costs of publication of individual proposals provided by Paragraph 1 of this Article that contain up to 100 words shall be covered by bank, and for longer proposals, by the person who gave the proposal.

Article 29f

Request for convening the General Meeting of Shareholders may be submitted by:

1. shareholder or group of shareholders with more than 10% of the total number of shares with voting rights;
2. two members of the Supervisory Board;
3. Audit Board.

Request for convening the General Meeting of Shareholders, with proposal on its agenda, shall be submitted to the Supervisory Board in written form.

If Supervisory Board, within 45 days from the day the request was submitted, fails to publish notification on convening the General Meeting of Shareholders session in a manner provided by Article 29c of this Law, person who submitted request is authorized directly to convene the General Meeting of Shareholders session in the same manner and shall inform the Agency about it in writing.

Persons provided by Paragraph 1 of this Article are authorized directly to convene the General Meeting of Shareholders session in case if the General Meeting of Shareholders had not been convened six months after expiration of period for making of annual report.

Article 29g.

General Meeting of Shareholders may make decisions only if shareholders with more than 50% of the shares with voting rights are represented in person or through proxies.

If upon expiration of 60 minutes from the set time of commencement of the General Meeting of Shareholders quorum is not reached for decision making provided by Paragraph 1 of this Article, General Meeting of Shareholders shall be postponed, and the Supervisory Board shall not earlier than 15 and no later than 30 days from initially set up date for convening it publish notification on reconvening the General Meeting of Shareholders.

In case provided by Paragraph 2 of this Article quorum shall be made of one third of the shares with voting rights.

Article 29h.

General Meeting of Shareholders of bank shall make decisions on:

1. establishment of bank's Core Capital through the issuance or increase of Common Shares and the issuance or increase of Preferred Shares.
2. increase and decrease of core capital;
3. annual financial report, with the reports of external auditor, Supervisory Board and Audit Board;
4. distribution of profit and payment of dividend;
5. manner of loss coverage;
6. consolidation with other enterprises and merger of other enterprises by the bank, except for consolidation or merger of subsidiaries;
7. division and termination of the bank;
8. purchase, sale, exchange, leasing and other transactions with property, directly or through subsidiaries within business year, in the extent that exceeds one third of the bookkeeping value of property of the bank;
9. sale and purchase of property with accounting value between 15% and 33% of the total existing property of the bank, if such a transaction is not previously approved by unanimous decision of Supervisory Board;
10. election and release of duty of the members of Supervisory Board on individual basis;
11. establishment, reorganization and liquidation of subsidiaries, and approval of their respective charters;
12. compensations for the members of Supervisory Board and Audit Board;
13. adoption, changes and amendments to the charter; and
14. other issues important for business operation of the bank, in accordance with the Law and charter of the bank.

Article 29i

Shareholder shall have right, from the day of publication of notification on convening the General Meeting of Shareholders in the bank premises, to review the financial statement, with the reports of external auditors, Supervisory Board and Audit Board as well as other documents that concerned proposal of the decisions placed on the agenda of General Meeting of Shareholders.

Article 29j

General Meeting of Shareholders shall make decisions by majority of shares with voting rights, except for the issues specified under Article 29h, Paragraphs 2, 6, and 13 under this Law (error made by the legislator, instead of Paragraphs 2, 6 and 13, there should stand Items 2, 6 and 3) on which decisions are made by the two third majority of the represented shares with voting rights.

Regarding the reports provided under Article 29h, Item 3 of this Law, the General Meeting of Shareholders shall give its decision no later than six months from the end of business year.

Article 29k

Voting at the General Meeting of Shareholders shall be conducted through ballot papers that shall contain name or company name of the shareholder and the number of votes on his/her disposal.

Voting shall be conducted by circling on the ballot paper responses "for" and "against" proposal of the decision or the name of the candidate at the election of bodies of the bank.

The Voting Committee shall determine results of voting.

1.4 Decision Making Through Proxies

Article 29l

Shareholders' proxy shall have authorization for representation by shareholders, signed by a shareholder – natural person or representatives of the shareholder-legal person. The signed proxy must be certified.

Article 29m

Proxy shall deliver to the voting board a written authorization for representation of the shareholders.

Voting Committee shall check validity of authorization and identity of the proxy.

Article 29n

If a shareholder or his proxy, within seven days from the day of General Meeting of Shareholders, deliver certified statement of the shareholders to the Voting Committee, public document or other verifiable evidence that denies validity of authorization to the Voting Committee, it shall declare votes based upon such authorization to be invalid and inform the Supervisory Board about it in writing.

Supervisory Board shall suspend enforcement of the decision, passing of which was decisively influenced by invalid votes and it shall convene the General Meeting of Shareholders for repeated decision making on these issues no later than 30 days from the day of receipt of notification of the Voting Committee on invalid votes.

1.5 Minutes of General Meeting of Shareholders

Article 29o

Minutes shall be made of the work of the General Meeting of Shareholders and it shall contain:

1. company name and address of the headquarter of the bank;
2. place and time of the General Meeting of Shareholders
3. first name and family name of the Chairman, person in charge of minutes, persons in charge of certification of minutes and members of voting committee;
4. agenda;
5. decisions;
6. data about voting;
7. objections of shareholders and members of Supervisory Board to the General Meeting of Shareholders decisions.

Minutes shall be accompanied with proposals in writing and the reports submitted to the General Meeting of Shareholders.

Supervisory Board shall ensure that the minutes be made no later than 30 days from the day of convening the General Meeting of Shareholders.

Minutes shall be signed by chairman of the General Meeting of Shareholders, person in charge of minutes and the persons who certify the minutes.

Shareholder may request that the copy of minutes or excerpt from minutes be delivered to him for all the General Meetings of Shareholders.

Article 29p

Bank shall maintain minutes of the General Meeting of Shareholders for an indefinite period, evidence on presence and voting of shareholders, notifications and invitations for the General Meeting of Shareholders.

Liquidator shall ensure maintenance of the documents provided under Paragraph 1 of this Article at least 10 years after the bank has ceased its operations.

1.6 Protection of Minority in Decision Making and Contest of the General Meeting of Shareholders Decisions

Article 30

If the General Meeting of Shareholders rejects proposal of shareholders with more than 20% of the shareholders with voting rights for appointment of an external auditor for extraordinary examination of all the issues relating to establishment and business operation of the bank within last five years, external auditor shall be appointed by the Agency.

Decision of the General Meeting of Shareholders shall be null and void if:

1. General Meeting of Shareholders was not convened in a manner determined under Article 29c of this Law;
2. was not entered into the minutes;
3. nullity is determined by a court decision.

Procedure to contest and annul the decision of the General Meeting of Shareholders, with the court at which the bank was entered into court register, may be initiated by:

1. a shareholder representing minimum of 33% ownership and who attended the General Meeting of Shareholders, whose objection to the decision was entered into the minutes, or was not entered correctly;
2. a shareholder who was not present at the General Meeting of Shareholders due to convening the General Meeting of Shareholders contrary to the provisions under the Article 29c of this Law;
3. Supervisory Board and Management and each member of Supervisory Board and Management, if enforcement of the decision would constitute an economic offense or crime or create damage to the bank.

Procedure provided under Paragraph 1 of this Article may be initiated no later than 60 days from the day of General Meeting of Shareholders.

According to the procedure provided under Paragraph 1 of this Article, bank shall be represented by Director or other member of Management, upon authorization issued by Director.

If the claimant is a member of the Management, bank shall be represented by a person appointed by Supervisory Board, and if the claimants are the Supervisory Board and Management or the members thereof, the court shall appoint representative for bank, if not appointed by General Meeting of Shareholders.

2. *Supervisory Board*

Article 31

Supervisory Board shall be composed of a Chairman and at least four members, with a maximum of six members appointed and released of duty by the General Meeting of Shareholders, provided that entire number of members of the Supervisory Board is odd, including the Chairman.

Chairman and members of Supervisory Board shall be appointed simultaneously for the period of four years.

The same person may be appointed as Chairman or member of Supervisory Board several times without limitations.

Chairman and members of Supervisory Board shall be entered into the register maintained with the Agency.

Article 31a

Following persons may not be Chairman or member of Supervisory Board:

1. person convicted of crime or economic offense within the economic and financial crime;
2. person who, pursuant to the court decision, was denied to conduct activities within competence of Supervisory Board; and
3. person older than 70 years of age on the day of appointment.

Article 31b

A shareholder or a group of shareholders with at least 5% of the shares with voting rights may nominate candidate for member of Supervisory Board.

Each proposal provided under Paragraph 1 of this Article shall be submitted in writing, no later than eight days from the day of publication of notification on convening the General Meeting of Shareholders that has on its agenda issue of election of the Chairman and members of Supervisory Board.

Each proposal provided under Paragraph 1 of this Article that was delivered to the Supervisory Board before publication of notification under Article 29c of this Law, shall also be delivered to the shareholders, accompanied with other materials.

Candidates for Chairman and members of Supervisory Board shall before voting give statement in writing on their acceptance of nomination.

Article 31c

The chairman and members of Supervisory Board shall be elected by voting, in accordance with Article 29j of this Law, provided that each shareholder may cast one vote for each share with voting rights. Each shareholder with voting rights may cast all votes for one person or distribute their votes to more than one person.

Each shareholder shall receive a ballot that sets out at the top the number of votes entitled to be exercised as set out in paragraph 1 of this Article.

The candidate that wins greatest number of votes shall be declared Chairman by the General Meeting of Shareholders, while candidates with the second greatest number of votes shall be declared members of Supervisory Board.

If they receive an equal number of votes, the Supervisory Board can select the Chairman from among them.

Article 31d

Chairman and members of Supervisory Board shall enter into employment contracts with the bank that is subject to approval by the General Meeting of Shareholders.

Each employment contract shall be signed on behalf the bank by its Director, in accordance with General Meeting of Shareholders approval.

Article 31e

Chairman and members of Supervisory Board in the first mandate shall be elected at the founding General Meeting of Shareholders in accordance with provisions of Articles 31b and 31c of this Law.

Article 31f

Director and members of Management of the bank may not be appointed Chairman and member of the Supervisory Board in that or any other bank in Bosnia and Herzegovina.

Elected officials and all employees of the State, Entity, Canton and Municipal Governments and their respective Institutions may not serve as members of the Management of any bank while so employed.

Elected officials, Ministers and Deputy Ministers of State, Entity, Canton and Municipal Governments and their respective Institutions may not serve as members of the Supervisory Board of any bank while they are so employed and for a period of one year thereafter.

All employees of the State, Entity, Canton and Municipal Governments and their respective Institutions who serve as members of a Supervisory Board of any bank must recuse themselves and refrain from involvement in any discussions or decisions within the government having to do with the bank for which they are a member of the Supervisory Board.

A person or a legal entity's duly proxy cannot serve as Chairman or member of a Supervisory Board of more than one bank concurrently, unless that person or that legal entity owns more than 50% of shares of each bank.

The same person may not be appointed simultaneously Chairman or member of the Supervisory Board in more than three banks.

Article 31g

A session of Supervisory Board shall be held when necessary, and at least once a quarter.

Chairman of Supervisory Board shall convene session of Supervisory Board.

Chairman of Supervisory Board shall convene the session upon request of the Director of the bank or two members of the Supervisory Board, no later than 14 days from the day of submission of the request, otherwise person who submitted the request shall be authorized for convening the session. However, provided that all members of the Supervisory Board are invited, and the invitation is accompanied by an Agenda and material for each item on the Agenda, a majority of members of the Supervisory Board may convene an emergency session within three days of the vote to convene such emergency session of the Supervisory Board. All provisions of Article 31i apply to emergency meetings of the Supervisory Board.

Article 31h

Written invitation for the session of Supervisory Board, in which place and date of session, time of its commencement and the agenda of session shall be delivered to the members of Supervisory Board no later than 7 days before the date of holding of the session.

Invitation for session shall be accompanied by the materials for each of the items on the agenda.

Article 31i

In order to convene the session of the Supervisory Board, quorum of majority of the entire number of members is required.

Supervisory Board shall issue its decisions by majority of votes of the entire number of members.

Chairman and member of Supervisory Board may not vote on the issues that relate to him/her personally.

Persons who are not members of Supervisory Board may be present at the session only based upon written invitation by Chairman of the Supervisory Board.

Article 31j

Supervisory Board of the bank shall be competent to:

1. supervise business operation of the bank;
2. supervise work of Management;
3. adopt report of Management on business operation upon semi-annual balance sheet, profit and loss statement, annual balance sheet and internal and external audit reports;
4. submit an annual report to the General Meeting of Shareholders on business operation of the bank, which shall include internal and external audit reports, report on work of the Supervisory Board and the board for revision, as well as plan of business operation for the following business year;
5. appoint Management of the bank;
6. appoint external auditor;
7. propose distribution and manner of use of profit and manner of loss coverage;
8. approve purchase, sale, exchange, leasing and other property transactions by property, directly or through Subsidiaries during the business year to the extent ranging from 15% to 33% of the accounting value of the entire property of the bank;
9. ensure that appropriate internal controls for the bank are established and maintained;
10. ensure that appropriate internal and external audits are performed;
11. establish provisions for loan losses to be expensed; establish necessary reserves out of net profit of the bank; and declare dividends;
12. appoint chairmen and members of the committee for compensation and the committee for appointment;
13. establish ad hoc commissions and determine their composition and tasks;
14. convene the General Meeting of Shareholders;
15. approve issuance of new shares of the existing class in the amount up to one third of the sum of nominal value of the existing shares and determine amount, time of sale and price of these

- shares, that may not be lesser than average market value of the existing shares of the same class in 30 consecutive days prior to the day of decision making;
16. approve internal acts, business and other policies and procedures; and
 17. decide on issues not specifically directed under the Law or its charter to some other decision making body of the bank.

Article 31k

Chairman and members of Supervisory Board shall carry out their commitments and responsibilities in accordance with the interests of the shareholders and bank and may not perform activity that would compete with activities of the bank without advice and consent of other members of Supervisory Board.

Chairman and members of Supervisory Board shall upon proposal of the emission of new or purchase of its own shares of bank and other securities announce all the important data relating to business operation of the bank.

Chairman and member of Supervisory Board shall report to the Supervisory Board on each personal interest within the legal person, with which bank has or intends to enter into business relationship.

In case provided under Paragraph 3 of this Article, Chairman and member of Supervisory Board may not make decision on issues that concern relations of bank and other legal persons in which Chairman and member of Supervisory Board shall have direct or indirect financial interest.

Article 31 l.

If Chairman or a member of Supervisory Board act contrary to the provisions of the Article 31k of this Law, bank shall have right to claim compensation of damage caused by that.

Bank may forfeit the claims provided under Paragraph 1 of this Article upon expiration of three years from the day of raising request for compensation, if the General Meeting of Shareholders consent to resignation, provided that no objections of the shareholders who possess at least 10% of the shares with voting rights.

Article 31m

Chairman and members of Supervisory Board shall be either individually or jointly and severally liable for damages caused by failure to comply or irregular compliance with their duties.

Article 31n

Chairman and members of Supervisory Board shall have right to request all the data on business operation and presence of the management members to the sessions of Supervisory Board.

Chairman and members of Supervisory Board shall have right to attend the sessions of bank's Management.

3. Management

Article 32

Management shall organize work and direct business operation.

Management of the bank shall consist of Director and Executive Directors as well as the Deputy Director who may be appointed at the discretion of the Supervisory Board.

Article 32a

Director shall preside over Management, direct business operation, represent bank and be responsible for legality of business operation.

The term in office for the Director shall be 4 years, which may be renewed without any limitation as to the number of terms.

Position, authorities, responsibilities and rights of the Director shall be regulated by contract between Supervisory Board and Director.

The Director cannot be appointed without the prior approval of the Agency.

Article 32b

Deputy Director shall substitute for the Director in case of his/her absence, and if the bank has no Deputy Director appointed, the Director shall authorize in writing one of the Executive Directors to substitute for him and determine his/her authorities.

Executive Directors shall organize work, represent bank and shall be responsible for the legality of business operation in businesses and their scope defined by written act of the Director.

Executive Directors shall be appointed and removed by Supervisory Board upon proposal of the Director, for the period for which Director was appointed.

Salary and other material rights of the Executive Director shall be regulated by contract between the Director and Executive Director, upon prior approval of the Supervisory Board.

Article 32c

Director, Deputy Director and Executive Directors shall report to Supervisory Board each direct or indirect interest within the legal person with which bank has or intends to enter into business relationship.

In case provided under Paragraph 1 of this Article, Director, Deputy Director and Executive Director may participate in such a business relation based upon written consent of the Supervisory Board.

Article 32d

In any case when the Director is released of duty, resigns, dies, or is ill or otherwise absent from his/her duties without the prior approval of Supervisory Board for a period of more than thirty consecutive calendar days, the Supervisory Board must confirm the Deputy Director in this position or appoint an interim Director to serve until such time as the Supervisory Board appoints a new Director.

The Interim Director may serve a maximum period of ninety days without having to obtain the approval of the Agency.

Prior to the expiration of ninety days the Supervisory Board must either submit an application for approval for Director of the bank to the Agency or an application for extension for another ninety days for approval for the Interim Director from the Agency. The Agency has 45 days to act on this application. Thereafter if the application for an extension for the Interim Director is not approved by the Agency or if no Director has been appointed by the Supervisory Board and approved by the Agency, the Agency shall appoint a Provisional Administrator.

Article 32e

Bank shall have its Secretary, appointed by Supervisory Board, upon proposal of the Director of bank, serve for the same period for which the Director has been appointed.

Salary and other material rights of the Secretary shall be regulated by contract between the secretary and Supervisory Board, upon Director's proposal.

Article 32f

Secretary is responsible for maintaining the register of shareholders, register of minutes of General Meeting of Shareholders and Supervisory Board and keeping documents determined by this Law and charter of bank, except for financial reports.

Secretary shall be authorized for carrying out decisions of the General Meeting of Shareholders, Supervisory Board and the Director.

Secretary shall be responsible for preparation of sessions and maintaining minutes of the General Meeting of Shareholders and Supervisory Board.

4. Audit Board

Article 32g

Bank must establish an Audit Board appointed by the Supervisory Board.

The Audit Board shall consist of five members appointed for terms of four (4) years. Members may be reappointed.

The Audit Board must have all oversight responsibilities for the conduct and employment of an external audit firm to prepare the annual audited financial statement.

The Audit Board will present the completed annual audited financial statement to the Supervisory Board and to the General Meeting of Shareholders.

The Audit Board must also supervise all internal audit activities including the oversight of the annual balance sheet and auditing of financial business operation of bank upon request of shareholders with at least 10% of the shares with voting rights, and deliver a report on that to the General Meeting of Shareholders and Supervisory Board, no later than eight days from the completion of auditing.

Article 32h

Chairman and members of Audit Board may not be appointed from the group that includes the Chairman or members of Supervisory Board and must not be members of Management or staff within the bank, nor may he/she have direct or indirect financial interest in the bank, except for the compensation based upon conduct of that function.

Compensation and other rights of the members of the Audit Board shall be regulated by contract based upon the decision of the General Meeting of Shareholders.

The Audit Board reports directly to the Supervisory Board.

- Article 32i

The Audit Board is responsible for implementing the decisions of the General Meeting of the shareholders concerning the selection and engagement of the external auditor.

Article 32j

The Audit Board shall be authorized to request convening the session of Supervisory Board and the General Meeting of Shareholders when it considers that the shareholders interests are threatened or when it determines irregularities in work of the Chairman or members of Supervisory Board, Director or Executive Directors.

Article 32k

The Internal Auditor is responsible for identifying, monitoring and assessing risks in the operations of a bank and determining whether the system of internal control that is in place makes sure that those risks are managed in the manner that the risks are mitigated in an acceptable measure.

In performing his/her responsibilities, the Internal Auditor shall have authorities for unrestricted and unimpeded work and he/she is obliged to cooperate with the Audit Board of a bank.

The Internal Auditor reports directly to the Audit Board. However, in cases of major unresolved disputes, the Internal Auditor will notify the Supervisory Board and the Supervisory Board must resolve the dispute.

Supervisory Board appoints the Internal Auditor.

Salary and other material rights of the Internal Auditor shall be determined by the contract signed by the Supervisory Board and the Internal Auditor.

Article 33

The Director of a bank shall be responsible for the legality of the bank's operations and implementation of the established business strategy of the bank.

The Chairman and all members of the Supervisory Board, the Director, the Deputy Director and the Executive Directors of the Loan Department of a bank cannot be appointed without the previous agreement of the Agency.

The bank's Director shall not be:

1. a member of the Supervisory Board of the same bank or some other bank that is registered in the Federation, except if that bank has close relation with a bank of which he is a Director.
2. person who had a position of a Director or of a Deputy director of the Agency for past two years, except if it has received previous approval of the Management Board of the Agency.

The bank's Director shall:

1. represents the bank and acts as its agent;
2. executes decisions of the General Meeting of Shareholders, the Audit Board and the bank's Supervisory Board;
3. organizes and manages the bank's operations;
4. makes decision about all matters which are not in the jurisdiction of the General Meeting of Shareholders, the Audit Board or the Supervisory Board of a bank;
5. performs other functions in accordance with the law, the bank's charter and its general acts.

The Director may delegate part of his powers to others.

Article 34

Individuals appointed as members of Management of a bank cannot be older than 65 years old and must meet all requirements set by the Agency's regulations and general acts of the bank.

Individuals appointed as Internal Auditor cannot be related by marriage or blood to the third degree of consanguinity to any member of the Supervisory Board, Management or any person who holds a Significant Ownership Interest.

If the Agency rejected a request to approve an individual, in accordance with Article 33 of the Law, the bank cannot file another request for the appointment of that individual for the same position until the reasons stated in the Agency's Decision on rejection of giving an Agreement are eliminated.

Article 34a

The Supervisory Board, Management and members of their immediate family who are living in the same household, or have joint investments are each required to file a signed disclosure statement, within thirty calendar days of the Supervisory Board or Management member concerned assuming position.

This disclosure statement will describe all assets, including information on all of the investments, any loans or credits of over 20,000 KM, and information on legal entities for which 5% or more of shares or equities with voting rights is owned, as well as any other information required by the Agency.

The form of the Disclosure Statement will be promulgated by the Agency. Each person, who is required to file a disclosure statement hereunder, must also file an annual update of this disclosure statement with the Agency as of the first day of each calendar year.

Article 35

The Supervisory Board, Management, and all employees, as well as any person engaged to work in the bank on any basis, shall be required to keep business secret, and not to use for personal gain or

permit to be examined by others, any information that they obtained in the course of their services to the bank, except to the Agency, which includes supervisors and auditors appointed by the Agency and except to such other institutions as the Law shall provide.

Persons from Paragraph 1 of this Article shall be required to keep business secrets even after the completion of their engagement in the bank.

Article 36

Bank branches or subsidiaries cannot be established without a written authorization of the Agency.

The Agency can reject the request of a bank to establish a branch or representative office on the following grounds:

1. the staff, premises and equipment of the proposed office do not meet regulatory requirements established by the Agency;
2. operations or financial condition of the applicant bank indicate that establishment of the office would not be in the interest of its depositors;
3. a bank whose headquarter is located outside the Federation is not subject to comprehensive regulation or supervision on a consolidated basis.

Article 37

Business and control of the bank's parts in Federation and the bank with headquarters outside of the Federation will be regulated by the Agency's regulation.

IV - OPERATIONAL REQUIREMENTS

Article 38

Bank is obliged to conduct its business operations in accordance with the Law, regulation issued by the Agency, any conditions and restrictions attached to its banking license, and corresponding business and accounting principles and standards determined by a special law.

Bank shall continuously while conducting its business operation maintain adequate capital, that is its solvency, and sufficient liquid resources, that is its payment and lending capability, and shall ensure that its assets are diversified.

In the context of this Law, diversification shall include the expansion of assets by investing and lending funds to various different legal entities.

Article 39

Banks may only conduct the following activities:

1. receiving money deposits or other repayable funds;
2. making and purchasing of loans and financial leasing;
3. issuing all forms of monetary guarantees;
4. participating, buying and selling for its own account or for account of customers of money market and capital market instruments;
5. providing payment system and money transfer services;
6. buying and selling foreign currencies;
7. issuing and managing payment instruments (including credit cards, travelers' and bankers' checks);
8. safekeeping and managing of securities and other valuables;
9. providing financial management services;
10. purchase and sale of securities; and
11. anything that shall be incidental to the foregoing from Item 1 to 10 of this Article.

Article 40

Banks shall refrain from entering into transactions or engaging in practices of any kind that would provide them a position of dominance on the financial markets.

Article 40a

The Agency has the right to regulate fees that banks charge in cases of price fixing agreements or other unfair business practices as defined by the Agency's regulations.

Article 41

When prescribed by regulation of the Banking Agency, each bank shall observe the maximum ratios and risk exposures to be maintained by it concerning its balance sheet and off-balance sheet items, assets and risk-weighted assets, capital and its structure.

The bank shall ensure that at all times the value of its share capital and net capital will be in accordance with Article 20 of this law and shall be equivalent to not less than 12% of the total value of its risk weighted assets, whereby not less than 1/2 of its capital shall consist of core capital.

The values of capital, share capital and risk weighted assets shall be determined in accordance with the regulation issued by the Banking Agency.

Article 42

Outstanding principal amount of all credit from a bank to a single borrower or a group of related borrowers may not exceed the equivalent of 40% of the bank's core capital. This limitation is subject to the following further conditions and qualifications:

1. the maximum amount of unsecured credit to a single borrower or a group of related borrowers may not exceed the equivalent of 5% of the bank's core capital;
2. any amount of credit to a single borrower or a group of related borrowers exceeding the equivalent of 25% of the bank's core capital must be fully secured by readily marketable collateral whose good quality, as determined by reliable and continuously available price quotations, exceeds the amount of such credit;

Large credit exposure means credit to a single borrower or group of related borrowers amounting to more than the equivalent of 15% of the bank's core capital. The bank's total aggregate outstanding principal amount of all large credit exposures may not exceed the equivalent of 300% of the bank's core capital

Two or more borrowers shall be considered to be a "group of related borrowers" where their mutual relationships make it likely that, exposure to this group presents a unified exposure of the bank to credit risk. The Agency shall prescribe via regulation further conditions under which these circumstances shall be deemed to exist.

Article 42a

If a bank receives payments of public revenue funds, deposits, and performs payment transactions on behalf of the budgets and non-budgetary funds, the bank must either:

- a) transfer 50% of those daily balances, in cash, at the close of each business day to a special reserve account that each depository bank must establish at the Central Bank of Bosnia and Herzegovina under the Law on the Central Bank of Bosnia and Herzegovina and regulations passed based on the Law; or
- b) fully collateralize the average daily balance with either domestic or foreign securities held by another third party bank acting as custodian. The account holder, the bank, and the third party bank must enter into an agreement specifying the type of securities and that the securities must be held in the name of, or for benefit of, the account holder and providing that the interest on the securities accrues to the bank. The securities must be sufficient to provide 100% coverage of the average daily balances. The securities may be substituted and traded

upon the agreement of the accountholder so long as the securities continue to equal 100% of the average daily balance. Upon default, or should the bank be declared to be under provisional administration or bankrupt, the securities will belong to the accountholder. Otherwise if the accountholder closes the account, or the bank ceases to be a depository bank, the securities will be transferred back to the bank.

For the purpose of this Law “public revenue funds” are defined to be customs, taxes, fees, contributions, donations and other revenues belonging to the State, Entities, Cantons, and their respective ministries and institutions, as well as municipalities.

Article 42b

A bank cannot hold from any one source, funds in an amount greater than 20% of its total daily deposits.

Should a bank receive cash from any one source that exceeds 20% of its total daily deposits then the bank shall, by the next business day, maintain the total excess amount in cash to the special reserve account established at the Central Bank of Bosnia and Herzegovina described in Article 42a, Paragraph 1 Item a of this Law.

For the purpose of the previous Paragraph “one source” is defined to be one legal entity, one physical person, or the total amount of all users of public revenue funds regardless of their level and number.

The bank is completely and independently responsible to perform special oversight of its depositors, especially those of public revenue funds.

Article 42c

A bank is required to submit reports to the Agency on the basis of the provisions of Articles 42a and 42b of the Law in the form, content and within time limits as prescribed in a regulation promulgated by the Agency.

Article 43

No bank shall without permission of the Agency invest more than 50% of its core capital in fixed assets.

Article 43a

No bank shall deposit funds in a Related Bank or make loans to or invest in such bank that in combination exceeds 25% of the bank’s Core Capital, or 40% of Core Capital in the case of all such Related Banks.

Article 44

Banks shall keep on file the pertinent documents for each one of their transactions, in accordance with law.

Article 45

Each bank shall regularly notify its customers of the terms and conditions associated with the deposits made and credits received by them, including the annual rate of interest.

Article 45a

Bank is required to publish a notice listing all Dormant Deposit Accounts in at least three daily newspapers published in the Federation and at least one in the Republika Srpska and Brčko District every six months when deposit account becomes dormant deposit account.

After a Dormant Deposit Account has been published at least twice by the bank as provided in Paragraph 1 of this Article, thereafter the Dormant Deposit Accounts and all records pertaining thereto shall be transferred to the Ministry of Finance of the Federation of Bosnia and Herzegovina (hereinafter: the Ministry).

The funds shall be deposited into the budget of the Federation of BiH pending proof of ownership by an accountholder.

At any time thereafter the accountholder may submit proof of ownership of the Dormant Deposit Account funds to the Ministry.

The Ministry shall review the evidence and if the proof is satisfactory return the money to the accountholder.

The Ministry shall issue regulations regarding procedures for claiming dormant accounts.

The Ministry is required to publish information of all Dormant Accounts once a year in three daily newspapers available in the Federation and at least one daily newspaper in the Republika Srpska and in Brcko District.

The Agency shall issue Regulations governing the accrual of interest and limiting the service charges that may be assessed on Dormant Deposit Accounts, until such time as they are transferred to the Ministry.

Once the dormant deposit accounts have been transferred, the accountholder is not entitled to be paid any interest on this account.

Article 46

In conducting operations with persons related to the bank and in the name and in behalf of persons related to the bank, bank cannot offer to that person more favorable conditions than to any other person that is not related to the bank.

For the purposes of paragraph 1, persons related to the bank are especially considered to be:

1. Chairman and members of the Supervisory Board, members of the Management, members of the Audit Board and members of their immediate family within the third degree of consanguinity or marriage, or persons who are living in the same household, or who have interconnected or joint investments;
2. Individuals with Significant Ownership Interest in the bank and members of their immediate family within the third degree of consanguinity or marriage, or persons who are living in the same household, or who have interconnected or joint investments;
3. Legal entities holding any common shares, preferred shares or any voting rights in the bank;
4. Legal entities in which the bank holds Significant Ownership Interest;
5. Legal entities in which Significant Ownership Interest is held by same legal or natural person holding Significant Ownership Interest in the bank;
6. Legal entities in which the holder of Significant Ownership Interest, a member of the Supervisory Board or Management is one of the persons mentioned under items 1 through 5 of this paragraph;
7. Related Entities as defined in Article 1, Paragraph 2 of this Law, and the Related Entities of all Shareholders of the bank.

Bank cannot grant loans to its employees that exceed the amount determined by the Agency's regulations.

The Agency issues regulations ensuring implementation of the limitations determined in provisions of Paragraphs 1 to 3 of this Article.

Article 47

No bank shall acquire, convert or transfer, or be instrumental in the acquisition, conversion or transfer of, money or other property if the bank knows or can reasonably expect that the money or other property are the proceeds of criminal activity or used for the financing of any criminal activities.

No bank shall engage in a transaction that the bank knows or can reasonably expect will constitute a money laundering offense as defined in Article 2 of the Law on the Prevention of Money Laundering in the Federation of BiH (Official Gazette of the FBiH, number 8/00).

No bank shall convert or transfer, or be instrumental in the acquisition, conversion or transfer of money or other property that the bank knows or can reasonably expect to be used in terrorist activity or for the support of people engaged in or supporting terrorism nor convert or transfer, nor be instrumental in the acquisition, conversion or transfer of money or other property as aforesaid that the bank knows or might reasonably be expected to know might be used by those individuals who, or legal persons or bodies which, obstruct or threaten to obstruct or pose a significant risk of actively obstructing the implementation of the peace process; or who or which materially assist in, sponsor, or provide financial or technological support for, or goods and services in support of, such obstructionism; or which are owned or controlled by, or act or purport to act directly or indirectly for or on behalf of, any of the foregoing.

Each bank shall establish internal control and communication procedures in order to detect and prevent transactions involving criminal activities, money laundering, or those supporting terrorism as well as those supporting the obstruction of the peace process or materially assisting in the same described in Paragraphs 1, 2 and 3 in this Article.

Each bank shall take reasonable measures to satisfy itself as to the true identity of any person seeking to enter into a business relationship with it, or carry out a transaction or a series of transactions with it, by requiring the applicant to produce an official document establishing the true identity of the person (ID card, birth certificate, driver's license, passport or other official means of identity) and, in case of a legal entity certificate of incorporation. Each bank shall take reasonable measures to establish whether the person is acting on behalf of another. If it appears that the person is acting on behalf of another person, the bank shall take reasonable measures to establish the true identity of such person.

Each bank shall also take reasonable measures to satisfy itself as to the true identity of any person seeking to carry out a transaction where the amount is 30,000 KM or greater, notwithstanding the number of transactions necessary to execute the transaction. The Supervisory Board, Management, and all employees shall have a duty to automatically report promptly to the Financial Police or its successor and the Federation Banking Agency all transactions that are 30,000 KM or greater as well as any other transactions or any other activity of the bank which he knows or can reasonably expect will violate the provisions of Paragraphs 1, 2, or 3 of this Article and to provide such information as the Financial Police or its successor or the Agency shall request. Providing information pursuant to this Article shall not be regarded as a disclosure of professional secrets.

The Director of the bank will block deposit accounts or any other form of account and such other property and assets of natural persons and legal entities upon presentation of a written or faxed order issued by the Financial Police or its successor or the Agency to do so. Failure to comply with such a blocking order by the Director of the Bank, or by any individual on behalf of the Bank or by any employee thereof, shall be treated for all purposes, under Paragraph 1, Item 23 of Article 65 of the said Law, as participation in a transaction contrary to the provisions of the said Article 47, and Article 65, and in addition article 66 thereof, shall fully apply thereto. Such failure is in turn to be treated for all purposes of Article 67 thereof as a violation under the said Article 65.

Banks shall be required to forward to the Federation Banking Agency all information related to action taken pursuant to a blocking order, as well as all information related to attempted transactions to and from blocked accounts, immediately upon receipt of such information.

V - BOOKKEEPING, AUDIT AND EXAMINATION

Article 48

A bank and its subsidiaries shall maintain at all times accounts and records, and prepare annual financial statements, adequate to reflect their respective operations and financial condition, in such form and with such content that is in accordance with the law, international accounting standards, and regulations of the Agency.

The accounts, records and financial statements of a bank shall also reflect the operations and financial condition of its subsidiaries both on an individual and on a consolidated basis.

Article 49

Banks and their subsidiaries shall each appoint an independent external auditor acceptable to the Agency who shall:

1. advise the bank on maintaining proper accounting systems;
2. prepare an annual report together with an audit opinion as to whether the financial statements present a full, accurate and fair view of the financial condition of the bank, in accordance with the provisions of this Law and regulations of the Agency; and
3. inform bank's Supervisory Board, Audit Board, Management and the Banking Agency about any fraudulent act by an employee of the bank or a subsidiary of the bank, and of any irregularity or deficiency in the administration or operations of the bank or a subsidiary of the bank, of which he has become aware and which should be expected to result in a material loss for the bank or the subsidiary.
4. comment in the annual report to the bank's Supervisory Board, Audit Board, Management, and the Agency on the effectiveness of the Internal Auditor and the system of internal controls.

Each bank shall promptly at the request of the Agency provide to the Agency such information and supplemental audit opinions about the banks and their subsidiaries that they audit, for the account of such a bank

Article 50

Each bank shall, within 75 days after the end of the preceding financial year, submit to the Agency its financial statements and its external auditor's report for the preceding financial year within 5 months after the end of the preceding financial year.

Each bank shall publish the external auditor's report in abbreviated form in one or more of the daily newspapers in the Bosnia and Herzegovina within 15 days after receiving it. Each bank should submit a copy of the abbreviated form of the external auditors report to the Agency.

In addition to publishing the audited annual report, at the end of each six months, the Bank is required to publish a non-audited semi annual report which includes a balance sheet, including all off-balance sheet items, an income statement and a cash flows statement, as well as information containing names of members of the Supervisory Board and Management and each of the bank's shareholders owning 5% or more of shares with voting rights.

The Bank is required to publish the report from Paragraph 3 of this Article within 30 days after the expiration of the first six months period in one or more local newspapers available throughout Bosnia and Herzegovina and must continuously make copies available to the clients at each location of teller windows.

Article 51

The bank is obliged to prepare and submit to the Agency reports concerning its administration and operations, liquidity, solvency, and profitability, and those of its subsidiaries, for an assessment of the financial condition of the bank and each of its subsidiaries on an individual and a consolidated basis.

The reports shall be prepared in such form and detail and shall be submitted at such intervals as shall be prescribed by regulation of the Agency.

Every bank and each of its branches established in the Brcko District as well as any branch of a bank headquarters outside the Federation shall be subject to all supervisory activities by the Agency, in accordance with the Agency's regulations.

Subject from Paragraph 2 of this Article shall admit and cooperate fully with the examiners of the Agency and the auditors appointed by the Agency.

VI - PROCESS OF BANKRUPTCY AND LIQUIDATION OF THE BANK

Article 52

The process of bankruptcy and liquidation of the bank is conducted pursuant to the "Law on Bankruptcy and Liquidation" (Official Gazette of the Federation of Bosnia and Herzegovina, number 23/98), unless differently determined by this Law.

1. PROVISIONAL ADMINISTRATION AND LIQUIDATION

Article 53

The Agency may appoint a Provisional Administrator when it assesses that:

1. there has been any violation of law, regulation or decision of the Agency, seriously undermining the interests of the bank's depositors;
2. the bank has been conducting unsafe or unsound practice in the operation of the bank, which has caused or is likely to cause a substantial deterioration in the level of the bank's capital or financial condition, or other serious risk to the interests of the bank's depositors;
3. the bank has violated provisions of Article 65 of this Law, and such violation is continuing;
4. books, papers, records, or assets of the bank have been concealed or withheld from the Agency or any of its examiners or auditors;
5. a request for a provisional administrator received from the Supervisory Board, the Audit Board, Director, or the General Meeting of Shareholders of the bank provides adequate justification for such action;
6. the capital of the bank is less than 50% of the core capital required pursuant to Article 41, Paragraph 2 of this Law;
7. the bank is not paying its financial obligations as they fall due consistently for 15 days or inconsistently for 30 days during a period of 45 days;
8. after the revoking of a banking license it is necessary to have protection of depositors' interests until the authorized court appoints bankruptcy administrator.

Article 54

A bank shall be deemed to be insolvent when the Agency, in its sole judgment, determines that the value of its liabilities is greater than the value of its assets.

In the process of solvency determination the value of the assets and liabilities of a bank shall be determined in accordance with valuation standards and procedures prescribed by regulation of the Agency; and in determining the value of the assets and liabilities of a bank for a future date, the reasonably anticipated future income and expenses of the bank until that date shall be taken into account.

The Agency must revoke the license of any bank that it deems to be insolvent and initiate liquidation process or file request to the authorized court to start bankruptcy procedure.

The Agency's decision to revoke banking license under Paragraph 3 shall be final.

Article 55

The provisional administrator shall be appointed by written order of the Agency giving the grounds on which the appointment is based with reference to the applicable section of Article 53 of this Law.

Decision about appointment, release of duty or extension of mandate of the provisional administrator of the bank will be immediately submitted to the provisional administrator and the bank for which the provisional administrator has been appointed; published in the Official Gazette of the Federation of BiH; registered in the register of banks pursuant to Article 16 of this Law, and registered in the court registry with the authorized court.

The Provisional Administrator will have absolute immunity from and be protected against any liability, personal and official, for action or inaction, or decision taken within the scope of duties as the Provisional Administrator. The Provisional Administrator may not be prosecuted in any court so long as the Provisional Administrator is acting in good faith within the provisions of this Law.

Article 56

The provisional administrator shall have unrestricted access to the premises of the bank and any of its offices and subsidiaries, and control over the financial assets, the offices, the books of account and other records, and all other assets of the bank, including its subsidiaries.

Immediately after being appointed or any of its subsidiaries the Provisional Administrator is obliged to take certain measures to secure the assets and records of the bank in order to prevent their dissipation by theft or other improper action.

In the implementation of the measures from their authority, the Agency and the provisional administrator are authorized to request assistance from the authorized institutions of internal affairs and other authorized institutions.

Article 57

The Provisional Administrator shall be responsible for conserving the assets and assuming control of the operation of the bank and making a determination as to whether to continue the operations of the bank.

During the tenure of the Provisional Administrator of a bank, the powers of the Supervisory Board, Audit Board, Management, and shareholders of the bank to take decisions or actions shall be suspended.

The Provisional Administrator shall have all the powers of such Supervisory Board, Audit Board, Management, and shareholders, in accordance with the Agency's decision on his/her appointment.

The Provisional Administrator may immediately suspend the powers of the bank representatives on the Supervisory Board, Management and General Meeting of Shareholders of the bank's Subsidiaries and in all of the bank's Participation Interests and exercise directly or through appointees all powers of such representatives.

The provisional administrator is authorized to:

1. sell assets and purchase liabilities of the bank as may be necessary to conserve the appropriate value of the bank or to protect the interests of the depositors and other creditors of the bank;
2. cancel or unilaterally amend agreements the bank has signed, including suspension of interest accruals and change of interest rates, fees and maturity dates and may offset loans with deposits held by the same natural person or legal entity;
3. issue orders concerning dismissal, demotion or temporary removal from a position, or the distribution of responsibilities between the bank's employees;
4. suspend the acceptance of deposits by the bank;
5. sign any contracts and documents and accept liabilities in the name of the bank;

6. lodge claims in the name and interests of the bank, and represent the interests of the bank in court;
7. suspend the payment of any kind to members of the Supervisory Board, Management, Audit Board, and shareholders of the bank;
8. make the pay-out of deposits of natural depositors to such depositors, within the funds available and on a pro-rata basis if applicable.

Subject to the availability of reserves for priorities from Items 1 and 2 of Article 63 of this Law, the maximum amount to be paid out per natural depositor shall be the aggregate of all of his or her deposits less any legal or contractual debt owed to the bank by the natural depositor or 5000 KM, whichever is smaller.

The deposits shall exclude funds kept in any account whereby the account title is not transparent as to its ownership or any non-nominative deposit or assets kept in a bank's safe deposit box. Also excluded shall be deposits, loans or any other transaction for which the natural depositor has obtained rates, whether preferential or otherwise, and/or any other financial concession from the bank which may have helped to aggravate the bank's financial condition.

The bank's Supervisory Board members, Management, shareholders of at least 5% of the bank's capital and persons responsible for carrying out the statutory audits of the bank's accounting documents are not entitled to any pay-out.

The immediate family within the third degree of consanguinity or marriage of persons mentioned in the previous sentence as well as third parties acting on behalf of the same persons are also not entitled to any pay-out.

9. with the approval of the Agency, may make the pay-out of deposits of legal entities and other depositors on a pro rata basis after paying or reserving funds for the higher priorities and reserving funds for operation and expenses. The Provisional Administrator will comply with other requirements in item 8 of this Article;
10. file a request with the Agency for issuing a decision to all banks in the Federation of BiH to cease payments from accounts of defaulting debtors of the bank under provisional administration and/or those debtors' guarantors and their Related Entities, which they have in other banks, until those liabilities are fulfilled;
11. requiring that all transfers of common and preferred shares including the sale, assignment, or pledge must have the prior written approval of the Provisional Administrator and the Agency.

The Agency is required to review and act within 15 days in accordance with the Provisional Administrator's requests from Paragraph 5, Item 10 of this article.

The Agency's decision in Paragraph 5, Item 10 of this Article and in Paragraph 6 of this Article, is to be implemented as the first priority claim before any other payment order and before any other collection as determined by other laws.

The Provisional Administrator may delegate some of his authority to others.

The Provisional Administrator is obliged to implement laws, regulations, and orders issued by the Agency.

Article 58

Within 60 days of his appointment, unless this period is affirmatively extended by the Agency, the provisional administrator shall present a written report to the Agency on the financial condition and future prospects of the bank for which he has been appointed. The provisional administrator shall prepare pro forma balance sheets and shall document the assumptions on which his analysis is based, including those with regard to interest rates, asset recovery rates, asset holding costs, and contingent liabilities.

The provisional administrator shall propose in the report under Paragraph 1 of this Article one or more of the following measures:

1. a recommendation to revoke the banking license of the bank and to liquidate the bank; with an assessment of the amount of assets likely to be realized in a liquidation of the bank;
2. a detailed plan to restore the bank in compliance with the requirements of the law and the regulations of the Agency, including an increase in the bank's capital to the minimum level required by law or regulation within the time set forth in the plan;
3. a detailed plan to sell the bank as a going concern or to sell any part of the assets and purchase liabilities of the bank; or
4. merger or acquisition of one bank with another bank.

Article 59

Within thirty days of the receipt of the report of the provisional administrator, the Agency shall revoke the banking license of the bank, unless the report of the provisional administrator includes one of the measures listed in Article 58, Paragraph 2, Items 2 to 4 of this Law.

The Agency, taking into account the report of the provisional administrator and the need to protect the interests of the depositors and other creditors of the bank, determines if there are reasonable prospects that such plan can be successfully carried out within 12 months upon determination of the Agency regarding the report of the provisional administrator.

The Agency may change or amend the provisional administrator's plan in any way it deems appropriate, prior to or during the implementation of the plan.

If the Agency revokes banking license and issues decision on liquidation of the bank, taking into account the bank's assets and liabilities, it may, upon its own evaluation:

1. Nominate Liquidation Administrator, in accordance with the Article 61 of this Law, in both cases when liabilities do not exceed assets and when liabilities exceed assets of the bank, who will conduct liquidation of assets under the best circumstances he may achieve with concurrence of the Agency and make the payments according to the priority list defined in the Article 63 of this Law from the proceeds. As to the remaining assets and liabilities that can not be liquidated within a reasonable timeframe as assessed by the Agency in its sole discretion, the Agency may apply for bankruptcy to the court in charge; or
2. Immediately apply to the court in charge for bankruptcy and appointment of bankruptcy administration in the bank.

Notwithstanding anything to the contrary in the Law on Compulsory Settlements, Bankruptcy Procedures and Liquidation Procedures, only the Agency may apply for bankruptcy of a bank.

Article 59a

All litigation against the bank will cease on the initiation of liquidation of the bank.

Article 60

The powers of a provisional administrator shall end upon:

1. the termination of his appointment by order of the Agency; or the completion of his term specified in the order of his appointment or in any order extending his term; or
2. the revocation of the banking license of the bank and the decision by the Agency to order liquidation of the bank;
3. the appointment by the Agency of a liquidation administrator for the bank;
4. decision on appointment of the bankruptcy administrator by the court in charge.

Article 61

If the Agency, based on the provisional administrator's report, determines to sell, merge, or liquidate the bank, it may appoint a liquidation administrator to carry out this task.

The Agency's order appointing the liquidation administrator shall be in writing, and shall be in accordance with Paragraph 1 of this Article.

Liquidation administrator may be a person who meets the requirements as to the professional qualification, experience and trustworthiness determined under this Law and regulations of the Agency.

The Agency shall cause its order of appointment, extension or termination of a liquidation administrator to be published in the Official Gazette of the Federation of Bosnia and Herzegovina, and to be registered in the register of banks pursuant to Article 16 of this Law, and to be distributed to the appropriate court and the bank for which the liquidation administrator was appointed.

From the moment of the appointment of the liquidation administrator by the Agency, all powers, authority, and ownership rights of members of the Supervisory Board, Management, Audit Board, and shareholders of the bank are terminated.

Within 7 days after receiving the Decision on Appointment, the liquidation administrator is required to announce in at least three daily newspapers available in the Federation and at least one in the Republika Srpska and one in the Brcko District a notice that all creditors are required to register their claims against the bank with the liquidation administrator within 60 days of the date of publication of this notice.

Within 30 days after the first publication, the liquidation administrator is required to publish a second creditors' notice in at least three daily newspapers available in the Federation and at least one in the Republika Srpska and one in Brcko District.

However, all creditors will still be required to file their claims against the bank with the liquidation administrator 60 days from the date of the publication of the first notice.

The liquidation administrator shall act in accordance with law, regulations, and orders of the Agency. He/she is responsible to the Agency for completion of tasks.

The liquidation administrator will have immunity from and be protected against any liability, personal and official, for action or inaction, or decision taken within the scope of duties as the liquidation administrator. The liquidation administrator may not be prosecuted in any court so long as the liquidation administrator is acting in good faith within the provisions of this Law.

The liquidation administrator of a bank, apart from the authorities of the provisional administrator under Article 57 of this Law, has the authority to:

1. sell all or substantially all, or any part, of the assets and redeem liabilities of the bank,
2. merge the bank with another bank, or sell the bank to an acquirer, subject to the approval of the Agency;
3. liquidate the bank, and, in connection therewith, decide the validity of, and pay, claims against the bank.

Offsetting of claims against counterclaims of a bank are only possible in accordance with the list of priorities determined in Article 63 of this Law.

The procedures for determination of claims and disposal of assets and liabilities of a bank in liquidation are determined by regulation of the Agency.

During the execution of the liquidation administrator's plan for sale or merger of the bank, the liquidation administrator shall report to the Agency no less frequently than quarterly on the progress of the plan.

At any time during the execution of the plan, the Agency, after having received a written report of the liquidation administrator may abort the plan, revoke the license of the bank, and order the liquidation of the bank.

Article 62

If recommended by a provisional administrator or liquidation administrator, the Agency may at any time declare all or part of deposits and investments by the public in the bank to be totally or partially blocked.

The decision from Paragraph 1 of this Article may be declared only to ensure the orderly development or implementation of the provisional administrator's plan, or the functions of the liquidation administrator, and when a blocking order is declared the provisional administrator or receiver shall take measures which, in the opinion of the Agency, will preserve the approximate value of these deposits and investments in the bank.

Article 63

In the liquidation or bankruptcy, the following priorities of claims shall be observed:

1. Debts of a bank that is being liquidated which resulted from borrowings to the bank, or other obligations created during the provisional administration of a bank or liquidation pursuant to this Law;
2. Claims by secured creditors, up to the value of their security;
3. Claims of the Federation Deposit Insurance Agency or its legal successor for reimbursement of payments of deposits belonging to natural persons and legal entities up to a maximum as set out in the Law on Deposit Insurance;
4. Deposits of natural persons and legal entities up to a maximum per depositor as set out in the Law on Deposit Insurance, which were not otherwise paid by the Federation Deposit Insurance Agency or its legal successor under Item 4 of this Law;
5. Other deposits, including deposits of natural persons above the amount per depositor set forth in the Deposit Insurance Law not already paid under Item 4 of this Article;
6. Dormant Deposit Accounts transferred to the Ministry;
7. Claims by other creditors;
8. Claims by preferred shareholders;
9. Claims by common shareholders.

In the procedure from Paragraph 1 of this Article, payment of bank's liabilities to the members of the Supervisory Board, Management, members of the Audit Board, shareholders of at least 5% of voting rights, Related Entities and Related Banks will be suspended until all liabilities to other bank's creditors are fully fulfilled.

Third parties acting on behalf of natural persons or legal entities mentioned in the previous paragraph as well as the immediate family within the third degree of consanguinity or marriage of the same natural persons are also not entitled to be paid until all liabilities to other bank's creditors are fully fulfilled.

VIa - LIABILITIES AND RESPONSIBLE PARTIES

Article 64

A provisional administrator or liquidation administrator appointed by the Agency shall conduct the sale or disposition of assets, liabilities, and sale or merger of a bank in a manner which will:

1. maximize the price of such sale or disposition, consistent with the goal of protection of depositors and other creditors of the bank;
2. ensure fair competition among potential purchasers or merger partners;
3. prohibit any kind of discrimination in the solicitation and consideration of offers; and

4. ensure that the acquirer, merger partner, or combined bank is majority owned and controlled by private owners, unless, with the written authorization of the Agency, a state owned bank which has a privatization plan approved in writing by the authorized state entity; or a bank that is majority owned by a foreign state or government.

Article 64a

A bank can be declared through court proceedings responsible individually or jointly with other banks or business companies for the liabilities of a bank or business company, which is insolvent or declared bankrupt, provided there are evidences that the banks and business companies were placed under a situation of related management.

A situation involving related management can result from agreements among the bank and/or business companies or from their respective by-laws or when the Supervisory Boards are made up of a majority of the same persons, persons related to the bank, as defined in Article 46 of this Law, Related Entities or the majority of the shares are held by the same persons.

Article 64b

Bank Shareholder is responsible for bank obligations up to the level of his share in the bank.

Exception of provision in Paragraph 1 is in cases when bank is in bankruptcy or is insolvent where bank shareholders, members of its Management and Supervisory Board, as well as other legal entities and individuals (who had a direct or indirect influence to bank's operations or control in the bank) will bear responsibility, jointly or individually, for bank's obligations with their entire property. These cases include:

- a) when a bank is used for fulfilling goals opposite to goals of the bank as determined by the Law; or
- b) when there was no difference between bank property and personal property of the above listed persons; or
- c) when bank operated with a purpose to commit fraud against its creditors or against interest of the creditors; or
- d) when a cause for bankruptcy or insolvency of the bank is found in intentional poor management or lack of attention in managing the bank.

VII – PENALTY PROVISIONS

Article 65

A monetary fine of KM 1,000 to KM 10,000 shall be imposed on the bank or another legal entity for a violation, if it:

1. engages in receiving money deposits or extending credits without the permission of the Agency contrary to provisions in Article 2, Paragraph 1 of this Law;
2. directly or indirectly engages in collecting deposits as described in Article 3 of this Law;
3. uses words in its name that are contrary to provisions of Article 2, Paragraph 3 of this Law;
4. continues to conduct banking activities after its banking license has been revoked, contrary to provisions in Article 19, Paragraph 3 of this Law;
5. does not discontinue its assets and pay its liabilities within the deadline established in the decision to revoking of its license, in accordance with Article 19, Paragraph 3 of this Law;
6. does not collect paid in share capital and does not maintain net capital in accordance with Article 20 of this Law;
7. does not comply to provisions on the limitations of ownership structure from Article 21, Paragraph 1 of this Law;

8. if a bank, without obtaining the approval of the Agency, makes an investment in contravention of Article 20 of this Law;
9. without the prior consent of the Agency, engages in activities concerning mergers, acquisitions and divisions of the contrary to provisions in Article 26, Paragraph 1, and makes changes and amendments to its charter, contrary to provisions in Article 28, Paragraph 3 of this Law;
10. does not conduct its activities in accordance to its internal acts, contrary to provisions in Article 28, of this Law;
11. does not submit the necessary documents for the Agency's files, in accordance with Article 28, Paragraph 2 of this Law;
12. appoints the Chairman or members of the Supervisory Board, the Director and the Management non conforming with provisions of Article 33 of this Law;
13. if the Supervisory Board, the Management or members of their immediate family living in the same household fail to submit signed disclosure statement in accordance with Article 34a of this Law;
14. does not keep business secrets in accordance with the provision from Article 35 of this Law;
15. establish a bank branch or representative office in violation of Article 36 of this Law;
16. conducts business contrary to the provisions in Article 38 of this Law;
17. conducts business contrary to the provisions from Articles 40 and 40a of this Law;
18. engages in transactions or participates in activities that present unfair competition in the financial market, contrary to the provisions in Article 40 of this Law;
19. does not comply to limitations in business operations, as described in Articles-41-44 of this Law;
20. does not maintain records and documentation on its transactions in accordance with provisions in Article 44 of this Law;
21. does not regularly inform its customers on the conditions of its operations, in accordance with Article 45 of this Law;
22. conducts transactions with related persons, contrary to provisions in Article 46 of this Law;
23. participates in transactions contrary to provisions of Article 47 of this Law;
24. does not appoint an independent external auditor in accordance with the provisions in Article 49 of this Law;
25. does not submit a financial report and the external auditor report to the Agency, or fails to publish the financial information in accordance with Articles 50 and 50a of this Law;
26. does not cooperate with the Agency in the process of its bank examination in accordance with the provisions in Article 51 of this Law.

For violations from Paragraph 1 of this Article, the time period for discovery of the violation is limited to three years. After discovery of the violation, the time period for submission of the violation to the Violation Committee is limited to one year.

For violations from Paragraph 1 of this Article, a monetary fine can be imposed that will be in proportion to the level of created damage or unsettled liability, which cannot be greater than twenty times the level of created damage or unsettled liability that is the subject of the violation.

Upon a specific finding of willful misconduct, the Violation Committee may determine that each day the violation continues shall be considered to be separate offense.

For violations from Paragraph 1 of this Article, the responsible person and the person who actually committed the violation in the bank, or another legal entity, will be charged with a monetary fine of 200 KM to 10, 000 KM.

However, upon a specific finding of willful misconduct, the Violation Committee may determine that each day the violation continues shall be considered to be separate offense.

All monetary fines stipulated in this Article will be paid to the Federation budget.

Establishing of responsibility and pronouncing of measures under this Law do not exclude establishing of responsibility and pronouncing of measures determined by other Laws.

1. VIOLATION PROCEDURE

Article 66

The procedure is carried out by Violation Committee (hereinafter: the Committee) comprising of 3 members.

The Director of the Agency appoints the members of the Committee, as well as their deputies, in accordance to the Law.

The committee carries out the procedure in accordance to the "Law on Violations" by which the Federal regulations are confirmed (Official Gazette of the Federation of BiH, number 9/96) and in accordance to this law.

Article 67

The measures provided for in this Article shall be determined in each particular case by the Agency.

The Agency may take one of the following actions as provided in this Article in regards to a bank or any of its Supervisory Board or Management members, employees, persons that have Significant Ownership Interest, or any Related Entity thereof:

- 1) issue written warnings;
- 2) call the General Meeting of Shareholders of the bank or the other owners of the bank to discuss and to agree on remedial measures to be taken;
- 3) issue written orders:
 - a) requiring the bank to cease and desist from such violations of this Law and regulations of the Agency, or to undertake remedial action;
 - b) and imposing special prudential requirements that differ from those normally applicable to such bank;
- 4) issue written orders containing prescriptions concerning the rate of interest, maturity or other conditions applicable to any type or form of financing extended or received (including deposits) by the bank, or to contingent liabilities of the bank;
- 5) issue written orders imposing monetary fines in accordance to this Law;
- 6) issue written orders suspending temporarily members of bank's Supervisory Board, Management or employees from duties in the bank where:
 - a) the Agency determines that such persons have committed one of the violations set forth in Article 54 of this Law (the legislator's error, the correct wording in Article 65); or
 - b) such persons do not meet the requirements of qualifications, experience, or other conditions established by regulation issued by the Agency;
- 7) issue written orders prohibiting that one or more persons with Significant Ownership Interest in the bank from exercising voting rights, or requiring them to sell or otherwise dispose of all or any part of their ownership rights in the bank in accordance with the Law and within a period specified in the order, where:
 - a) the Agency determines that such persons have intentionally or recklessly committed one of the violations set forth in Article 54 of this Law (the legislator's error, the correct wording in Article 65 of the Law);
 - b) the Agency learns of facts that would warrant refusal of an authorization to acquire or increase the Significant Ownership Interest; or
 - c) the Significant Ownership Interest was acquired or increased without the prior authorization of the Agency;
- 8) issue written orders attaching conditions to the banking license of the bank to the extent required to remedy such infraction;
- 9) with the agreement of the Supervisory Board, the Agency may appoint an adviser for the bank with the duties and responsibilities prescribed by the Agency;
- 10) appoint an external auditor at the expense of the bank to perform a financial or operational audit under terms of reference provided by the Agency;

11) appoint a provisional administration in accordance with provisions of this Law;

12) revoke the banking license of a bank.

In the event the Agency determines to take an action set out in Items 3, 9, 11, and 12 it shall also notify the Federation Deposit Insurance Agency or its legal successor.

In the case of Agency's order for sale of all or portion of common or preferred shares with voting rights, the potential buyer must receive Agency's approval first.

If any person referred to in Paragraph 2 of this Article is charged with any criminal offense within the Financial and Economic scope of crime, the Agency may issue a written order temporarily suspending such person from his or her position in the bank, and, if applicable, suspending the exercise of voting rights in the bank by such person, pending the determination of the legal case.

If the person from the Paragraph above is convicted by legally valid verdict, the Agency may issue a written order removing such person from his or her position in the bank, and, if applicable, prohibiting the exercise of his or her voting rights in the bank and requiring him or her to dispose of all or any part of his or her ownership interest in the bank.

No prior notice or hearing is required for orders issued under this Paragraph.

If any person referred to in Paragraph 2 of this Article is charged by the Agency with violation of an Order of the Agency or any part of Article 65 of the Law, and that person's actions pose a immediate threat to the bank's financial condition or to the safety of its financial operations, the Agency may issue a written order immediately and temporarily suspending that person from his or her duties and responsibilities in the bank, and, if applicable, suspending the exercise of voting rights in the bank.

This temporary suspension may not exceed 45 days pending a final determination by the Violation Committee.

No prior notice or hearing is required for written orders issued under this Paragraph.

No person may hold any position in, or participate in any manner in the conduct of the activity of, any bank without the prior written approval of the Agency if he or she is subject to an Order of the Agency:

1. suspending or removing him/her from a bank;
2. prohibiting the exercise of his/her Significant Ownership Interest in a bank, or requiring him/her to dispose of a Significant Ownership Interest in any bank due to an intentional or reckless infraction; or
3. involving him/her in a criminal activity pursuant to Paragraph 3 of this Article.

The Order from Paragraph 5, Item 3 of this Article may be issued against any person within five years after such person ceases to be a member of the Supervisory Board, Management, Audit Board, shareholder, employee, or holder of Significant Ownership Interest in a bank.

In the event that any person is required to sell or dispose of voting shares of a bank pursuant to an order issued in accordance with this Article and does not do so within the prescribed period of time, the Agency is authorized to sell such voting shares at public auction, except in the case when the license is revoked because of the lack of solvency of the bank.

A complaint concerning any Decision of the Agency taken under this Article may be submitted to the Director of the Agency within 8 days from the date of receipt of the decision.

However, any complaint submitted will not delay the implementation of the Decision.

The measures provided in this Article shall not preclude application of other civil penalties or criminal penalties as provided in other legislation in force.

If a bank has been found to commit a violation under Article 65 of the Law, and the Violation Committee has issued a final order imposing monetary fines, and the Violation Committee finds second violation any time within the next six months for the same or similar conduct, the Violation Committee must direct the Agency to proceed to implement one or more of the actions from Paragraph 2, Items 6, 7 and 8 of this Article.

In the event a third violation is committed by the same bank within 6 months of the second violation as determined by the Violation Committee involving the same or similar conduct, the Violation Committee must direct the Agency to implement Paragraph 2, item 12 of this Article.

VIII - TRANSITIONAL AND FINAL PROVISIONS

Article 68

Licensed banks must comply with Article 20 of this Law as of December 31, 2002.

The deadline defined by Paragraph 1 of this Article does not refer to the FBiH Investment Bank and BOR Bank.

The banks specified under Paragraph 2 of this Article shall be regulated by a separate regulation (FIB) and separate deadline (BOR). These banks cannot receive deposits until they meet minimum capital requirement.

Article 69

The Banking Agency shall harmonize its regulations with this Law within 4 months of this Law entering into force.

Regulations from Paragraph 1 of this Article shall be published in the "Official Gazette of the Federation of Bosnia and Herzegovina".

Regulations that shall be passed by the Agency pursuant to this Law as well as Agency's activities in implementation of its legally prescribed authorities shall be based on the basic principles for effective bank supervision issued by the Basel Committee for Bank Supervision.

Article 69a

Banks are required to adjust their business operations with the provisions of this Law within 6 months from the day this Law becomes effective, and requirements from Article 14, Paragraph 3, one year from the effective date of the Law on the Deposit Insurance of Bosnia and Herzegovina.

Article 70

On the date when this law enters into force the "Law on Banks" (Official Gazette of the Federation of Bosnia and Herzegovina, number 2/95, 9/96 and 25/97) no longer exists, as well as the application of other laws and regulations which have regulated this material, and were applied in the Federation region up to when this law entered into force.

Article 70a

Legislative Commission of the House of Peoples and Legislative Commission of the House of Representatives of the Parliament of the Federation Bosnia and Herzegovina are authorized to prepare a consolidated version of the Law on Banks.

Article 71

This Law comes into effect eight days after its publication in "Official Gazette of the Federation of Bosnia and Herzegovina".

NOTE: Law on Changes and Amendments to the Law on Banks as published in the Official Gazette of the FBiH, number 41/02, dated of 23.08.2002., became effective on 24.08.2002. Implementation of the 6 months deadline from Article 69a of this Law shall start as of that date.

Law on Deposit Insurance in Banks of Bosnia and Herzegovina as published in the Official Gazette of BiH, number 20/02, became effective on 11.08.2002. Implementation of the one year deadline from Article 69a of this Law shall start as of that date.

ANNEX XII. LAW ON BANKS (Republika Srpska)

Based on Point 2 of the Amendment XL to the Constitution of Republika Srpska ("Official Gazette of Republika Srpska" number 28/94) I d e c l a r e

DECREE ON PROCLAMATION OF THE LAW ON BANKS OF REPUBLIKA SRPSKA

LAW ON BANKS

This is to proclaim the Law on Banks of Republika Srpska adopted on the Fifth Session of the National Assembly of Republika Srpska on April 29 and 30, 2003.

Number: 01-020-329/03

May 5, 2003

Banja Luka

President of

Republic

Dragan Čavić [signed]

I - GENERAL PROVISIONS

Article 1

This Law regulates the establishment, business operation, governance, supervision and termination of legal persons who engage in the business of receiving money deposits and extending credits, as well as other operations in accordance with this Law (hereinafter: bank) in the Republika Srpska.

The bank shall be founded as a shareholder company.

Terms used in this Law have the following meanings:

Core Capital - of a bank is composed of all cash and tangible assets given for all common shares, preferred non-accumulative shares as well as general legal reserves, retained profits and certain other reserves all as regulated by the Banking Agency.

Supplementary Capital of a Bank - amount of permanent preferred cumulative shares, general reserves for loan losses for assets classified as good assets, subordinated debts up to 50% of core capital, hybrid capital instruments up to 50% of core capital and such other items as regulated by the Banking Agency. Supplementary capital cannot exceed 100% of core capital.

Capital - of a bank is the sum of core capital and supplementary capital.

Net Capital - of a bank is the sum of the bank's capital decreased for deductible items as defined and regulated by the Agency.

Paid in Share Capital - the amount of cash paid by the shareholders for all Common or Preferred Shares.

Participation Interest - any shareholder's ownership participation as determined in a contract duly registered with the relevant institutions that provide for contribution of money or other property which represents a proportional interest in managing rights and rights to receive profit from that legal entity's operations.

Significant Ownership Interest - is any legal entity or natural person who owns at least 10% of the aggregate voting rights of another legal entity or bank.

Preferred Shares - those shares that pay a fixed dividend which are issued without voting rights unless converted to Common Shares. Preferred Shares may only be converted to Common Shares upon the prior approval by the Agency and the subsequent approval by the shareholders. Preferred shareholders have a claim to the assets ahead of common shareholders in the event of liquidation.

Supervisory Board - body that is responsible for the supervision of the business operations of a bank. The Supervisory Board and its Chairman shall be duly elected at the General Meeting of Shareholders and must act in accordance with this Law.

Management - is composed of Director, Deputy Director and Executive Directors appointed by the Supervisory Board to direct the business operations of a bank and must act in accordance with this Law.

Related Banks - two or more Banks that share two or more of the same members of the Supervisory Board, or common ownership by the same legal entity or individual of at least 10% of each of their outstanding Common Shares.

Related Entities - two or more legal entities and/or natural persons who individually or jointly have:

-direct or indirect control of a bank's Supervisory Board, Management, or a Significant Ownership Interest, or

- by mutual agreement act in concert to create a Significant Ownership Interest in order to affect the operations of a bank.

Subsidiary - any legal entity for which a Bank holds 50% or more of the total voting shares, which permits the bank to exercise control over the management and policies of that legal entity. If the Subsidiary is a Bank, then the Subsidiary Bank must independently meet all requirements of this Law.

Dormant Account - an account where there has been no accountholder activity, either deposit to or withdrawal from the account by the accountholder, for a period of one year from the date of the last accountholder activity, and in the case of Time Deposits, one year beyond the maturity date.

II - ELEMENTARY PROVISIONS

Article 2

No one shall engage in the business of receiving money deposits and extending credits for its own account in the Republika Srpska without a banking license issued by the Banking Agency of the Republika Srpska (hereinafter: Agency) pursuant to this Law.

Under loans from the paragraph 1 above, no micro credits extended by micro-crediting, nondeposit, and non-profit institutions are taken into consideration.

No one shall use the word "bank" or derivatives of the word "bank" in respect of a business, product or service without a banking license or authorization issued by the Agency pursuant to this Law, unless such usage is established or recognized by a special Law or International Agreement, or unless it shall be clear from the context in which the word "bank" is used that it does not concern banking activities.

No bank shall use any words in its name that, in the opinion of the Agency, may mislead the public because of association with any institution of the Republika Srpska or the State of Bosnia and Herzegovina.

Article 3

The Agency will not issue a license to any legal person who, designed to entice others to make payments, in exchange for the chance to receive financial or other gains resulting from a progressive increase (geometric or otherwise) in the number of persons making such payments.

The Agency shall be empowered to start the procedure with the authorized court of seizing the assets, books and records of any person who conduct operation described in Paragraph 1 and to liquidate the business of such person.

Article 4

Domestic and foreign legal entities and individuals may found a bank.

A bank may be founded by at least two (2) founders.

Article 5

Bank with headquarters outside the Republika Srpska, with the Agency's approval, may establish representative offices in the Republika Srpska.

The request for approval to open a representative office needs to include the following:

1. information on the name, legal status and headquarters of the bank

2. the bank's Charter
3. information on the financial operations of the bank
4. document on the establishment of the representative office
5. name and headquarters of the representative office
6. activities of the representative office
7. program of representative office's operations
8. information on the senior employees of the representative office
9. authorization of the person responsible for the activities and representation of the representative office
10. certified statement from the bank that confirms the bank's willingness to take over all the liabilities resulting from the operation of the representative office.

In the context of this Law, a representative office is an organizational part of the bank where banking business is not conducted. Presentations, collection and provision of data are the operations of a representative office.

A decision regarding the issuance of authorization according to the request from this Article paragraph 2 the Agency shall issue in 60 days from the day that the request was received.

Article 6

Banks can form independent bank associations as non-profit voluntary associations.

Bank association's statute must ensure that banks cannot sign any contract with other banks or associations, which limits the principle of the free market and transparent competition in banking business.

Article 7

A bank with headquarters outside the Republika Srpska shall be permitted to receive money deposits or to extend credits for its own account in the Republika Srpska through a branch office authorized by the Agency pursuant to Articles 84 and 85 of this Law.

In its request to open a branch office, the bank needs to provide a certified statement that confirms the bank's willingness to provide guarantees, with all of its assets, for the liabilities created in the operation of the bank's branch office.

In the context of this Law, a bank's branch office is organizational part of the bank with the payment system legal authorization, as defined in the bank's Charter.

III - LICENSING AND AUTHORIZATION

Article 8

Banking licenses shall be issued by the Agency.

Request for issuance of the banking license shall be submitted by the founders and shall be accompanied by the following information and documents:

1. founding contract signed by all founders, draft of Charter, and other founding documents, as directed by the Agency;
2. the qualifications and experience of the Supervisory Board and Management of the proposed bank;
3. the amounts of capital stock and other forms of bank capital ;
4. a list of owners of the bank;
5. data relevant to judge on soundness of the bank founders.

Article 9

The Agency shall issue its decision on the bank licensing based on the application from the Article 8 of this Law within 60 days upon receipt of such an application.

The Agency's decision refusing to license a bank or imposing conditions or limits in connection with such license shall include a written explanation of such refusal or such conditions and limits imposed.

A complaint against the decision from paragraphs 1 and 2 of this Article may be submitted to the Agency Management Board within 8 days upon the receipt of the decision.

Article 10

The banking license is a condition for registration at the Court Register.

The Agency shall grant a banking license only if an amount of the bank's capital stock from Article 22 of this Law has been paid in and if it is confident that:

1. the bank will comply with the provisions of this Law and projections for the future financial condition of the bank are documented;
2. the Supervisory Board and Management of the bank shall have university education and experience appropriate for the licensed banking activities, and shall have not been prosecuted or sentenced by the court;
3. all holders with the Significant Ownership Interest are of sufficient financial capability, and suitable business background.

In the case of an applicant who is a legal entity, the criteria of Paragraph 2, items 2 and 3 of this Article shall also apply to any Supervisory Board and Management official and persons with significant voting rights.

In the context of this Law, members of the Supervisor Board and Management are employees who have special responsibilities and authorities in accordance with the Charter of the bank.

The Agency shall prescribe the mode of paying-in bank capital stock.

Article 11

Bank having its headquarters outside Republika Srpska may be licensed to open a branch or a Subsidiary in Republic Srpska only if such a bank has a banking license issued by an institution authorized for bank licensing and supervision.

Article 12

Banking licenses pursuant to Article 11 of this Law shall be granted by the Agency only upon consultations with the authorities licensing and supervising the founder bank concerned, and after receipt of the founder bank examination report.

Article 13

In event of tight connections between the bank and other individuals or legal persons, the Agency shall license the bank only if such connections represent no obstacle for a successful implementation of the Agency's functions.

Pursuant to definitions of this Law such tight connections represent relationships between related persons as stipulated by the Agency.

Article 14

The Agency shall also refuse both a banking license or an authorization if the laws, regulations or administrative provisions referring to banks' headquarters outside the Republika Srpska prevent or make it difficult to exercise effectively its supervisory functions.

The Agency shall have an authorization and a duty to request banks' information necessary to monitor compliance with the conditions referred to in Paragraph 1 of this Article.

Article 15

A bank shall obtain the status of a legal entity upon entry into the Court Registry.

An application for registration in court register shall be submitted within 30 days, as latest, starting from the date when the Agency issues a banking license.

Organizational units of the bank shall be entered into the Court Registry, in accordance with the provisions on court registration.

Article 16

Banking licenses shall be granted for an indefinite period of time and shall not be transferable.

The banking license shall specify the banking activities to be performed by such a bank. All banks licensed by the Agency shall be required to meet the membership criteria for deposit insurance in order to maintain their banking license.

Article 17

A branch of a foreign bank has the status of legal entities and must obtain an authorization.

Article 18

The Agency shall maintain a separate register and enter for each registered bank the name, addresses of the bank and its units and keep documents listed in paragraph 2 of the Article 32 of this Law.

Entries and other information concerning former banks whose banking licenses have been revoked shall be removed from the register.

Data from the register of banks shall be published.

Article 19

The Agency may revoke banking license or authorization in following cases:

1. upon a request of the bank pursuant to the Article 20 of this Law;
2. following an infraction pursuant to Article 123 of this Law;
3. following the report of a Provisional Administrator pursuant to Article 113 of this Law;
4. the license or the authorization has been obtained on the ground of false statements;
5. the bank has not submitted an application for registration in the court register within stipulated term, or has not started performing banking activities within ninety (90) days after its registration in the court register, or the bank has not been receiving money deposits or extending credits for more than six months;
6. a merger, amalgamation or division of the bank has occurred;
7. the amount of bank capital and reserves is lower than required minimum stipulated by the Law and the regulation of the Agency;
8. the bank's owners have decided to liquidate the bank, or the bank has ceased to exist as a legal entity;
9. failure to meet the membership criteria for deposit insurance;
10. the bank has not provided for the Agency or other authorized institution to supervise or audit the bank.

A complaint against the Decision on revoking banking license or authorization may be submitted to the Agency Management Board within eight (8) days upon the receipt of such Decision.

Article 20

Bank may request the Agency to revoke its banking license.

The Agency shall take decision based on the request from the paragraph 1 of this Article and submit such a decision to the bank within sixty (60) days, as latest, upon the request receipt date.

Decision on revoking the bank's request from the paragraph 1 of this Article shall be explained by the Agency.

A complaint against the Decision from the Paragraph 2 of this Article may be submitted to the Agency Management Board within eight (8) days upon the receipt of such Decision.

Article 21

Based on the Decision from the Article 19 of this Law, the Agency shall determine the date for revoking banking license or authorization.

The Decision on revoking banking license or authorization shall be published in the "Official Gazette of Republika Srpska" as well as in a local daily newspaper published in the territory of Republika Srpska, and a newspaper available in the Federation of Bosnia and Herzegovina and Brcko District.

The Agency must additionally inform the Central Bank of Bosnia and Herzegovina and the Deposit Insurance Agency of Bosnia and Herzegovina of any actions described in Article 19 of this Law.

Starting from the date on which banking license or authorization revocation comes into effect, as determined by the Decision from the Article 19 of this Law, the bank shall be prohibited from

engaging in any of the banking activities specified in the Article 87 of this Law, and such a bank shall be required to terminate Deposit Contracts in force, pay out its liabilities, and liquidate its assets. During conducting its affairs as described in paragraph 4 of this Article, the bank shall otherwise continue to be subject to the provisions of this Law as if it were licensed or authorized.

IV - CAPITAL AND OWNERSHIP OF A BANK

Article 22

The minimum amount of paid-in funds of a bank's founding capital and the lowest amount of net capital, which a bank must maintain, shall not be less than Convertible Marks fifteen million (15,000,000 KM).

No bank shall decrease its capital or deteriorate the structure of its capital by repurchase of shares without prior written authorization of the Agency.

Paid in Share Capital cannot be treated as such if the funds originate from:

- loan funds granted by the bank into whose capital the payment is being made;
- loan funds that another bank granted for some other purposes;
- loan funds, where the bank receiving capital is a guarantor.

If a connection is established between a loan user or its related entity and a loan granted and payment made to the bank's Paid in Share Capital or if a connection is made between a payment to the Paid in Share Capital and a loan granted, then such a payment to the bank's shareholders' capital has no legal effect whether payments were made on the same or a different day.

The Agency has a right to review cash flows in a bank, loan user and its related entity. Also, the Agency holds a discretionary right to decide whether payments to the Paid in Share Capital were performed in accordance with the Law and, in a case of Law violations, to deny such payment and exclude them from the Paid in Share Capital.

Provisions of this Article shall also apply to branch offices of foreign banks.

Article 23

No physical or legal person, alone or acting in concert with other persons, may acquire or significantly increase his voting rights in a bank over 10%, 33%, 50%, and 66.7% his capital ownership or the bank's voting shares without obtaining the approval from the Agency.

To obtain the authorization described in the paragraph 1 of this Article, the person involved must submit to the Agency a written request with data pertaining to his business operation, financial capability, and other information in compliance with the Agency's provisions.

The Agency shall respond to the request described in paragraph 2 of this Article within sixty (60) days upon the request receipt date.

Neither a political party nor a related legal entity of a political party can be a bank shareholder.

Article 24

No bank shall have, directly or indirectly, without prior written authorization of the Agency:

1. hold a Significant Ownership Interest in a legal entity or indirectly in a subsidiary of that legal entity that exceeds 5% of the bank's Core Capital, or
2. hold the aggregate net value of all Participation Interests of the bank in other legal entities and in subsidiaries of those legal entities to exceed the equivalent of 20% of the bank's Core Capital.

A bank cannot either directly or indirectly have a Participation Interest in a legal entity that exceeds 15% of the bank's Core Capital, and where the Participation Interest is in a nonfinancial entity the Participation Interest cannot exceed 10% of its Core Capital nor can the Participation Interest exceed 49% of ownership of the non-financial legal entity.

The total amount of all Participation Interests of a bank in other legal entities may not exceed 50% of its Core Capital, and where the total amount of all Participation Interests in other non-financial legal entities the total cannot exceed 25% of the bank's Core Capital.

Loans by the bank to legal entities that the bank has investments in shall be considered as investments for the limitations in this Article.

Neither a bank nor a Subsidiary may invest in any legal entity that is primarily engaged in the business of armaments, gambling, nor the selling or consuming of alcohol on its premises, nor make a donation or loan to any political party. In addition the Agency may by regulation or decision determine additional restrictions in investments or donations.

Article 25

The Agency may refuse to authorize an acquisition or increase of a Significant Ownership Interest in a bank in any of the following cases:

1. uncertain financial condition of the applicant;
2. lack of competence and experience of applicants, such that the interests of the bank or its depositors could be threatened;
3. granting such authorization would lead to breach of requirements of the Article 88 of this Law; or
4. the applicant submitted unreliable information or information not complying with the provisions of this Article or regulation of the Agency, or refused to submit information required by the Agency to make a decision on the application.

Article 26

If the applicant from the Article 23, paragraph 2 of this Law is a legal entity, the criteria in Article 25 of this Law shall also apply to every Supervisory Board and Management official or holder of Significant Ownership Interest in this legal entity.

Article 27

In event of applications submitted by institutions involved in multilateral loans or regional development and in case of acquiring non-voting shares, the Agency may give an approval not to apply specific conditions and limitations stipulated by Articles 23 through 26 of this Law.

Article 28

Status changes in a bank such as mergers, amalgamations or divisions shall require prior written authorization of the Agency.

To obtain authorization for a status change, the bank must submit to the Agency an analysis of the economic justification and a plan of operation of the resulting bank or banks, in accordance with the Agency regulations.

Status changes found to be inconsistent with the provisions of paragraphs 1 and 2 of this Article will not have legal effect.

Article 29

The Agency may refuse authorization of the status change of a bank if it is expected that the resulting bank would not be able to meet requirements regarding its capital, Supervisory Board and Management and depositors' protection.

Article 30

The Agency is required to refuse authorization of the status change of a bank if such a change would prevent or impede successful implementation of the Agency's supervisory functions.

Article 31

Bank shall apply for the Agency's approval on the following:

1. Change of the Bank Charter and the Bank By-Laws,
2. Founding of a bank or any bank offices outside the territory of Republika Srpska,
3. Change in the bank title and address,

The Agency shall make decision on such an approval within 60 days upon the application receipt date.

Article 32

The Charter of a bank shall specify: the bank headquarters, organizational structure and business operation, authorizations, mode of operation of the bank's bodies, amount of founders' capital and other types of the bank's capital; types, number and nominal value of shares as well as voting rights related to shares and methodology in issuing the bank's general acts.

Bank is required to submit to the Agency a certified copy of the Charter and other general acts of the bank, a list of the bank officials authorized to assume responsibility on behalf of the bank with the stated limits of such authority as well as duly verified specimen signatures of such authorized officials.

The Charter, as well as modifications and amendments to the bank's Charter shall come into effect upon obtained approval of the Agency.

V - MANAGEMENT OF BANK

Article 33

Bodies of the bank are:

1. General Meeting of Shareholders;
2. Supervisory Board;
3. Management.

1. General Meeting of Shareholders

Article 34

The General Meeting of Shareholders of the bank shall be composed of shareholders.

The General Meeting of Shareholders shall normally be held in the place of the head office of the bank.

The General Meeting of Shareholders shall be chaired by its Chairman, who shall be elected at the beginning of the General Meeting of Shareholders session.

Upon proposal of the Chairman, General Meeting of Shareholders shall appoint a person in charge of the minutes, two shareholders who certify the minutes and appoint members of the General Meeting of Shareholders Voting Committee.

Chairman and members of Supervisory Board, and members of Management shall be present during General Meeting of Shareholders session.

In a bank with a single shareholder the authorities of the General Meeting shall be carried out by the shareholder.

Article 35

A General Meeting of Shareholders shall be held at least once a year.

Supervisory Board, except for the cases otherwise provided by this Law shall convene General Meeting of Shareholders.

Shareholder who was placed on the list of shareholders at the Registry 45 days before the date of the General Meeting of Shareholders session shall have voting rights in the General Meeting of Shareholders.

Bank shall cover expenses of the General Meeting of Shareholders session.

1.1 Convening the General Meeting of Shareholders

Article 36

Notification of the agenda, place, date and time of the General Meeting of Shareholders session shall be published in at least one of the daily newspapers published within the Republika Srpska, no later than 30 days before the date determined for the General Meeting of Shareholders session.

If the General Meeting of Shareholders session was convened out of the head office of the bank, notification provided by Paragraph 1 of this Article shall within the same time period be sent to each of the shareholders by registered mail, fax or electronic mail, to the address from list of shareholders provided by Article 35 Paragraph 3 of this Law.

1.2 Convening an Emergency General Meeting of the Shareholders

Article 37

A majority of members of the Supervisory Board may vote to hold an Emergency General Meeting of the Shareholders and may vote to hold this Emergency General Meeting of the Shareholders in less than the 30 days required in Paragraph 1 from Article 36.

However, every shareholder must be notified of the emergency General Meeting of the Shareholders, including its purpose and the proposed Agenda in the manner provided in Article 36. The Emergency General Meeting of the Shareholders may only be held if shareholders holding an aggregate total of 75% of the outstanding shares are represented and are available to vote. Further, any action taken at the Emergency General Meeting of the Shareholders must be approved by two thirds of the number of shares represented.

1.3 Decision Making

Article 38

Shareholder or group of shareholders with at least 5% of the total number of shares with voting rights, shall have right to propose in writing amendments to the agenda and the proposal of the decisions of the General Meeting of Shareholders no later than eight days from the day of publication of notification provided by Article 36 Paragraph 1 of this Law.

Supervisory Board shall publish notification on shareholders' proposal provided by Paragraph 1 of this Article in the same manner as notification on convening the General Meeting of Shareholders as provided by Article 36 Paragraph 1 of this Law.

Supervisory Board shall not publish the proposal provided by Paragraph 1 of this Article if proposal is:

1. illegal or contrary to provisions of the Charter of bank;
2. based on inaccurate and incomplete data or containing such a data;
3. the same proposal was discussed at the General Meeting of Shareholders at least two times in the last 5 years and was not supported by other shareholders with more than 5 % of the total number of shares with voting rights;
4. person who gave proposal announced that he/she will not be present at the General Meeting of Shareholders.

Costs of publication of individual proposals provided by Paragraph 1 of this Article that contain up to 100 words shall be covered by bank, and for longer proposals, by the person who gave the proposal.

Article 39

Request for convening the General Meeting of Shareholders may be submitted by:

1. shareholder or group of shareholders with more than 10% of the total number of shares with voting rights;
2. two members of the Supervisory Board;
3. Audit Board.

Request for convening the General Meeting of Shareholders, with proposal on its agenda, shall be submitted to the Supervisory Board in written form.

If Supervisory Board, within 45 days from the day the request is submitted, fails to publish notification on convening the General Meeting of Shareholders session in a manner provided by Article 36. of this Law, person who submitted request is authorized directly to convene the General Meeting of Shareholders session in the same manner and shall inform the Agency about that in writing.

Persons provided by Paragraph 1. of this Article are authorized directly to convene the General Meeting of Shareholders session in case if the General Meeting of Shareholders had not been convened six months after expiration of period for making of annual report.

Article 40

General Meeting of Shareholders may make decisions only if shareholders with more than 50% of the shares with voting rights are represented in person or through representative.

If upon expiration of 60 minutes from the set time of commencement of the General Meeting of Shareholders quorum is not reached for decision making provided by Paragraph 1 of this Article, General Meeting of Shareholders shall be postponed, and the Supervisory Board shall not earlier than 15 and no later than 30 days from initially set up date for convening it publish notification on reconvening the General Meeting of Shareholders.

In case provided by Paragraph 2 of this Article quorum shall be made of one third of the shares with voting rights.

Article 41

General Meeting of Shareholders of bank shall make decisions on:

1. establishment of bank's Core Capital through the issuance or increase of Common Shares and the issuance or increase of Preferred Shares.
2. increase and decrease of the registered capital;
3. annual financial report, with the reports of external auditors, Supervisory Board and the Audit Board;
4. distribution of profit and payment of dividend;
5. manner of loss coverage;
6. consolidation with other enterprises and merger of other enterprises by the bank, except for consolidation or merger of Subsidiaries ;
7. division and termination of the bank;
8. purchase, sale, exchange, leasing and other transactions with property, directly or through Subsidiaries within business year, in the extent that exceeds one third of the bookkeeping value of property of the bank;
9. sale and purchase of property with accounting value between 15% and 33% of the total existing property of the bank, if such a transaction is not previously approved by unanimous decision of Supervisory Board;
10. election and removal of the members of Supervisory Board on individual basis
11. establishment, reorganization and liquidation of Subsidiaries, and approval of their respective statutes;
12. compensations for the members of Supervisory Board and Audit Board; and
13. the Statute and amendments of statute;
14. other issues important for business operation of the bank, in accordance with the Law and statute of the bank.

Article 42

Shareholder shall have right, from the day of publication of notification on convening the General Meeting of Shareholders in the bank premises, to review the financial statement, with the reports of external auditors, Supervisory Board and Audit Board as well as other documents that concern proposal of the decisions placed on the agenda of General Meeting of Shareholders.

Article 43

General Meeting of Shareholders shall make decisions by majority of shares with voting rights, except for the issues mentioned in Article 41, and items 2, 6, and 13. of this Law on which decisions are made by two third majority of represented shares with voting rights.

On the reports provided by Article 41, item 3 of this Law, the General Meeting of Shareholders shall give its decision no later than six months from the end of business year.

Article 44

Voting within General Meeting of Shareholders shall be conducted through ballot papers that shall contain name or company name of the shareholder and the number of votes on his/her disposal.

Voting shall be conducted by circling on the ballot paper responses "for" and "against" proposal of the decision or the name of the candidate at the election of bodies of the bank.

The Voting Committee shall determine results of voting.

1.4 Decision Making Through Proxies

Article 45

Shareholders' proxy shall have authorization for representation by shareholders, signed by a shareholder – natural person or representatives of the shareholder-legal person.

The signed proxy must be certified.

Article 46

Proxy shall deliver to the Voting Committee a written authorization for representation of the shareholders.

Voting Committee shall check validity of authorization and identity of the representative.

Article 47

If a shareholder or his authorized representative, within seven days from the day of General Meeting of Shareholders session, deliver certified statement of the shareholders to the Voting Committee, public document or other verifiable evidence that denies validity of authorization to the Voting Committee, it shall declare votes based upon such an authorization to be invalid and inform the Supervisory Board on that in writing.

Supervisory Board shall suspend enforcement of the decision, passing of which was decisively influenced by invalid votes and it shall convene the General Meeting of Shareholders for repeated decision making on these issues no later than 30 days from the day of receipt of notification of the Voting Committee on invalid votes.

1.5 Minutes of General Meeting of Shareholders

Article 48

Minutes shall be made of the work of the General Meeting of Shareholders and it shall contain:

1. company name and address of the head office of the bank;
2. place and time of the General Meeting of Shareholders session
3. first name and family name of the Chairman, person in charge of minutes, persons in charge of certification of minutes and members of Voting Committee;
4. agenda;
5. decisions;
6. data on voting;
7. objections of shareholders and members of Supervisory Board to the General Meeting of Shareholders decisions.

Minutes shall be accompanied with proposals in writing and the reports submitted to the General Meeting of Shareholders.

Supervisory Board shall ensure that the minutes be made no later than 30 days from the day of convening the General Meeting of Shareholders.

Minutes shall be signed by chairman of the General Meeting of Shareholders, person in charge of minutes and the persons who certify minutes.

Shareholder may request that the copy of minutes or excerpt from minutes be delivered to him for all the General Meeting of Shareholders sessions.

Article 49

Bank shall maintain minutes of the General Meeting of Shareholders for an indefinite period, evidence on presence and voting of shareholders, notifications and invitations for the General Meeting of Shareholders.

Liquidator shall ensure maintenance of documents provided by Paragraph 1 of this Article at least 10 years after termination of the bank.

1.6 Protection of Minority in Decision Making and Challenging the General Meeting of Shareholders Decisions

Article 50

If the General Meeting of Shareholders rejects proposal of shareholders with more than 20% of the shareholders with voting rights for appointment of an external auditor for extraordinary examination of all the issues that relate to establishment and business operation of the bank within last five years, external auditor shall be appointed by the Agency.

Article 51

Decision of the General Meeting of Shareholders shall be null and void if:

1. General Meeting of Shareholders was not convened in a manner determined by Article 36 of this Law;
2. was not entered into minutes;
3. nullity is determined by a court decision.

Article 52

Procedure for challenging and termination of the General Meeting of Shareholders decision, with the court at which the bank was entered into court register may be initiated by:

1. shareholders representing a minimum of 33% ownership and who attended the General Meeting of Shareholders, whose objection to the decision was not entered into minutes, or was not entered correctly;
2. a shareholder who was not present at the General Meeting of Shareholders due to convening the General Meeting of Shareholders contrary to the provisions of the Article 36 of this Law;
3. Supervisory Board and Management and each member of Supervisory Board and Management, if enforcement of the decision would constitute an economic offense or crime or create damage to the bank.

Procedure provided by Paragraph 1 of this Article may be initiated no later than 60 days from the day of General Meeting of Shareholders session.

Within procedure provided by Paragraph 1. of this Article, a bank shall be represented by the Director or other member of Management, upon authorization by Director.

If the plaintiff is Management member, bank shall be represented by a person appointed by Supervisory Board, and if plaintiffs are the Supervisory Board and Management or the members thereof, the court shall appoint representative for bank, if not appointed by General Meeting of Shareholders.

2. Supervisory Board

Article 53

Supervisory Board shall be composed of a Chairman and at least four members, with a maximum of six members appointed and removed by the General Meeting of Shareholders, provided that entire number of members of the Supervisory Board is odd, including the Chairman.

Chairman and members of Supervisory Board shall be appointed simultaneously for the period of four years.

The same person may be appointed as Chairman or member of Supervisory Board several times without limitations.

Chairman and members of Supervisory Board shall be entered into the register maintained with the Agency.

Article 54

Following persons may not be Chairman or member of Supervisory Board:

1. person convicted for crime or economic offense within the economic and financial crime scope;
2. person who, pursuant to the court decision, was denied to conduct activities within competence of Supervisory Board; and

3. person older than 70 years of age on the day of appointment.

Article 55

A shareholder or a group of shareholders with at least 5% of the shares with voting rights may nominate candidate for member of Supervisory Board.

Each proposal provided by Paragraph 1. of this Article shall be submitted in writing, no later than eight days from the day of publication of notification on convening the General Meeting of Shareholders that has on its agenda issue of election of the Chairman and members of Supervisory Board.

Each proposal provided by Paragraph 1. of this Article that was delivered to the Supervisory Board before publication of notification from Article 36 of this Law, shall also be delivered to the shareholders, accompanied with other materials.

Candidates for Chairman and members of Supervisory Board shall before voting give statement in writing on their acceptance of nomination.

Article 56

The Chairman and members of Supervisory Board shall be elected by voting, in accordance with Article 44 of this Law, provided that each shareholder may cast one vote for each share with voting rights. Each shareholder with voting rights may cast all votes for one person or distribute their votes to more than one person.

Each shareholder shall receive a ballot that sets out at the top the number of votes entitled to be exercised as set out in paragraph 1 of this Article.

The candidate that wins greatest number of votes shall be declared Chairman by the General Meeting of Shareholders, while candidates with the second greatest number of votes shall be declared members of Supervisory Board.

If they receive an equal number of votes, the Supervisory Board can select the Chairman from among themselves.

Article 57

Chairman and members of Supervisory Board shall enter into employment contracts with the bank that is subject to approval by the General Meeting of Shareholders.

Each employment contract shall be signed on behalf of the bank by its Director, in accordance with General Meeting of Shareholders approval.

Article 58

Chairman and members of Supervisory Board in the first mandate shall be elected at the founding General Meeting of Shareholders in accordance with provisions of Articles 55 and 56 of this Law.

Article 59

Director and members of Management of the bank may not be appointed Chairman and member of the Supervisory Board in that or any other bank in Bosnia and Herzegovina.

Elected officials and all employees of the State, Entity, and Municipal Governments and their respective Institutions may not serve as members of the Management of any bank while so employed.

Elected officials, Ministers and Deputy Ministers of State, Entity, and Municipal Governments and their respective Institutions may not serve as members of the Supervisory Board of any bank while they are so employed and for a period of one year thereafter.

All employees of the State, Entity, and Municipal Governments and their respective Institutions who serve as members of a Supervisory Board of any bank must refuse and refrain themselves from involvement in any discussions or decisions within the government having to do with the bank for which they are a member of the Supervisory Board.

A person or a legal entity's duly authorized representatives, cannot serve as Chairman or member of a Supervisory Board of more than one bank concurrently, unless that person or that legal entity owns more than 50% of shares of each bank.

The same person may not be appointed simultaneously Chairman or member of the Supervisory Board in more than three banks.

Article 60

A session of Supervisory Board shall be held when necessary, and at least once a quarter.

Chairman of Supervisory Board shall convene session of Supervisory Board.

Chairman of Supervisory Board shall convene the session upon request of the Director of the bank or two members of the Supervisory Board, no later than 14 days from the day of submission of the request, otherwise person who submitted the request shall be authorized for convening the session. However, provided that all members of the Supervisory Board are invited, and the invitation is accompanied by an Agenda and material for each item on the Agenda, a majority of members of the Supervisory Board may convene an emergency session within three days of the vote to convene such emergency session of the Supervisory Board. All provisions of Article 62 apply to emergency meetings of the Supervisory Board.

Article 61

Written invitation for the session of Supervisory Board, in which place and date of session, time of its commencement and the agenda of session shall be delivered to the members of Supervisory Board no later than 7 days before the date of holding of the session.

Invitation for session shall be accompanied by the materials for each of the items on the agenda.

Article 62

For holding the session of the Supervisory Board quorum of majority of the entire number of members is required.

Supervisory Board shall issue its decisions by majority of votes of the entire number of members.

Chairman and member of Supervisory Board may not vote on the issues that relate to himself/herself personally.

Persons who are not members of Supervisory Board may be present at the session only based upon written invitation by Chairman of the Supervisory Board.

Article 63

Supervisory Board of the bank shall be competent to:

1. supervise business operation of the bank;
2. supervise work of administration;
3. adopt report of administration on business operation upon semi-annual balance sheet, profit and loss statement, annual balance sheet and internal and external audit reports;
4. submit an annual report to the General Meeting of Shareholders on business operation of the bank, which shall include internal and external audit reports, report on work of the Supervisory Board and the Audit Board, as well as plan of business operation for the following business year;
5. appoint Management of the bank;
6. appoint external auditor;
7. propose distribution and manner of use of profit and manner of loss coverage;
8. approve purchase, sale, exchange, leasing and other property transactions by property, directly or through Subsidiaries during the business year to the extent ranging from 15% to 33% of the accounting value of the entire property of the bank;
9. insure that appropriate internal controls for the bank are established and maintained;
10. insure that appropriate internal and external audits are performed;
11. establish provisions for loan losses to be expensed; establish necessary reserves out of net profit of the bank; and declare dividends;
12. appoint chairmen and members of the committee for compensation and the committee for appointment;
13. establish ad hoc commissions and determine their composition and tasks;
14. convene the General Meeting of Shareholders;

15. approve issuance of new shares of the existing class in the amount up to one third of the sum of nominal value of the existing shares and determine amount, time of sale and price of these shares, that may not be lesser than average market value of the existing shares of the same class in 30 consecutive days prior to the day of decision making;
16. approve internal by-laws, business and other policies and procedures; and
17. decide on issues not specifically covered in other authorities.

Article 64

Chairman and members of Supervisory Board shall carry out their commitments and responsibilities in accordance with the interests of the shareholders and bank and may not perform activity that would compete with activities of the bank without advise and consent of other members of Supervisory Board.

Chairman and members of Supervisory Board shall upon proposal of the emission of new or purchase of its own shares of bank and other securities announce all the important data relating to business operation of the bank.

Chairman and member of Supervisory Board shall report to the Supervisory Board on each personal interest within the legal person, with which bank has or intends to enter into business relationship.

In case provided by Paragraph 3 of this Article, Chairman and member of Supervisory Board may not make decision on issues that concern relations of bank and other legal persons in which Chairman and member of Supervisory Board shall have direct or indirect financial interest.

Article 65

If Chairman or a member of Supervisory Board act contrary to the provisions of the Article 64 of this Law, bank shall have right to claim compensation of damage caused by that.

Bank may forfeit the claims provided by Paragraph 1 of this Article upon expiration of three years from the day of raising request for compensation, if the General Meeting of Shareholders consent to resignation, provided that no objections of the shareholders who possess at least 10% of the shares with voting rights.

Article 66

Chairman and members of Supervisory Board shall be either individually or jointly and severally liable for damages caused by failure to comply or irregular compliance with their duties.

Article 67

Chairman and members of Supervisory Board shall have right to request all the data on business operation and presence of the Management members to the sessions of Supervisory Board.

Chairman and members of Supervisory Board shall have right to be present to the sessions of the Management of the bank.

3. Management

Article 68

Management shall organize work and direct business operation.

Management of the bank shall consist of Director and Executive Directors as well as the Deputy Director who may be appointed at the discretion of the Supervisory Board.

Article 69

Director shall preside over Management, direct business operation, represent bank and be responsible for legality of business operation.

The term in office for the Director shall be 4 years, which may be renewed without any limitation as to the number of terms.

Position, authorities and rights of the Director shall be regulated by contract between Supervisory Board and Director.

The Director cannot be appointed without the prior approval of the Agency.

Article 70

Deputy Director shall substitute for the Director in case of his/her absence, and if the bank has no Deputy Director appointed, the Director shall authorize in writing one of the Executive Directors to substitute for him and determine his/her authorities.

Executive Directors shall organize work, represent bank and shall be responsible for the legality of business operation in businesses and their scope defined by written act of the Director.

Executive Directors shall be appointed and removed by Supervisory Board upon proposal of the Director, for the period for which Director was appointed.

Salary and other material rights of the Executive Director shall be regulated by contract between the Director and Executive Director, upon prior approval of the Supervisory Board.

Article 71

Director, Deputy Director and Executive Directors shall report to Supervisory Board each direct or indirect interest within the legal person with which bank has or intends to enter into business relationship.

In case provided by Paragraph 1. of this Article, Director, Deputy Director and Executive Director may participate in such a business relation based upon written consent of the Supervisory Board.

Article 72

In any case when the Director is removed, resigns, dies, or is ill or otherwise absent from his/her duties without the prior approval of Supervisory Board for a period of more than thirty consecutive calendar days, the Supervisory Board must confirm the Deputy Director in this position or appoint an interim Director to serve until such time as the Supervisory Board appoints a new Director.

The Interim Director may serve a maximum period of ninety days without having to obtain the approval of the Agency.

Prior to the expiration of ninety days the Supervisory Board must either submit an application for approval for Director of the bank to the Agency or an application for extension for another ninety days for approval for the Interim Director from the Agency. The Agency has 45 days to act on this application. Thereafter if the application for an extension for the Interim Director is not approved by the Agency or if no Director has been appointed by the Supervisory Board and approved by the Agency, the Agency shall appoint a Provisional Administrator.

Article 73

Bank shall have its Secretary, appointed by Supervisory Board, upon proposal of the Director of bank, serve for the same period for which the Director has been appointed.

Salary and other material rights of the Secretary shall be regulated by contract between the secretary and Supervisory Board, upon Director's proposal.

Article 74

Secretary is responsible for maintaining the register of shareholders, register of minutes of General Meeting of Shareholders and Supervisory Board and keeping documents determined by this Law and statute of bank, except for financial reports.

Secretary shall be authorized for carrying out decisions of the General Meeting of Shareholders, Supervisory Board and the Director.

Secretary shall be responsible for preparation of sessions and maintaining minutes of the General Meeting of Shareholders and Supervisory Board.

4. Audit Board

Article 75

Bank must establish an Audit Board appointed by the Supervisory Board.

The Audit Board shall consist of five members appointed for terms of four (4) years.

Members may be reappointed.

The Audit Board must have all oversight responsibilities for the conduct and employment of an external audit firm to prepare the annual audited financial statement.

The Audit Board will present the completed annual audited financial statement to the Supervisory Board and to the General Meeting of Shareholders.

The Audit Board must also supervise all internal audit activities including the oversight of the annual balance sheet and auditing of financial business operation of bank upon request of shareholders with at least 10% of the shares with voting rights, and deliver a report on that to the General Meeting of Shareholders and Supervisory Board, no later than eight days from the completion of auditing.

Article 76

Chairman and members of Audit Board may not be appointed from the group that includes the Chairman or members of Supervisory Board and must not be members of Management or staff within the bank, nor may he/she have direct or indirect financial interest in the bank, except for the compensation based upon conduct of that function.

Compensation and other rights of the members of the Audit Board shall be regulated by contract based upon the decision of the General Meeting of Shareholders.

The Audit Board reports directly to the Supervisory Board.

Article 77

The Audit Board is responsible for implementing the decisions of the General Meeting of the shareholders concerning the selection and engagement of the external auditor.

Article 78

The Audit Board shall be authorized to request convening the session of Supervisory Board and the General Meeting of Shareholders when it considers that the shareholders interests are threatened or when it determines irregularities in work of the Chairman or members of Supervisory Board, Director or Executive Directors.

Article 79

The Internal Auditor is responsible for identifying, monitoring and assessing risks in the operations of a bank and determining whether the system of internal control that is in place makes sure that those risks are managed in the manner that the risks are mitigated in an acceptable measure.

In performing his/her responsibilities, the Internal Auditor shall have authorities for unrestricted and unimpeded work and he/she is obliged to cooperate with the Audit Board of a bank.

The Internal Auditor reports directly to the Audit Board. However, in cases of major unresolved disputes, the Internal Auditor will notify the Supervisory Board and the Supervisory Board must resolve the dispute.

Supervisory Board appoints the Internal Auditor.

Salary and other material rights of the Internal Auditor shall be determined by the contract signed by the Supervisory Board and the Internal Auditor.

Article 80

The Director of a bank shall be responsible for the legality of the bank's operation and implementation of the adopted bank's business policy.

The Chairman and all members of the Supervisory Board, the Director, the Deputy Director and the Executive Director of the Loan Department of a bank cannot be appointed without the previous agreement of the Agency.

The bank's Director shall not be:

1. a member of the Supervisory Board of the same bank or some other bank that is registered in Republika Srpska, except if that bank has a close relation with the bank of which he is a Director.
2. person who, in accordance with other laws, is not eligible for a bank's director;
3. person who is or was appointed as a director or a deputy director of the Agency in the previous period of two year except in cases when such a person is approved by the Agency Management Board;

The bank's Director shall:

1. represent the bank and act as its agent;
2. execute decisions of the Assembly, the Audit Board and the Supervisory Board of the bank;
3. organize and manage the bank's operation;
4. decide on all matters which are not in the jurisdiction of the Assembly, the Audit Board or the Supervisory Board of the bank;
5. perform other functions in keeping with the law, the bank's by-laws and its general acts.

Article 81

Individuals appointed as members of Management of a bank cannot be older than 65 and must meet all requirements set by the Agency's regulations and general acts of the bank".

Individuals appointed as Internal Auditor cannot be related by marriage or blood up to the third degree of consanguinity to any member of the Supervisory Board, Management or any person who holds a Significant Ownership Interest.

If the Agency rejected a request to approve an individual, in accordance with Article 80 of the Law, the bank cannot file another request for the appointment of that individual for the same position until the reasons stated in the Agency's Decision on rejection of giving an Agreement are eliminated.

Article 82

The Supervisory Board, Management and members of their immediate family who are living in the same household, or have joint investments are each required to file a signed disclosure statement, within thirty calendar days of Supervisory Board or the Management member concerned assuming position.

This disclosure statement will describe all assets, including information on all of the investments, any loans or credits of over 20,000 KM, and information on legal entities for which 5% or more of shares or equities with voting rights is owned, as well as any other information required by the Agency.

The form of the Disclosure Statement will be promulgated by the Agency. Each person, who is required to file a disclosure statement hereunder, must also file an annual update of this disclosure statement with the Agency as of the first day of each calendar year.

Article 83

The Supervisory Board, Management, and all employees, as well as any person engaged to work in the bank on any basis, shall be required to keep business secret, and not to use for personal gain or permit to be examined by others, any information that they obtained in the course of their services to the bank, except to the Agency, which includes inspectors and auditors appointed by the Agency and except to such other institutions as the Law shall provide.

Persons from Paragraph 1 of this Article shall be required to keep business secrets even after the completion of their engagement in the bank i.e. upon expiration of their official mandates.

Article 84

Bank's branch or representative office shall be established only upon a written authorization of the Agency.

The Agency may refuse the request of a bank to establish a unit on the following grounds:

1. the staff, premises and equipment of the proposed office do not meet regulatory requirements stipulated by the Banking Agency;
2. the bank's operation or financial condition of the applicant bank indicates that foundation of such a unit is not in the interest of the bank's depositors.

Article 85

The mode of business operation and the supervision of a bank's units in Republika Srpska as well as of banks having their headquarters outside of Republika Srpska shall be regulated by a separate enactment of the Agency.

VI - BANK'S OPERATION

Article 86

A bank is required to conduct its operations in accordance with the law, regulation stipulated by the Agency, any conditions and restrictions provided by its banking licenses, as well as with appropriate business operations and accounting principles and standards.

A bank shall continuously maintain adequate capital, i.e. solvency, and a required level of liquid assets, i.e. payment and lending capability, and shall ensure that their assets are diversified.

In the context of this Law, diversification shall include the expansion of assets by investing and lending funds to various different legal persons.

Article 87

Banks may only engage in the following activities:

1. receiving money deposits or other monetary funds;
2. making and purchasing of loans and financial leasing;
3. issuing all forms of guarantees;
4. participating in, buying and selling of money and capital market instruments for its own and others' account;
5. providing payment system and money transfer services;
6. buying and selling foreign currencies;
7. issuing and administering means of payment (including credit cards, travelers' checks and bankers' drafts);
8. safekeeping and administration of securities and other valuables;
9. providing financial management services;
10. purchase and sale of securities;
11. other business operation stemming out of the previously listed ones.

Article 88

Banks shall refrain from entering into transactions or engaging in practices of any kind representing unfair competition in the financial market.

Article 89

The Agency holds the right to regulate fees charged by banks in events of banks' misunderstandings related to the fees height, or other unfair business performance that is not in compliance with the Agency's regulations.

Article 90

Bank shall observe levels of limitations and risks concerning its balance sheet and off-balance sheet items, assets, capital and its structure, as stipulated by the Agency.

Regulations pertaining to the paragraph 1 of this Article determine minimum requirements and standards regarding the following issues:

1. liquidity management;
2. loan risk exposure;
3. assessment of quality and classification of assets and reserves which shall be established by the bank based on such classification, conditions under which they are calculated, where uncollected interest for bad loans shall not be considered as an income of any bank;
4. imposing prohibitions, restrictions and conditions in connection with types and forms of loans and investments, adjustments of maturity and interests regarding assets and liabilities, foreign currency sub-balance sheet items without back up and other.

The bank shall maintain its equity and net capital in accordance with Article 22 of this Law, which shall be equivalent of not less than 12% of the total value of its risk assets whereby not less than 1/2 of regulatory capital shall consist of core capital.

The values of the capital, equity capital and weighted assets shall be determined in accordance with the provisions issued by the Agency.

Article 91

Maximum credit risk exposure of a bank regarding a single borrower or a group of related borrowers shall not exceed the equivalent of 40% of the bank's core capital applying the following schedule and additional restrictions:

1. the maximum amount of unsecured credit to a single borrower or a group of related borrowers shall not exceed the equivalent of 5% of the bank's core capital;
 2. any amount of credit to a single borrower or a group of related borrowers exceeding the equivalent of 25% of the bank's core capital must be fully secured by a good quality collateral, as determined by reliable and continuously available price quotations, which shall exceed the amount of such a credit;
- Large credit exposure means a total credit risk of a bank regarding a single borrower or a group of related borrowers amounting to more than the equivalent of 15% of the bank's core capital, while the bank's total aggregate [principal outstanding amount of all] large credit risk exposure shall not exceed the equivalent of 300% of the bank's core capital.

Two or more borrowers shall be considered to be a "group of related borrowers" when, due to their mutual relationships, bank's exposure to this group represents a unified credit risk exposure of the bank under such conditions as stipulated by the Agency.

Article 92

If a bank is a depository bank that receives payments of public revenue funds, the bank must either:

- a) transfer 50% of those daily balances, in cash, at the close of each business day to a special reserve account that each depository bank must establish in the Main Bank of the Republika Srpska under Central Bank of Bosnia and Herzegovina Law and regulations passed based on the Law; or
- b) fully collateralize the average daily balance with either domestic or foreign securities held by another third party bank acting as custodian. The accountholder, the bank, and the third party bank must enter into an agreement specifying the type of securities and that the securities must be held in the name of, or for benefit of, the accountholder and providing that the interest on the securities accrues to the bank. The securities must be sufficient to provide 100% coverage of the average daily balances. The securities may be substituted and traded upon the agreement of the accountholder so long as the securities continue to equal 100% of the average daily balance. Upon default, or should the bank be declared to be under provisional administration or bankrupt, the securities will belong to the accountholder. Otherwise if the accountholder closes the account, or the bank ceases to be a depository bank, the securities will be transferred back to the bank.

For the purpose of this Law "public revenue funds" are defined to be customs, taxes, fees, contributions, donations and other revenues belonging to the State, Entities, Cantons, and their respective ministries and institutions, as well as municipalities.

Article 93

A bank cannot hold from any one source, funds in an amount greater than 20% of its total daily deposits.

Should a bank receive cash from any one source that exceeds 20% of its total daily deposits then the bank shall, by the next business day, maintain the total excess amount in cash to the special reserve account established at the Central Bank of Bosnia and Herzegovina described in Article 92, Paragraph 1, Item a) of this Law.

For the purpose of the previous Paragraph "one source" is defined to be one legal entity, one physical person, or the total amount of all users of public revenue funds regardless of their level and number.

The bank is completely and independently responsible to perform special oversight of its depositors, especially those of public revenue funds.

Article 94

A bank is required to submit reports to the Agency on the basis of the provisions of Articles 92 and 93 of the Law in the form, content and within time limits as prescribed in a regulation promulgated by the Agency.

Article 95

No bank shall without a special permission of the Agency invest more than 50% of its Core Capital in fixed assets.

Article 96

No bank shall deposit funds in a Related Bank or make loans to or invest in such bank that in combination exceeds 25% of the bank's Core Capital, or 40% of Core Capital in the case of all such Related Banks.

Article 97

Documents and records on any completed transaction shall be kept on file by banks in accordance with law provisions.

Article 98

Bank shall regularly notify its customers of the terms and conditions regarding mutual business activities especially regarding deposits and credits disbursed to them, including the annual rate of interest.

Article 99

The bank is required to publish a notice listing all Dormant Deposit Accounts in at least three daily newspapers published in Republika Srpska and at least one in the Federation of Bosnia and Herzegovina and District Brcko every six months.

After a Dormant Deposit Account has been published at least twice by the bank as provided in Paragraph 1 of this Article, thereafter the Dormant Deposit Accounts and all records pertaining thereto shall be transferred to the Ministry of Finance of the Republika Srpska (hereinafter: the Ministry).

The funds shall be deposited into the budget of the Republika Srpska's special account opened for this purpose, pending proof of ownership by an accountholder.

At any time thereafter the accountholder may submit proof of ownership of the Dormant Deposit Account funds to the Ministry.

The Ministry shall review the evidence and if the proof is satisfactory return the money to the accountholder.

The Ministry shall issue regulations regarding procedures for claiming Dormant Accounts.

The Ministry is required to publish information of all Dormant Accounts once a year in three daily newspapers available in the Republika Srpska and at least one daily newspaper in the Federation and in Brcko District.

The Agency shall issue Regulations governing the accrual of interest and limiting the service charges that may be assessed on Dormant Deposit Accounts, until such time as they are transferred to the Ministry.

Once the Dormant Deposit Accounts have been transferred, the accountholder is not entitled to be paid any interest on this account.

Article 100

In conducting operations with persons related to the bank and in the name and in behalf of persons related to the bank, bank cannot offer to that person more favorable conditions than to any other person that is not related to the bank.

For the purposes of paragraph 1, persons related to the bank are especially considered to be:

1. The Chairman and members of the Supervisory Board, members of the Management, members of the Audit Board and members of their immediate family within the third degree of consanguinity or marriage, or persons who are living in the same household, or who have interconnected or joint investments;
2. Individuals with Significant Ownership Interest in the bank and members of their immediate family within the third degree of consanguinity or marriage, or persons who are living in the same household, or who have interconnected or joint investments;
3. Legal entities holding any common shares, preferred shares or any voting rights in the bank;
4. Legal entities in which the bank holds Significant Ownership Interest;

5. Legal entities in which Significant Ownership Interest is held by same legal or natural person holding Significant Ownership Interest in the bank;
6. Legal entities in which the holder of Significant Ownership Interest, a member of the Supervisory Board or Management is one of the persons mentioned under items 1 through 5 of this paragraph;
7. Related Entities, and the Related Entities of all Shareholders of the bank.

Bank cannot grant loans to its employees that are larger than the amount determined by the Agency's regulations.

Agency issues regulations ensuring implementation of limitations determined in provisions of Paragraphs 1-3 of this Article.

Article 101

No bank shall acquire, convert or transfer, or be instrumental in the acquisition, conversion or transfer of, money or other property if the bank knows or can reasonably expect that the money or other property are the proceeds of criminal activity or used for the financing of any criminal activities.

No bank shall engage in a transaction that the bank knows or can reasonably expect will constitute a money laundering offense as defined in the Law on the Prevention of Money Laundering.

No bank shall convert or transfer, or be instrumental in the acquisition, conversion or transfer of money or other property that the bank knows or can reasonably expect to be used in terrorist activity or for the support of people engaged in or supporting terrorism.

Each bank shall establish internal control and communication procedures in order to detect and prevent transactions involving criminal activities, money laundering, or those supporting terrorism described in paragraphs 1, 2 and three in this Article.

Each bank shall take reasonable measures to satisfy itself as to the true identity of any person seeking to enter into a business relationship with it, or carry out a transaction or a series of transactions with it, by requiring the applicant to produce an official document establishing the true identity of the person (ID card, driver's license, passport or other official means of identity) and, in case of a legal entity certificate of incorporation. Each bank shall take reasonable measures to establish whether the person is acting on behalf of another. If it appears that the person is acting on behalf of another person, the bank shall take reasonable measures to establish the true identity of such person.

Each bank shall also take reasonable measures to satisfy itself as to the true identity of any person, based on two documents (ID card and driver's license, or ID card and passport), seeking to carry out a transaction where the amount is 30,000 KM or greater, notwithstanding the number of transactions necessary to execute the transaction. The Supervisory Board, Management, and all employees shall have a duty to automatically report promptly to the Ministry of Finance – Prevention of Money Laundry Department all transactions that are 30,000 KM or greater as well as any other transactions or any other activity of the bank which he knows or can reasonably expect will violate the provisions of paragraphs 1, 2, or 3 of this Article and to provide such information as the Prevention of Money Laundry Department, Tax Administration, or the Agency shall request. Providing information pursuant to this Article shall not be regarded as a disclosure of professional secrets.

The Director of the bank will block deposit accounts and such other property and assets of natural persons and legal entities upon presentation of a written or faxed order issued by the Prevention of Money Laundering Department, or the Agency to do so.

Article 102

The Agency shall prescribe requirements to be met when opening an account with a bank having its headquarters outside Republika Srpska.

The Agency may also prescribe special requirements to be met by banks providing payment transaction services in accordance with regulations on payment transactions.

VII - ACCOUNTING, AUDITING AND CONTROL

Article 103

A bank and its Subsidiaries shall maintain at all times, precise and updated accounts and records, and prepare annual financial statements, adequate to reflect their respective operations and financial

condition, in such a form and with such a content which is in accordance with the law, international accounting standards, and regulations of the Agency.

The accounts, records and financial statements of a bank shall also reflect the operations and financial condition of its Subsidiaries both on an individual and on a consolidated basis.

Article 104

Banks and their Subsidiaries shall each appoint an independent external auditor acceptable to the Agency who shall:

1. advise the bank on implementation of accounting standards;
2. prepare and submit to the bank Management an annual report together with an audit opinion as to whether the financial statements give a full, accurate and true presentation of the financial condition of the bank, in accordance with the provisions of this Law and regulations of the Agency;
3. inform the bank's Audit Board, Supervisory Board, Management and the Agency about any fraudulent act by an employee of the bank or a Subsidiary of the bank, and of any irregularity or deficiency in the administration or operations of the bank or a Subsidiary of the bank, of which he/she has become aware and which should be expected to result in a material loss for the bank or the Subsidiary;
4. comment in the annual report to the bank's Audit Board, Supervisory Board, Management, and the Agency on the effectiveness of the Internal Auditor and the system of internal controls.

At the request of the Agency each bank shall promptly provide supplemental information and auditor's opinions about the banks and their Subsidiaries at the expense of such a bank or its Subsidiaries.

Article 105

Each bank shall, within 75 days after the end of the preceding financial year, submit to the Agency its financial statements and its external auditor's report for the preceding financial year within 5 months after the end of the preceding financial year. Within 15 days upon the receipt of the external auditor's report each bank shall publish the report in abbreviated form in one or more daily newspapers available throughout Bosnia and Herzegovina and promptly inform the Agency about it submitting a copy of the published external auditor's report.

In addition to publishing the audited annual report, at the end of each six months, the Bank is required to publish a non-audited semi annual report which includes a balance sheet, including all off-balance sheet items, an income statement and a cash flows statement, as well as information containing names of members of the Supervisory Board and Management and each of the bank's shareholders owning 5% or more of shares with voting rights. The Bank is required to publish the report from Paragraph 3 of this Article within 30 days after the expiration of the first six months period in one or more local newspapers available throughout Bosnia and Herzegovina and must continuously make copies available to the clients at each location of teller windows.

Article 106

The bank is required to prepare and submit to the Agency reports on its operations, liquidity, solvency, and profitability, and those of its Subsidiaries, on an individual and a consolidated basis, in such a form, contents and at such intervals as prescribed by the Agency.

Every bank and each of its branches established in the Brcko District as well as any branch of a bank headquarters outside the Republika Srpska shall be subject to all supervisory activities by the Agency, in accordance with the Agency's regulations.

Banks and banks' branches from Paragraph 2 of this Article shall admit and cooperate fully with the controllers of the Agency and the auditors appointed by the Agency.

VIII - PROCESS OF BANKRUPTCY AND BANK LIQUIDATION

Article 107

A bank shall conduct the process of bankruptcy and bank liquidation under a separate law if that issue is not regulated otherwise by this Law.

IX - PROVISIONAL ADMINISTRATION AND LIQUIDATION

Article 108

The Agency can appoint a Provisional Administrator when it assesses that:

1. the law, any regulation, or decision of the Agency has been violated, seriously jeopardizing interests of the bank's depositors;
2. the way the bank has been conducting its operation has caused or is likely to cause a substantial deterioration in the level of the bank's capital or financial condition, or other serious risk to the interests of the bank's depositors;
3. the bank has violated and continues to violate regulations from the Article 125 of this Law;
4. books, papers, records, or assets of the bank have been concealed or withheld from the Agency or its examiners or auditors, the bank has renounced access of such authorized persons to the bank's books;
5. requests for a Provisional Administrator made by the Audit Board, the Supervisory Board, the Director or the General Meeting of Shareholders of the bank are found to be justified;
6. the capital of the bank is less than 50% of the capital required pursuant to the Article 90, Paragraph 3 of this Law;
7. the bank is not paying its financial obligations as they fall due consistently for 15 days or inconsistently for 30 days during a period of 45 days;
8. in a bank whose banking license was revoked, it is necessary to protect depositors' interests until Receiver is appointed.

Article 109

A bank shall be deemed to be insolvent when the Agency, in accordance with its issued regulations, determines that the value of its liabilities is greater than the value of its assets.

In the process of solvency determination, the value of the assets and liabilities of a bank shall be determined in accordance with valuation standards and procedures prescribed by regulation of the Agency; and in determining the value of the assets and liabilities of a bank for a future date, the reasonably anticipated future income and expenses of the bank until that date, shall be taken into account.

The Agency must revoke the license of any bank that it deems to be insolvent, and must initiate a liquidation process of that bank, or must submit a request to the authorized court for initiation of the bankruptcy process.

The Agency's decision on revoking a banking license shall be final.

Article 110

The Provisional Administrator shall be appointed by a Decision of the Agency giving the grounds on which the appointment is based, in accordance with the Article 108 of this Law.

Decision on appointment, revoking or any extension of mandate of a Provisional Administrator shall be promptly delivered to the Provisional Administrator and to the bank for which the Provisional Administrator has been appointed, and published in the Official Gazette of the Republika Srpska, and registered in both, the register of banks, pursuant to the Article 18 of this Law, and the court register at the authorized court.

The Provisional Administrator will have absolute immunity from and be protected against any liability, personal and official, for action or inaction, or decision taken within the scope of duties as the Provisional Administrator. The Provisional Administrator may not be prosecuted in any court so long as the Provisional Administrator is acting in good faith within the provisions of this Law.

Article 111

The Provisional Administrator shall have unrestricted access and right to control the premises of the bank, the financial assets, the books of account and other records, and all other assets of the bank and its Subsidiaries.

Immediately after being appointed, the Provisional Administrator shall take protective measures to secure and prevent dissipation by theft or misuse-use of the assets and records of the bank and its Subsidiaries.

In undertaking measures from their scopes of authority both the Agency and Provisional Administrator have power to request assistance from authorized bodies in charge of internal affairs and other authorized bodies.

Article 112

The Provisional Administrator shall be responsible for conserving the assets and assuming control of the operation of the bank and making a determination as to whether to continue the operations of the bank.

During the tenure of the Provisional Administrator of a bank, the powers of the Supervisory Board, Audit Board, Management, and shareholders of the bank to take decisions or actions shall be suspended.

The Provisional Administrator shall have all the powers of such Supervisory Board, Audit Board, Management, and shareholders, in accordance with the Agency's decision on his/her appointment.

The Provisional Administrator may immediately suspend the powers of the bank representatives on the Supervisory Board, Management and General Meeting of Shareholders of the bank's Subsidiaries and in all of the bank's Participation Interests and exercise directly or through appointees all powers of such representatives.

The authorities of the provisional administrator include:

1. sell assets and purchase liabilities of the bank as may be necessary to conserve the appropriate value of the bank or to protect the interests of the depositors and other creditors of the bank;
2. cancel or unilaterally amend agreements the bank has signed, including suspension of interest accruals and change of interest rates, fees and maturity dates and may offset loans with deposits held by the same natural person or legal entity;
3. issue orders concerning dismissal, demotion or temporary removal from a position, or the distribution of responsibilities between the bank's employees;
4. suspend the acceptance of deposits by the bank;
5. sign any contracts and documents and accept liabilities in the name of the bank;
6. lodge claims in the name and interests of the bank, and represent the interests of the bank in court;
7. suspend the payment of any kind to members of the Supervisory Board, Management, Audit Board, and shareholders of the bank;
8. make the pay-out of deposits of natural depositors to such depositors, within the funds available and on a pro-rata basis if applicable.

Subject to the availability of reserves for priorities 1 and 2 of Article 119 of this Law, the maximum amount to be paid out per natural depositor shall be the aggregate of all of his or her deposits less any legal or contractual debt owed to the bank by the natural depositor or 5,000 KM, which ever is smaller.

The deposits shall exclude funds kept in any account whereby the account title is not transparent as to its ownership or any non-nominative deposit or assets kept in a bank's safe deposit box. Also excluded shall be deposits, loans or any other transaction for which the natural depositor has obtained rates, whether preferential or otherwise, and/or any other financial concession from the bank which may have helped to aggravate the bank's financial condition.

The bank's Supervisory Board members, Management, shareholders of at least five (5) percent of the bank's capital and persons responsible for carrying out the statutory audits of the bank's accounting documents are not entitled to any pay-out.

The immediate family members within the third degree of consanguinity or marriage of persons mentioned in the previous sentence as well as third parties acting on behalf of the same persons are also not entitled to any pay-out.

9. with the approval of the Agency, may make the pay-out of deposits of legal entities and other depositors on a pro rata basis after paying or reserving funds for the higher priorities and reserving funds for operation and expenses. The Provisional Administrator will comply with other requirements in item 8 of this Article;

10. file a request with the Agency for issuing a decision to all banks in the Republika Srpska to cease payments from accounts of defaulting debtors of the bank under provisional administration and/or those debtors' guarantors and their Related Entities, which they have in other banks, until those liabilities are fulfilled;

11. requiring that all transfers of common and preferred shares including the sale, assignment, or pledge must have the prior written approval of the Provisional Administrator and the Agency.

The Agency is required to review and act within 15 days in accordance with the Provisional Administrator's requests from paragraph 5, item 10 of this article.

The Agency's decision in Paragraph 5, item 10 of this Article and in Paragraph 6 of this Article, is to be implemented as the first priority claim before any other payment order and before any other collection as determined by other laws.

The Provisional Administrator may delegate some of his authority to others.

The Provisional Administrator is obliged to implement laws, regulations, and orders issued by the Agency.

Article 113

The Provisional Administrator shall present a written report to the Agency on the financial condition and future prospects of the bank with a pro forma balance sheet and documented assumptions on which the analysis is based, including data regarding interest rates and asset recovery measures, asset holding costs, and contingent liabilities, within 60 days upon his appointment, unless this period is affirmatively extended by the Agency.

In his report from the Paragraph 1 of this Article, the Provisional Administrator shall propose one or more of the following measures:

1. revoking of the banking license, and liquidation of the bank, with an assessment of the amount of assets likely to be realized in a liquidation of the bank;
2. restoration of the bank including an increase in the bank's capital to the minimum level required by the law and the regulations of the Agency;
3. sale of any part of the assets and/or purchase of liabilities of the bank or sale of the bank;
4. merge or acquisition of the bank with another bank.

Article 114

Within thirty days of the receipt of the report of the Provisional Administrator, the Agency shall take a final decision to revoke the banking license and to liquidate the bank, unless the report of the Provisional Administrator includes one of the measures listed in Article 113, Paragraph 2, items 2 through 4 of this Law.

Taking decision based on proposed measures in the report of the Provisional Administrator the Agency shall evaluate, among other, the need to protect the interests of the depositors and other creditors of the bank, and determine that there are reasonable prospects that such plan can be successfully carried out within 12 months of the decision made by the Agency upon the report of the Provisional Administrator.

The Agency may change or amend the plan proposed by the Provisional Administrator when adopting the plan or during the implementation of the plan.

After revoking banking license based on Provisional Administrator's report and making decision on bank liquidation after considering bank's assets and liabilities, the Banking Agency, at its own discretion, may do the following:

1. Appoint a liquidation administrator in accordance with Article 116 of this Law, in both cases when the amount of liability is and when it is not larger than bank's asset amount. The liquidation

administrator shall liquidate such assets under the most favorable conditions achievable and with the Agency's approval and shall use such generated funds to pay out financial commitments in the priority order from Article 119 of this Law.

As for the rest of assets and liabilities, which could not be liquidated in a reasonable period of time, the Agency may, at its own discretion and based on the liquidation administrator's proposal, submit to an authorized court a request to commence bankruptcy procedure, or

2. Directly submit to an authorized court a request to commence bankruptcy procedure and to appoint bank's Bankruptcy Administrator. Notwithstanding anything to the contrary in the Law on Compulsory Settlements, Bankruptcy and Liquidation Procedures, only the Agency may apply for a bankruptcy of a bank.

Article 115

All litigation against the bank will cease on the initiation of liquidation of the bank

Article 116

The powers of a Provisional Administrator shall end upon:

1. the Agency's decision or the completion of his/her mandate as specified in the decision on his appointment or in a later decision to extend his mandate;
2. the Agency's decision to revoke banking license of the bank and to order liquidation of the bank;
3. the Agency's decision to appoint a Receiver of the bank; or
4. authorized Court Decision on Bankruptcy Administrator appointment.

Article 117

If, based on the Provisional Administrator's report, the Agency decides to sell, merge, or liquidate the bank, it may appoint a Receiver to implement this decision.

The Agency's decision to appoint such a Receiver shall be in writing, explaining reasons for such an appointment in accordance with the Paragraph 1 of this Article.

Person appointed as a Receiver shall meet all requirements regarding expertise, experience and trustworthiness prescribed by the law and regulations of the Agency.

The order of appointment, termination, or extension of a Receiver shall be promptly submitted by the Agency to such a Receiver and to the bank for which the Receiver was appointed, as well as published in the Official Gazette of the Republika Srpska, and registered in both, the register of banks pursuant to the Article 18 of this Law, and the court register of the appropriate court.

From the date of the appointment of the Receiver, all powers and rights of members of the bank Supervisory Board, Management, Audit Board, and bank's shareholders shall be terminated.

From the moment of the appointment of the Receiver, all powers, authority, and ownership rights of members of the Supervisory Board, Management, Audit Board, and shareholders of the bank are terminated.

Within 7 days after receiving the Decision on Appointment, the Receiver is required to announce in at least three daily newspapers available in the Republika Srpska and at least one in the Federation and one in the Brcko District a notice that all creditors are required to register their claims against the bank with the liquidation administrator within 60 days of the date of publication of this notice.

Within 30 days after the first publication, the Receiver is required to publish a second creditors' notice in at least three daily newspapers available in the Republika Srpska and at least one in the Federation and one in Brcko District.

The Receiver will have immunity from and be protected against any liability, personal and official, for action or inaction, or decision taken within the scope of duties as the receiver. The Receiver may not be prosecuted in any court so long as the receiver is acting in good faith within the provisions of this Law.

Offsetting of claims against counterclaims of a bank are only possible in accordance with the list of priorities determined in Article 119 of this Law.

The Receiver is required to act in accordance with law, regulations, and Agency's orders, and for performance of his/her authorities and responsibilities, he/she is accountable to the Agency.

In addition to all authorities invested in a Provisional Administrator in accordance with the Article 112 of this Law, the Receiver shall be authorized to perform the following:

1. sell assets and redeem liabilities of the bank, partially or as a whole;
2. sell the bank or merge the bank with another bank, subject to the approval of the Agency;
3. liquidate the bank, and, in connection therewith, decide on the validity of claims against the bank make payments regarding such claims.

The procedures for determination of claims and disposal of assets and liabilities of a bank in liquidation shall be determined by regulation of the Agency.

During the execution of the plan for sale or merger of the bank, the receiver shall report to the Agency on implementation of the plan, no less frequently than every three months.

During the execution of the plan for sale or merger of the bank, the Agency, after having received a written report of the Receiver, may cancel the plan and decide to liquidate the bank.

Article 118

If recommended by a Provisional Administrator or a Receiver, the Agency may declare deposits and other liabilities of the bank to be totally or partially blocked. The decision from the Paragraph 1 of this Article shall be issued by the Agency only to ensure a correct and complete implementation of the Provisional Administrator's plan, or the functions of the receiver, who is authorized and in charge of implementation of such a decision in such a manner as to exercise a maximum protection of the value of deposits and funds in the bank.

Article 119

In the process of liquidation or bankruptcy, the following priorities of claims shall be observed:

1. Debts of a bank that is being liquidated which resulted from advances of funds to the bank, or other obligations created during the provisional administration of a bank or liquidation pursuant to this Law;
2. Claims by secured creditors, up to the value of their security;
3. Claims of the Deposit Insurance Agency of Bosnia and Herzegovina for reimbursement of payments of deposits belonging to natural persons and legal entities up to a maximum as set out in the Law on Deposit Insurance of Bosnia and Herzegovina;
4. Deposits of natural persons and legal entities throughout Bosnia and Herzegovina up to a maximum per depositor as set out in the Law on Deposit Insurance of Bosnia and Herzegovina , which were not otherwise paid by the Deposit Insurance Agency of Bosnia and Herzegovina under item 3 of this Article;
5. Other deposits, including deposits of natural persons throughout Bosnia and Herzegovina above the amount per depositor set forth in the Law on Deposit Insurance of Bosnia and Herzegovina not already paid under item 4 of this Article;
6. Dormant Deposit Accounts transferred to the Ministry;
7. Claims by other creditors;
8. Claims by preferred shareholders;
9. Claims by common shareholders.

In the procedure from Paragraph 1 of this Article, payment of bank's liabilities to the members of the Supervisory Board, Management, members of the Audit Board, shareholders of at least 5% of voting rights, Related Entities and Related Banks will be suspended until all liabilities to other bank's creditors are fully fulfilled.

Third parties acting on behalf of natural persons or legal entities mentioned in the previous paragraph as well as the immediate family within the third degree of consanguinity or marriage of the same natural persons are also not entitled to be paid until all liabilities to other bank's creditors are fully fulfilled.

X - LIABILITIES AND RESPONSIBLE PARTIES

Article 120

The sale of property, redemption of liabilities or disposition of assets and liabilities, or sale or merger of a bank shall be conducted by a Provisional Administrator or a Receiver appointed by the Agency in a manner which shall:

1. maximize the price of such a sale or disposition, consistent with the goal of protection of depositors and other creditors of the bank;
2. ensure fair competition among potential purchasers or merger partners;
3. prohibit any kind of discrimination in the solicitation and consideration of offers; and
4. ensure that the acquirer or merger partner, be a person or a bank majority owned and controlled by private owners, unless, with the written authorization of the Agency, a state owned bank which has a privatization plan approved in writing by the authorized state entity or a bank that is majority owned by a foreign state or government.

Article 121

A bank can be declared through court proceedings responsible individually or jointly with other banks or business companies for the liabilities of a bank or business company, which is insolvent or declared bankrupt, provided there are evidences that the banks and business companies were placed under a situation of related management.

A situation involving related management can result from agreements among the bank and/or business companies or from their respective by-Laws or when the Supervisory Boards are made up of a majority of the same persons, persons related to the bank as defined in Article 100 of this Law, or the majority of the shares are held by the same persons.

Article 122

Bank Shareholder is responsible for bank obligations up to the level of his share in the bank.

Exception of provision in Paragraph 1 is in cases when bank is in bankruptcy or is insolvent where bank shareholders, members of its Management and Supervisory Board, as well as other legal entities and individuals (who had a direct or indirect influence to bank's operations) will bear responsibility, jointly or individually, for bank's obligations with their entire property. These cases include:

- when a bank is used for fulfilling goals opposite to goals of the bank as determined by the Law; or
- when there was no difference between bank property and personal property of the above listed persons; or
- when banks operated with a purpose to commit fraud against its creditors or against interest of the creditors; or
- when a cause for bankruptcy or insolvency of the bank is found in intentional poor management or lack of attention in managing the bank.

XI - PENALTY PROVISIONS

Article 123

A monetary fine of KM 5,000 to 17,000KM shall be imposed on the bank or another legal person for a violation if it:

1. engages in receiving money deposits or extending credits without the permission of the Agency contrary to provisions in Article 2, Paragraph 1;
2. uses words in its name that are contrary to provisions of Article 2, Paragraph 3 of this Law;
3. directly or indirectly engages in collecting deposits as described in Article 3 of this Law;
4. continues to conduct banking activities after its banking license has been revoked, contrary to provisions in Article 21, Paragraph 4 of this Law;
5. does not discontinue its assets and pay its liabilities in accordance with Article 21, Paragraph 4 of this Law;
6. does not maintain paid in share capital and net capital in accordance with Article 22 of this Law;
7. does not comply to provisions on the limitations of ownership structure from Article 23, Paragraph 1 of this Law;

8. if a bank, without obtaining the approval of the Agency, makes an investment in contravention of Article 24 of this Law;
9. without the prior consent of the Agency, engages in activities concerning mergers, amalgamations and divisions of the contrary to provisions in Article 28, Paragraph 1, and makes changes and amendments to its Charter, contrary to provisions in Article 32, Paragraph 3 of this Law;
10. does not conduct its activities in accordance to its by-laws, contrary to provisions in Article 32 of this Law;
11. does not submit the necessary documents for the Agency's files, in accordance with Article 32, Paragraph 2 of this Law;
12. appoints the Chairman or members of the Supervisory Board, the Director and the Management non conforming with provisions of Article 80 of this Law;
13. if the Supervisory Board, the Management or members of their immediate family living in the same household fail to submit signed disclosure statement in accordance with Article 82 of this Law;
14. does not keep business secrets in accordance with the provision from Article 83 of this Law;
15. establish a bank branch or representative office in violation of Article 84 of this Law;
16. conducts business contrary to provisions in Article 86 of this Law;
17. conducts business contrary to provisions from Articles 88 and 89 of this Law;
18. engages in transactions or participates in activities that present unfair competition in the financial market, contrary to provisions in Article 88 of this Law;
19. does not comply to limitations in business operations, as described in Articles 90-96 of this Law;
20. does not maintain records and documentation on its transactions in accordance with provisions in Article 97 of this Law;
21. does not regularly inform its customers on the conditions of its operations, in accordance with Article 98 of this Law;
22. conducts transactions with related persons, contrary to provisions in Article 100 of this Law;
23. participates in transactions contrary to provisions of Article 101 of this Law;
24. does not appoint an independent external auditor, in accordance with provisions in Article 104 of this Law;
25. does not submit a financial report and the external auditor report to the Agency, or fails to publish the financial information in accordance with Articles 105 and 106 of this Law;
26. does not cooperate with the Agency in the process of its bank examination, in accordance with provisions in Article 106 of this Law.

For violations from Paragraph 1 of this Article, the time period for discovery of the violation is limited to three years. After discovery of the violation, the time period for submission of the violation to the Violation Committee is limited to one year.

For violations from Paragraph 1 of this Article, a monetary fine can be imposed that will be in proportion to the level of created damage or unsettled liability, which cannot be greater than twenty times the level of created damage or unsettled liability that is the subject of the violation.

Upon a specific finding of willful misconduct, the Violation Committee may determine that each day the violation continues shall be considered to be separate offense.

For violations from Paragraph 1 of this Article, the responsible person and the person who actually committed the violation in the bank, or another legal entity, will be charged with a monetary fine of 1,000 KM to 1,700 KM.

All monetary fines stipulated in this Article will be paid to the Republika Srpska budget.

Establishing of responsibility and pronouncing of measures under this Law do not exclude establishing of responsibility and pronouncing of measures determined by other Laws.

Article 124

Violation procedure in the first instance shall be conducted and decisions taken by the Violation Committee appointed by the Agency Director in accordance with the Law.

The Violation Committee has three members and conducts the violation procedure in accordance with the Law on Violations and this Law.

Article 125

The measures provided for in this Article shall be determined in each particular case by the Agency. The Agency may take one of the following actions as provided in this Article in regards to a bank or any of its Supervisory Board or Management members, employees, persons that have Significant Ownership Interest, or any Related Entity thereof:

1. issue written warnings;
2. call a meeting of the shareholders of the bank or the other owners of the bank to discuss and to agree on remedial measures to be taken;
3. issue written orders:
 - (a) requiring the bank to cease and desist from such violations of this Law and regulations of the Agency, or to undertake remedial action;
 - (b) and imposing special prudential requirements that differ from those normally applicable to such bank;
4. issue written orders containing prescriptions concerning the rate of interest, maturity or other conditions applicable to any type or form of financing extended or received (including deposits) by the bank, or to contingent liabilities of the bank;
5. issue written orders imposing monetary fines, in accordance to this Law; 6. issue written orders suspending temporarily members of bank's Supervisory Board, Management or employees from duties in the bank where:
 - (a) the Agency determines that such persons have committed one of the violations set forth in Article 123 of this Law ; or
 - (b) such persons do not meet the requirements of qualifications, experience, or other conditions established by regulation issued by the Agency;
7. issue written orders prohibiting that one or more persons with Significant Ownership Interest in the bank from exercising voting rights, or requiring them to sell or otherwise dispose of all or any part of their ownership rights in the bank in accordance with the Law and within a period specified in the order, where:
 - (a) the Agency determines that such persons have intentionally or recklessly committed one of the violations set forth in Article 123 of this Law ;
 - (b) the Agency learns of facts that would warrant refusal of an authorization to acquire or increase the Significant Ownership Interest; or
 - (c) the Significant Ownership Interest was acquired or increased without the prior authorization of the Agency;
8. issue written orders attaching conditions to the banking license of the bank to the extent required to remedy such commercial infraction;
9. with the agreement of the Supervisory Board, the Agency may appoint an adviser for the bank with the duties and responsibilities prescribed by the Agency;
10. appoint an external auditor at the expense of the bank to perform a financial or operational audit under terms of reference provided by the Agency;
11. appoint a provisional administration in accordance with provisions of this Law; 12. revoke the banking license of a bank.

In the event the Agency determines to take an action set out in items 3, 9, 11, and 12 it shall also notify the Deposit Insurance Agency of Bosnia and Herzegovina.

In the event of Agency's order for sale of all or portion of common or preferred shares with voting rights, the potential buyer must receive Agency's approval first.

If any person referred to in Paragraph 2 of this Article is charged with any criminal offense within the Financial and Economic scope of crime, the Agency may issue a written order temporarily suspending such person from his or her position in the bank, and, if applicable, suspending the exercise of voting rights in the bank by such person, pending the determination of the legal case.

If the person from the Paragraph above is convicted by legally valid verdict, the Agency may issue a written order removing such person from his or her position in the bank, and, if applicable, prohibiting the exercise of his or her voting rights in the bank and requiring him or her to dispose of all or any part of his or her ownership interest in the bank.

If any person referred to in Paragraph 2 of this Article is charged by the Agency with violation of an Order of the Agency or any part of Article 123 of the Law, and that person's actions pose a immediate

threat to the bank's financial condition or to the safety of its financial operations, the Agency may issue a written order immediately and temporarily suspending that person from his or her duties and responsibilities in the bank, and, if applicable, suspending the exercise of voting rights in the bank. This temporary suspension may not exceed 45 days pending a final determination by the Violation Committee.

No prior notice or hearing is required for written orders issued under this Paragraph.

No person may hold any position in, or participate in any manner in the conduct of the activity of, any bank without the prior written approval of the Agency if he or her is subject to an Order of the Agency:

1. suspending or removing him from a bank;
2. prohibiting the exercise of his Significant Ownership Interest in a bank, or requiring him to dispose of a Significant Ownership Interest in any bank due to an intentional or reckless infraction; or
3. involving him or her in a criminal activity pursuant to Paragraph 3 of this Article.

The Order from Paragraph 5, Item 3 of this Article may be issued against any person within five years after such person ceases to be a member of the Supervisory Board, Management, Audit Board, shareholder, employee, or holder of Significant Ownership Interest in a bank.

In the event that any person is required to sell or dispose of voting shares of a bank pursuant to an order issued in accordance with this Article and does not do so within the prescribed period of time, the Agency is authorized to sell such voting shares at public auction, except in the case when the license is revoked because of the lack of solvency of the bank.

A complaint concerning any Decision of the Agency taken under this Article may be submitted to the Director of the Agency within 8 days from the date of receipt of the decision.

However, any complaint submitted will not delay the implementation of the Decision. The measures provided in this Article shall not preclude application of other civil penalties or criminal penalties as provided in other legislation in force.

If a bank has been found to commit a violation under Article 123 of the Law, and the Violation Committee has issued a final order imposing monetary fines, and the Violation Committee finds second violation any time within the next six months for the same or similar conduct, the Violation Committee must direct the Agency to proceed to implement one or more of the actions from Paragraph 2, items 6, 7 and 8 of this Article.

In event a third violation is committed by the same bank within 6 months of the second violation as determined by the Violation Committee involving the same or similar conduct, the Violation Committee must direct the Agency to implement Paragraph 2, item 12 of this Article.

XII TRANSITIONAL AND FINAL PROVISIONS

Article 126

Licensed banks must comply with Article 22 of this Law as of December 31, 2002 at latest.

Article 127

All banks licensed for banking operations by the Agency are required to adjust their business operations with the Law on the Deposit Insurance of Bosnia and Herzegovina, and must qualify for deposit insurance within one year after the Law on the Deposit Insurance of Bosnia and Herzegovina becomes effective.

Article 128

The Agency shall adjust its regulations with this Law within 4 months after this Law becomes effective.

Regulations from paragraph 1 of this Article shall be published in the Official Gazette of the Republika Srpska.

Regulations promulgated by the Agency in accordance with this Law, as well as the Agency's activities regarding implementation of its authorities promulgated by law, are based on elementary principles for efficient banks supervision published by the Basel Committee for bank supervision.

Article 129

Banks are required to adjust their business operations with the provisions of this Law within 6 months from the day this Law becomes effective, excluding provisions from Articles 16 and 22 of the Law whose time limit for implementation is defined in Articles 126 and 127 of this law.

Article 130

Conditions for establishment, business operations and cessation of operation of other financial institutions will be regulated by separate laws.

Article 131

As of the date this Law becomes effective, the Law on Banks ("Official Gazette of Republika Srpska" No. 18/99), and the Law on Changes and Amendments to the Law on Banks ("Official Gazette of Republika Srpska" No. 13/00, and 18/01) shall become null and void.

Article 132

This Law shall become effective immediately and shall be published immediately in the "Official Gazette of Republika Srpska".

Number: 01-343/03
April 30, 2003
Banja Luka

President
of the National Assembly
Dragan Kalinić, MD [signed]

ANNEX XIII. LAW ON PROTECTION OF SECRET DATA

Published in Official Gazette of BiH no.54/05 ,dated 09/08/2005

Unofficial translation

Under Article IV 4 a) of the BiH Constitution, the BiH Parliamentary Assembly, at the session of the House of Representatives held on 19/07/2005 and session of the House of Peoples held on 28/07/2005 2005, adopted the following

Law on Protection of Secret Data

CHAPTER I - GENERAL PROVISIONS

Article 1

(Scope of the Law)

This Law shall regulate common bases of a single system of designation, access to, use, keeping and protection of secret data from unauthorized disclosure, destruction and abuse within the competence of Bosnia and Herzegovina, entities and other levels of government structure of Bosnia and Herzegovina pertaining to public security, defence, foreign affairs or intelligence and security activities, declassification of such information, and security clearance procedure and issuance of security authorization to access secret data.

Article 2

(Application of the Law)

Provisions and arrangements of the Law on Protection of Secret Data (hereinafter: the Law) shall apply to all institutions, bodies, legal entities and citizens of Bosnia and Herzegovina and shall be observed by state and entity bodies, holders of public offices, bodies of local administration, administrative bodies at all other levels of the government, economic and other organizations and institutions which in the exercise of their own legal authorities produce, have access to and use such data, as well as employees in such bodies, organizations and institutions.

Article 3

(Application of the Law on other legal and physical persons)

(1) Contractors who perform construction and other works, service agents for IT and other equipment as well as suppliers who have been provided with such information in performance of their work shall also be obliged to comply with this law.

(2) Any person to whom secret data are confided or who in any other way is informed of the contents of secret data shall be responsible for its safekeeping and protection of its secrecy.

Article 4

(Connotation of the used terms)

Terms used for the purpose of this law shall mean as follows:

a) **Secret data** shall mean a fact or instrument which pertains to the public security, defence, foreign affairs or intelligence and security activities of Bosnia and Herzegovina which, pursuant to the provisions this law, require protection against unauthorized persons and which were marked as secret by the responsible person,

b) **Secret data of another state, international or regional organization** shall be information which was communicated to Bosnia and Herzegovina and/or its competent bodies by another state, international or regional organization and/or its bodies under assumption that such information shall remain protected, and all data obtained as a result of cooperation of Bosnia and Herzegovina and/or its responsible bodies with another state or bodies of international or regional organization with respect to which the parties agreed that they should remain secret, shall be treated as secret data of another state, international or regional organization.

c) **A document** shall be any written, printed, drawn, copied, photographed, stored on data carrier or base, visible or any other record of secret data,

d) **A medium** shall be any instrument, which contains secret information,

- e) **Classification of data** shall mean a procedure in which such data are classified as secret with specific character, degree and period of classification in accordance with this law,
- f) **Access** shall mean a procedure in which a person obtains secret data or possibility to communicate secret data to a person on the basis of an authorization to access secret data.
- g) **Use** of secret data shall mean a procedure of use of such data by authorized persons in the exercise of their duty, subject to protection of the source and method in which it was obtained.
- h) **Safekeeping** of secret data shall mean a prescribed procedure of maintaining the authenticity of data and preventing their disclosure, destruction and abuse by unauthorized persons, bodies, public information media, organization or institution.
- i) **Protection** of secret data shall mean a physical and material-technical procedural act, activity or procedure aimed at prevention of destruction, misappropriation or abuse of secret information,
- j) **Declassification** of data shall mean any legal transformation of secret data into data which is accessible to interested parties pursuant to general regulations passed by the responsible body,
- k) **Security clearance procedure** of a person shall mean a process conducted, before the person takes office in which he or she has, or there is a possibility to have, access to secret data, by an authorized body whose responsibility is to obtain information on possible security-related concerns for exercising office.
- l) A **security authorization** shall mean a document on the bases of which a person who has been subjected to security verification and for whom there are no security-related concerns satisfies conditions to be allowed access, use, protection and safekeeping of secret data,
- m) **Security-related concerns** shall mean information or facts obtained in the security clearance procedure which raise doubts as to the trustworthiness or loyalty of person proposed for a certain office or nominated as a holder of a security authorization.
- n) **Threat to the integrity of Bosnia and Herzegovina** shall mean an objective threat or act of aggression against the constitutional system, independence, territorial entirety, integrity, sovereignty, security, defence capacity and international subjectivity of Bosnia and Herzegovina.

Article 5

(Access to secret data of all degrees)

(1) Notwithstanding the provisions of this Law, access to secret data of all degrees without a security clearance or issuance of the authorization to access secret data shall be accorded to the following persons:

- a) Members of the Presidency of Bosnia and Herzegovina,
- b) President and Vice-Presidents of the Federation of BiH and Republika Srpska,
- c) Judges of the Court of Bosnia and Herzegovina and Constitutional Court of Bosnia and Herzegovina,
- d) State Prosecutor of Bosnia and Herzegovina,
- e) State Attorney of Bosnia and Herzegovina,
- f) Judges of all courts in the area of the Federation of Bosnia and Herzegovina and Republika Srpska,
- g) Prosecutors at all levels in the Federation of BiH and Republika Srpska,
- h) Public Attorneys at all levels in the Federation of BiH and Republika Srpska.

(2) Persons referred to in Paragraph (1) shall only have access to secret data required for exercising their duties in accordance with the law and may not require access to documents which do not relate to the issues from their competency.

Article 6

(Access to secret data of the degree RESTRICTED and CONFIDENTIAL)

(1) Access to secret data of the degree RESTRICTED and CONFIDENTIAL, without a security clearance and authorization shall be accorded as follows:

- a) At the level of Bosnia and Herzegovina:
 - 1) Chair, Ministers and Deputy Ministers of the Council of Ministers of Bosnia and Herzegovina,

- 2) Director General, Deputy Director General and Inspector General of the Intelligence-Security Agency of BiH,
 - 3) Director and Deputy Directors of the State Investigation and Protection Agency,
 - 4) Directors and Deputy Directors of the State Border Service
 - 5) Heads of bodies or legal entities which have the competency and exercise duties within the scope of the areas stated in Article 8 of this Law and which are not separately mentioned in this Article,
 - 6) Members of the Collegium of the House of Representatives and House of Peoples of the Parliamentary Assembly of Bosnia and Herzegovina,
 - 7) Representatives in the House of Representatives and Delegates in the House of Peoples of the BiH Parliamentary Assembly,
 - 8) Governor and Vice-Governor of the Central Bank of Bosnia and Herzegovina,
 - 9) Ombudsman of Bosnia and Herzegovina and his deputies.
- b) At the level of the Entities of Bosnia and Herzegovina:
- 1) Prime Minister and Ministers in the Governments of the Federation of BiH and Republika Srpska,
 - 2) Members of the Collegia of Legislative Bodies of the Federation of BiH and Republika Srpska,
 - 3) Representatives in the Legislative Bodies of the Federation of BiH and Republika Srpska,
 - 4) Heads of bodies and administrations and/or legal entities at all levels in the Federation of BiH and Republika Srpska, which have the competency over the duties referred to in Article 8 of this Law,
- c) At other levels of government organization of Bosnia and Herzegovina:
- 1) Mayor of the Brčko District,
 - 2) Members of the Collegia of the Assembly of the Brčko District,
 - 3) Representatives of the Assembly of the Brčko District,
 - 4) Prime Minister and Ministers in Cantonal Governments,
 - 5) Members of the Collegia of Cantonal Legislative Bodies,
 - 6) Representatives in Cantonal Legislative Bodies,
 - 7) Mayors of Cities and Municipalities in the Federation of BiH and Republika Srpska,
 - 8) Chairpersons of Legislative Bodies of Cities and Municipalities in the Federation of BiH and Republika Srpska.

(2) List of institutions and duties referred to in Paragraph a), point 5) and Paragraph b) point 4) shall be determined by the Council of Ministers of Bosnia and Herzegovina.

(3) Persons referred to in Paragraph (1) shall have access only to secret data required for exercising their duties in accordance with the law and may not require access to documents which do not relate to the issues within their competency.

Article 7

(Access to secret data classified as RESTRICTED)

(1) All persons exercising functions or working in a body shall have access to RESTRICTED secret data.

(2) Persons referred to in Paragraph (1), at the beginning of their mandate or at the time of taking office, personally sign a **statement** certifying that they are aware of this Law and other appropriate regulations covering security of secret data and that they assume the obligation of treating secret information in accordance with this Law and other appropriate regulations.

Article 8

(Connotation of the term “secret data”)

Data shall be considered secret if their disclosure to an unauthorized person, media, organization, institution, authority or other state and/or authority of other state could pose a threat to the integrity of Bosnia and Herzegovina, in particular in the following areas:

- a) public security,
- b) defence,
- c) foreign affairs and interests,
- d) intelligence and security interests of Bosnia and Herzegovina,
- e) communication and other systems important for state interests, judiciary, projects and plans significant for defence and intelligence-security activities,
- f) scientific, research, technological, economic and financial operations significant for the safe functioning of BiH institutions and/or security structures at all levels of the state organization.

Article 9

(Exceptions)

Classified character may not be specified for data if such classification is designated with the purpose of hiding the perpetration of a criminal offence, overriding or misuse of powers, aimed at hiding any illegal activity or hiding an administrative error.

Article 10

(Conditions for access to secret data)

Access to secret data shall be possible only under the conditions as stipulated by this Law and other bylaws issued on the basis of this Law, and/or international or regional agreements concluded by Bosnia and Herzegovina.

Article 11

(Safekeeping of secret data)

(1) All officials referred to in Article 5, or Article 6 of this Law as well as other officials and employees with legal authorization to access secret data shall have an obligation to keep secret data regardless of the manner in which they were obtained, and this obligation shall also be applicable after termination of their mandate, cessation of employment and/or cessation of exercising the duty or membership in relevant state authority.

(2) Officials and employees without a legal authorization to access secret data as well as citizens of BiH who acquire or gain access to secret data in a manner which is not contrary to the law shall assume the obligation to keep the data referred to in Paragraph (1).

(3) Persons referred to in Paragraph (2) shall have the obligation to report to the manager of the body in which they are employed or to an authority of internal affairs any unauthorized access to secret data and give a statement about the circumstances under which they gained access to secret data.

Article 12

(Safekeeping of secret data of other state, international or regional organization)

(1) Access, use, safekeeping and protection of secret data of other state, international or regional organization shall be made in accordance with law and bylaws issued on the basis of this law, and/or on the basis of an agreement concluded between Bosnia and Herzegovina on one side and other state, international or regional organization on the other side.

(2) The access to secret data referred to in paragraph (1) shall require appropriate authorizations to be issued in accordance with the Law. All persons requiring the access to secret data referred to in paragraph (1) in the exercise of their duties shall have to pass security clearance and/or receive relevant authorization in accordance with the Law.

(3) The Council of Ministers of Bosnia and Herzegovina shall, by a special regulation in accordance with the Law, regulate in more detail the issuance of authorization to access secret data referred to in paragraph (1).

CHAPTER II - CLASSIFICATION OF DATA

Article 13

(Persons authorized to assign levels of classification of data as restricted, confidential and secret)

- (1) Data shall be classified by an authorized person pursuant to legal requirements and procedure.
- (2) Degrees of classification RESTRICTED, CONFIDENTIAL and SECRET may be designated only by the following authorized persons:
 - Governor of the Central Bank of Bosnia and Herzegovina,
 - Chairpersons of Committees of the Parliamentary Assembly of Bosnia and Herzegovina,
 - President of the Court of Bosnia and Herzegovina and President of the Constitutional Court of BiH,
 - State Prosecutor of Bosnia and Herzegovina,
 - State Attorney of Bosnia and Herzegovina,
 - Prime Ministers of the Federation of BiH and Republika Srpska,
 - Speakers of legislative bodies of the Federation of BiH and Republika Srpska,
 - Presidents of all courts in the area of the Federation of BiH and Republika Srpska,
 - Prosecutors at all levels in the Federation of BiH and Republika Srpska,
 - Public attorneys at all levels in the Federation of BiH and Republika Srpska,
 - Mayor of the Brčko District,
 - Speaker of the Assembly of the Brčko District,
 - Prime Ministers of Cantonal Governments in the Federation of BiH,
 - Speakers of the cantonal legislative bodies in the Federation of BiH,
 - Officials referred to in Article 5, Paragraph a), Sub-Paragraph 5), and Paragraph b), Sub-Paragraph 4)
 - elected or appointed official who is authorized for classification, access, use, safe keeping and protection of secret data according to the Law, bylaws issued on the basis of this Law or who has been designated in writing by the authorized person, and
 - person who was, as an employee of the body, institution or organization concerned, designated in writing by the authorized person.
- (3) Authorized persons referred to in Paragraph (2), points p) and q) may not transfer authorizations to other persons.
- (4) Authorized persons referred to in Paragraph (2) must have an appropriate authorization or permit if required by the law
- (5) The Council of Ministers may, with consent of the Presidency of BiH and after consulting with the Director General of OSA BiH, allocate by a Decision the right to designate the classification RESTRICTED, CONFIDENTIAL and SECRET in the event that a new institution is established in BiH or in circumstances important for the security of BiH.

Article 14

(Persons authorized to assign the TOP SECRET level of classification)

- (1) The TOP SECRET level may be specified only by the following authorized persons:
 - a) Members of the BiH Presidency,
 - b) Chairman and Ministers in the BiH Council of Ministers,
 - c) Director General of the Intelligence-Security Agency of BiH,
 - d) Director of the State Investigation and Protection Agency,
 - e) Director of the State Border Service,
 - f) Speaker of the House of Representatives and Speaker of the House of Peoples of the BiH Parliamentary Assembly
 - g) Chairmen of Committees within the BiH Parliamentary Assembly in charge of intelligence, defence and security issues,

- h) relevant military commanders as designated by the Minister of Defence of Bosnia and Herzegovina,
President and Vice-Presidents of the Federation of BiH and Republika Srpska
- (2) Persons referred to in Paragraph (1) may also designate degrees of classification RESTRICTED, CONFIDENTIAL and SECRET.
- (3) Authorized persons referred to in Paragraph (2) must have an appropriate authorization or permit if required by the law.
- (4) The Council of Ministers may, with consent of the Presidency of BiH and after consulting with the Director General of OSA BiH, allocate by a Decision the right to designate the classification TOP SECRET in the event that a new institution is established in BiH or in circumstances important for the security of BiH.

Article 15

(Classification of data in other bodies)

The procedure for classification of data in economic organizations and institutes shall be specified by the BiH Minister of Foreign Trade and Economic Relations with consent of the Minister of Defence of BiH and Minister of Security of BiH.

Article 16

(Proposal to classify data)

Each official, employee and person engaged in a BiH, Entity or any body, institution and organization at other levels of state organization in BiH shall be required to assess within the scope of his/her powers the security significance of data and propose to authorized persons classification of this data should he/she deem it necessary.

Article 17

(Data classification procedure)

- (1) The authorized person shall classify data at the moment of their creation and/or at the beginning of activities of the body creating secret data.
- (2) When assessing the level of classification, the authorized person shall be required to provide assessment on possible damage to the security of Bosnia and Herzegovina and/or appropriate institutions and organizations, in case that these data are accessible to an unauthorized person.
- (3) Based on the assessment referred to in Paragraph (2), data shall be assigned a classification level and they shall be marked in accordance with relevant provisions of this Law.
- (4) The assessment, which shall be used as the basis for classification, shall be provided in writing.

Article 18

(Other data classification cases)

- (1) In the event that two or more pieces of data that, by themselves, do not have the character of classified information but through interconnection represent data or a document to be protected, the authorized person shall be required to classify those data and/or document.
- (2) If a minor part of the document, which has been classified as mentioned in Paragraph (1) contains classified data only in one part, the authorized person shall be required to separate that part and attach it to the document with the designation of classification.
- (3) If secret data are used in compiling, redefining, paraphrasing or creating new secret data, they shall be properly classified.

Article 19

(Degrees of classification)

Secret data referred to in Article 8 of this Law shall have one of the following levels of classification:

- a) TOP SECRET shall be assigned to data the unauthorized disclosure of which would pose a threat to the integrity of Bosnia and Herzegovina and cause irreparable damage to the state,

- b) SECRET shall be assigned to data the unauthorized disclosure of which would cause extremely damaging consequences to security, political, economic and other interests of Bosnia and Herzegovina,
- c) CONFIDENTIAL shall be assigned to data the unauthorized disclosure of which might cause damage to the security or interests of Bosnia and Herzegovina,
- d) RESTRICTED shall be assigned to data the unauthorized disclosure of which might cause damage to the activities of state authorities, bodies, organizations or institutions of Bosnia and Herzegovina.

Article 20

(International classification degrees)

(1) All authorized persons shall have an obligation to mark secret documents with one of four degrees of classification referred to in Article 19.

(2) In terms of designating degrees of classification of secret documents, in particular those intended for international cooperation with intelligence, defence or security institutions from other countries, international or regional organizations, apart from the terms referred to in Article 19, the following terms in the English language may also be used:

- a) Degree “VRLO POVJERLJIVO” corresponds to the term “TOP SECRET”
- b) Degree “TAJNO” corresponds to the term “SECRET”.
- c) Degree “POVJERLJIVO” corresponds to the term “CONFIDENTIAL”.
- d) Degree “INTERNO” corresponds to the term “RESTRICTED”.

Article 21

(Designating the lowest degree of classification)

(1) In the procedure of designating a degree of classification, the authorized person must designate the lowest degree of classification which ensures protection of data required for preservation of interest and security of Bosnia and Herzegovina.

(2) A document with data for which a degree of classification was determined earlier must be given at least equal designation and period of classification, which was already given to the data.

Article 22

(Declassification of data)

(1) The authorized person shall be required to declassify classified information when conditions as specified in this Law are created.

(2) Explanation of a decision on declassification of classified information shall have to be in writing and the declassification concerned may be required by a person whose request for obtaining the information was rejected, which is to be decided by the responsible person.

Article 23

(Changing the degree of classification)

The level of classification may be changed by the person who specified that level when the conditions as specified by this Law are created.

Article 24

(Manner of classification labelling)

(1) Each piece of classified data and/or document containing classified data shall have to be designated as follows:

- degree of classification,
- the manner of classification expiration,
- data on authorized person, and
- data on the body, organization or institution whose authorized person specified the classification.

(2) Designations referred to in Paragraph 1 shall be used in accordance with the type and character of a medium, and each piece of information or document shall have to be processed as classified if designated with a level of classification.

(3) The Council of Ministers of Bosnia and Herzegovina shall, by a separate regulation, specify in more detail manners and types of designations for classification of data and physical, organizational and technical measures and procedures for keeping such secret data.

Article 25

(Classification cessation)

(1) Classification status of data and/or documents shall cease:
on specified date,

- upon termination of specific event,
- after elapse of specified time, and
- declassification by authorized person.

(2) If it is not possible, due to the nature of secret data substance, to specify the manner for expiration of data classification, in such a case its classification shall cease after expiration of the time stipulated by the Law on Archive Material (“Official Gazette of BiH”, 16/01).

(3) The authorized person may change the manner and deadline for cessation of data classification if justified by well-founded reasons, whereat all those who had access to the data concerned shall be obligatorily informed on that fact.

Article 26

(Negation of secret data existence)

If the very fact of confirmation of existence of specific classified data has damaging consequences to the security of Bosnia and Herzegovina and its interests, a BiH, Entity or an body, organization or institution at any other level of BiH state organization shall not be required to confirm or negate the existence of such information despite the requests of interested parties.

Article 27

(Changing data classification)

(1) A legal user of classified data may propose to the authorized person the change in classification if he or she deems that the classification is not justified or specified in the appropriate manner.

(2) The authorized person shall be bound to consider the proposal referred to in Paragraph 1 and notify the proponent on his/her decision.

Article 28

(Furnishing data of another state, international or regional organization)

(1) The classified information of another state, an international or a regional organization shall, as a general rule, retain the marks used in that particular state, international or regional organization. However, it is also possible to mark this information in accordance with the Law provided that a relevant level of secrecy and manner of keeping the secrecy of data must be appropriately ensured.

(2) States, international and regional organizations shall furnish the data referred to in Paragraph (1) to the body to be designated by the Council of Ministers of BiH. That body will be charged with the reception and treatment of information referred to in paragraph (1) and upon their receipt, it shall distribute the data to authorized persons in the institutions and bodies in BiH for whom they are intended, on which they shall keep detailed records.

(3) Contracts with international and regional organizations may specify another institution for reception of data referred to in Paragraph (1). The institution specified by an agreement shall have an obligation to specify structures and persons in positions for reception of secret data, keep detailed records thereon and submit monthly reports to the body referred to in paragraph (2).

(4) Authorized persons within the body referred to in paragraphs (2) and (3) must have permission to access secret data of the degree TOP SECRET.

(5) If the data referred to in Paragraph (1) are furnished through diplomatic and consular offices or delegations of BiH in another state, international or regional organization, a special decision shall be

made to designate a person who would be in charge of such delivery. This person, as well as the head of diplomatic and consular office or delegation must have permission to access secret data of the degree TOP SECRET.

Article 29

(International treaties)

It is necessary to determine, by international bilateral and multilateral treaties on the exchange of classified information to be signed by Bosnia and Herzegovina and other states, international and regional organizations, the way of marking the classified information of Bosnia and Herzegovina in other states and international organizations which shall be responsible for ensuring the necessary level of protection of the data in accordance with provisions of this law.

CHAPTER III – SECURITY CLEARANCE AND AUTHORIZATION TO ACCESS SECRET DATA

Article 30

(Extent of security clearance)

(1) Persons holding office or working within the body, as well as persons applying to the position within the body that produces, manages or keeps secret data and/or works on intelligence or defence and security issues shall be subject to basic security checks in line with the procedure for the issuance of an authorization to access secret data classified as CONFIDENTIAL.

(2) The list of bodies referred to in Paragraph 1 shall be established by the Council of Ministers of Bosnia and Herzegovina.

(3) The manager of the body i.e. institution shall, within 30 days of the adoption of the list referred to in Paragraph 2, send a request for security checks referred to in Paragraph 1 to the Intelligence-Security Agency of Bosnia and Herzegovina (BiH OSA) and enable the Agency to access all documentation necessary for the security check.

(4) The security check shall be carried out by the BiH OSA, which shall deliver the security check results along with its recommendation, which may incorporate opinions of relevant bodies referred to in Paragraph 5 of this Article and Article 56 of the Law, to the manager of the body that employs the relevant person or wherein the relevant person carries out his/her duties or wherein he/she applies for a position. The manager of the body shall issue a decision on presence or absence of security concern.

(5) In performing security checks relevant internal competent structures of the body referred to in Paragraph 1, if any, shall be required to cooperate with the Intelligence Security Agency of BiH.

(6) Persons referred to in Paragraph 1 shall be subjected to security check every ten years in accordance with the procedure of issuing authorization to access secret data of the degree CONFIDENTIAL.

Article 31

(Exercise of security checks)

(1) Security checks for persons applying to the position/post within the body referred to in Article 30, Paragraph (1), shall be carried out before their appointment or employment. If a security-related concern has been established, the person shall not be appointed or employed for the position for which the security check has been performed.

(2) The person for whom security-related concern relevant to the position or employment in the body referred to in Article 30 Paragraph 1 has been established, may file an appeal before the Intelligence and Security Committee of the BiH Parliamentary Assembly in charge of overseeing the BiH OSA within 15 days as of the submission of the notice on the existence of security-related concerns. The Committee shall appraise the appeal and pass a decision, which it shall deliver to the head of the body referred to in Article 30.

(3) The head shall deliver the decision of the Committee to the person who was subjected to the security check, in writing and within eight days from the adoption day.

(4) An administrative dispute may be initiated before the relevant court in Bosnia and Herzegovina against the final decision establishing the existence of security-related concerns for exercise of duties or holding a position, within 30 days.

(5) Subsequent to the completion of the procedure before the relevant law, the person for whom the existence of a security-related concern was not determined shall have all the rights as specified by the law.

Article 32

(Status of persons)

(1) The legal labor-related status of persons referred to in Article 30, Paragraph (1) shall remain unchanged on the day of the entry into force of this Law, until such time as the security check procedure has been completed in line with this Law.

(2) Persons for whom a security concern has been determined by a decision issued by a relevant authority may no longer exercise the duty or hold a position for which the security clearance was carried out.

(3) Provisions regulating redundancy in laws governing this field shall be applied to persons referred to in paragraph (2). Exceptionally from the provisions of these special laws, the redundancy in this case shall also occur when security concern has been determined by a decision issued by a relevant authority.

(4) The persons referred to in Paragraph 2 shall be declared redundant and/or shall be put at disposal when the decision made in accordance with Article 31 becomes final. The relevant authority for making a decision on the redundancy shall be specified by a special law. These persons shall be reassigned exclusively to vacant positions in the same or a different institution in line with the Law. In the event that the reassignment of the said persons is not possible due to non-existence of similar job posts their employment shall be terminated and severance pay shall be paid out in line with the Law.

(5) Legal remedies shall be allowed against the decision declaring persons redundant, making them available for reassignment, reassigning them, terminating their positions and paying severance pay, if specified by special laws regulating this area.

(6) Final decisions made with respect to legal remedies may be subject to legal proceedings, if they are stipulated by a special law regulating this area, but the final decisions referred to in Articles 30 and 31 of the Law may not be the subject of a review in the proceedings referred to in paragraph (5) both appellate and court.

Article 33

(Exception for armed forces of BiH and police bodies in BiH)

(1) As an exception to Articles 30 and 31 of this Law basic security checks for following persons shall be conducted by the internal organizational unit of the Ministry of Defence of BiH:

- a) Professional military personnel in Armed Forces of BiH;
- b) Reserve force in armed forces of BiH;
- c) Conscripts in armed forces of BiH;
- d) Civil servants, employees, advisers and other officials in BiH defence institutions,

(2) As an exception to Articles 30 and 31 of this Law basic security checks for following persons shall be conducted by the Internal Control Department of the State Investigation and Protection Agency:

- a) Police officials,
- b) Civil servants and employees in police and other security bodies in BiH.

(3) For the purposes of this Law, security bodies shall mean :

- a) Ministry of Security of BiH
- b) NCB INTERPOL
- c) administrative institutions competent to perform police duties in BiH

(4) Persons referred to in paragraph (1) shall be subject to the basic security checks in accordance with the procedure for issuance of authorizations for access to secret data of the degree CONFIDENTIAL.

(5) The exception refer to in this Article shall not be applicable to persons who are subject to security checks for the purposes of getting the security authorization as defined in this Law.

(6) Basic security checks conducted pursuant to this Article may be taken into consideration for the purposes of providing the authorization to access secret data of the degree CONFIDENTIAL in accordance with this Law.

Article 34

(Design and contents of documents)

(1) An authorization to access secret data classified as CONFIDENTIAL, SECRET and TOP SECRET shall be issued in line with this Law.

(2) Design and contents of the authorization, Statement and other documents defined by this Law shall be established by the State Security body, unless prescribed otherwise.

(3) Documents referred to in paragraph (2) shall be appropriately classified in line with this Law.

Article 35

(Request for issuance of authorization)

(1) The manager of the body in which the person who is subject to a security check works or exercises duty shall apply for issuance of the authorization to the Minister of Security of BiH or the Minister of Defense of BiH in accordance with Articles 36 and 37..

(2) The list of jobs or positions which are subject to issuance of the authorization shall be specified and included in the job classification by the manager of the body referred to in Paragraph (1) by a decision.

Article 36

(Persons competent to issue authorization)

(1) The Minister of Security of Bosnia and Herzegovina, or Deputy Minister of Security upon Minister's authorization, taking into account the opinion of the Intelligence-Security Agency of BiH which may incorporate opinions of other relevant bodies referred to in Paragraph 5 of Article 30 and Article 56, shall issue the authorization to access secret data to persons who require access to secret data in order to perform their duties in the Council of Ministers (CoM) of BiH, or the Intelligence Security Advisory Group of the CoM BiH, BiH Data Protection Commission, members and the Secretary of the Security-Intelligence Committee for Monitoring the Legality of the BiH OSA operations, members and the Secretary of the Joint Committee for Defence and Security Policy and the Monitoring of Defence and Security Structures at the BiH level, as well as authorized officials of the Intelligence-Security Agency of BiH, in line with this and other special laws.

(2) As an exception from Paragraph 1 and Article 37, Paragraph 1, the Minister of Defence, in agreement with his Deputies and considering the opinion of the Intelligence-Security Agency of BiH which shall incorporate opinions of other relevant bodies referred to in Article 30, Paragraph 5 and Article 56, shall issue the authorization to access secret data to persons who need secret data access in order to perform their duties in the BiH Ministry of Defence and other civilian and military structures of the BiH Armed Forces, in line with this and other special laws.

(3) Exceptionally from the provisions of paragraphs (1) and (2) and Article 37, paragraph 1, the authorization to access secret data to the Minister of Security of BiH and the Minister of Defence of BiH shall be issued, in line with the Law, by the Head of the body referred to in Article 75.

(4) The Minister of Security of BiH and/or the Minister of Defence of BiH shall be obliged to inform the Security-Intelligence Committee of the Parliamentary Assembly of BiH for Overseeing the BiH OSA Operations (hereinafter: the Committee) about the issuance of authorizations referred to in paragraphs 1 and 2, on a monthly basis and as may be required. The written report shall be sent to the Committee but it does not exclude oral presentation of reports to the Committee.

Article 37

(Authorization issuance to other bodies)

(1) The Minister of Security of Bosnia and Herzegovina, or Deputy Minister upon Minister's authorization, shall issue the authorization to persons who require access to secret data in order to perform their duties and tasks in other bodies of BiH, Entities and bodies at other levels of the state organization of BiH, taking into account the opinion of the Intelligence-Security Agency of BiH

which shall incorporate opinions of other relevant bodies referred to in Article 30 Paragraph 5 and Article 56.

(2) The Minister of Security shall be obliged to inform the Committee, in writing, on issued authorizations referred to in Paragraph 1, on a monthly basis or as may be required.

Article 38

(Types of security clearance)

Based on the nature of secret data to be accessed by a person before he/she is granted the authorization, the authorized official shall ensure the following:

- a) **a basic security check** for the appointment to the office or employment within the body and issuance of the authorization to access information classified as CONFIDENTIAL,
- b) **an extended security check** for the issuance of the authorization to access information classified as SECRET,
- c) **an extended security check** along with a security investigation for the issuance of the authorization to access information classified as TOP SECRET.

Article 39

(Basic security check)

(1) **The basic security check** shall be conducted by the Intelligence-Security Agency of Bosnia and Herzegovina (hereinafter: the BiH OSA) by checking the information for a person identified in the Basic Security Check Questionnaire.

(2) The information from this Questionnaire filled out by a person subject to the security check shall be compared with information from the official records of the BiH OSA, as well as other competent State bodies and other relevant sources of information specified in a separate rulebook, issued by the Council of Ministers of BiH, which has been harmonized with this law.

(3) If suspicion about a security-related concern arises in the process of conducting a basic security check for a person, the BiH OSA shall make an additional check of the information causing the security-related concern, but only with prior consent of the person subject to security check who shall be informed of the basis for a security-related concern. In case the person subject to security check consents to this additional check, he/she shall confirm it by filling out and signing the first part of the Additional Questionnaire. However, if the person fails to do that, the General Director of BiH OSA shall inform the Minister of Security and/or Minister of Defence in line with Articles 36 and 37 (hereinafter: persons responsible for the issuance of authorizations) who shall refuse to issue the authorization to access secret data on the basis of a suspicion on the existence of a security-related concern.

Article 40

(Extended security check)

(1) **The extended security check** shall be conducted by the BiH OSA on the basis of the filled out Basic and Special Questionnaires and information from other bodies and sources, as well as the BiH OSA records.

(2) If suspicion about a security-related concern arises in the process of conducting the extended security check, the BiH OSA may, if required, on the basis of a written consent of the person subject to the security check, take further security checks by means of the first part of the Additional Questionnaire, signed by the person. However, if the person subject to security authorization fails to give his/her consent, or fails to fill out and sign the first part of the Additional Questionnaire, the General Director of BiH OSA shall inform the persons responsible for the issuance of authorizations who shall refuse to issue the authorization to access secret data on the basis of a suspicion on the existence of a security-related concern.

Article 41

(Extended security checks along with a security investigation)

(1) The BiH OSA shall conduct **extended security checks** along with a security investigation on the basis of completed Basic and Special Questionnaires and by interviewing the individuals listed by the

person subject to security check in the first part of the Additional Questionnaire and who can confirm the information presented in the Questionnaire, i.e. by checking the allegations in a Special Statement.

(2) If the suspicion on the existence of a security-related concern is not sufficiently clarified by checking the information from paragraph (1), the BiH OSA can check the authenticity of the suspicion with other persons, bodies or organizations that can assist in the proper completion of the extended security check along with security investigation.

Article 42

(Additional checks)

- (1) If a suspicion on the existence of a security-related concern is the result of circumstances concerning a marital or extra-marital partner, or any other person of age living together with a person subject to security check, the person shall fill out the Second Part of the Additional Questionnaire.
- (2) Authorized officials of the BiH OSA can also interview persons referred to in Paragraph 1 in order to clarify the authenticity of a security-related concern, but only after they consent to the basic security check in writing.
- (3) Basic security checks in the aforesaid case shall be subject to the same procedure as outlined in Article 39 of this law.

Article 43

(Authorization issuance)

Persons responsible for the issuance of authorizations shall:

- a) issue the authorization to access secret data classified as CONFIDENTIAL, following the completion of a basic security check and if no security-related concerns have been established,
- b) issue the authorization to access secret data classified as SECRET, following the completion of the extended security check and if no security-related concerns have been established,
- c) issue the authorization to access secret data classified as TOP SECRET, following the completion of the extended security check, along with a security investigation and if no security-related concerns have been established.

Article 44

(Authorization issuance and refusal to issue)

- (1) The authorization referred to in Article 43 shall be given to a person subject to security check while the head of the body, organization or institution requesting the security check shall be informed in writing about the issuance of the authorization.
- (2) If the persons responsible for the issuance of authorizations refuse to issue the authorization to access secret data on the basis of the authenticated security-related concern, they shall be obliged to present the reasons causing a security-related concern. Persons responsible for the issuance of authorizations shall not be obliged to elaborate on sources and methods of the security check.

Article 45

(Appellate procedure)

- (1) The person subject to security check can lodge a complaint in writing against the Decision of the persons responsible for the issuance of authorizations to reject his/her request for the issuance of the authorization to access secret data, within fifteen days as of the forwarding of the Decision, with the Security-Intelligence Committee of the Parliamentary Assembly for Overseeing the BiH OSA Operations. The Committee shall consider the complaint and issue a decision, which shall be delivered to the person responsible for the issuance of authorization who rejected the request. The person responsible for the issuance of authorization shall deliver the written decision of the Committee to the person subject to a security check within 8 days from the day of the issuance of the Decision.
- (2) An administrative dispute against the final decision rejecting the issuance of authorization to access secret data may be initiated before the Court of Bosnia and Herzegovina within 30 days.
- (3) The submission of the Complaint or the initiation of administrative dispute shall not stay the execution of the Decision referred to in Paragraph 1.

(4) Subsequent to the completion of the procedure before the relevant law, the person for whom the existence of a security-related concern was not determined shall have all the rights as specified by the law.

Article 46

(Cooperation in security checks)

The BiH OSA and other competent State bodies, organizations and institutions of Bosnia and Herzegovina can cooperate in the process of conducting the security check of a certain individual in accordance with the agreement signed with another state or international or regional organization with full respect to provisions of BiH legislation concerning the protection of personal data and relevant provisions of the Law on the Intelligence and Security Agency of Bosnia and Herzegovina (*Official Gazette of BiH, 12/04 and 20/04*).

Article 47

(Formal requirements for security checks)

- (1) Prior to the commencement of the security check, the managing person shall take activities in order to inform, in advance, persons who are subject to security check about:
- a. regulations governing secret data processing,
 - b. an obligation to obtain the authorization to access secret data of a certain classification,
 - c. contents of a security check and a procedure for obtaining the authorization,
 - d. an obligation of the person subject to security check to give his/her consent in writing, fill out the relevant Questionnaire, sign the Statement that he/she has been informed of regulations in the secret data processing area, and that he/she will act in accordance with the said regulations.
- (2) Persons subject to security check may not refer to the failure to meet obligations of item a), b) or c) of paragraph (1) in order to prevent or challenge the security check.

Article 48

(Types of Questionnaires)

The relevant questionnaires referred to in Article 47, Paragraph (1), item d) for obtaining the authorization to access secret data of different classification shall be as follows:

- a) **the Basic Questionnaire** for obtaining the authorization to access secret data classified as **CONFIDENTIAL**,
- b) **the Basic and Special Questionnaire** for obtaining the authorization to access secret data classified as **SECRET**,
- c) **the Basic, Special and the first part of the Additional Questionnaire** for obtaining the authorization to access secret data classified as **TOP SECRET**.

Article 49

(Contents of the Basic Questionnaire)

The Basic Questionnaire shall contain the following information:

- a) Name and surname, including those previously held,
- b) Unique personal number (PIN),
- c) Date and place of birth,
- d) Citizenship(s), including those previously held,
- e) Address of residence (permanent and temporary residence),
- f) Any stay abroad if longer than three months,
- g) Marital status, personal data on marital or extra-marital partner and persons of age living together with the person subject to the security check,
- h) Qualifications, profession and the current field of work,
- i) Former employers and their addresses,

- j) Military service and engagement in armed forces or different armed formations,
- k) Education, participation in seminars or other forms of education and professional advancement abroad if longer than three months,
- l) Legally binding verdicts due to criminal acts and/or decisions on minor offences referred to in this Law,
- m) Ongoing court proceedings,
- n) Addiction to alcohol, drugs and other forms of addiction,
- o) Contacts with foreign security or intelligence services,
- p) Membership in or cooperation with organizations that advocate terrorism or other anti-constitutional means of changing the constitutional order of Bosnia and Herzegovina,
- q) Disciplinary measures pronounced in the last two years due to violation of regulations on secret data processing,
- r) Earlier security checks in accordance with the laws applicable at the time,
- s) Earlier security checks in accordance with the provisions of this Law,
- t) Disclosure form of the person subject to security check and persons referred to in item g).

Article 50

(Contents of the Special Questionnaire)

The Special questionnaire shall contain the following information:

- a) participation in foreign armed forces or other armed formations
- b) tax number
- c) financial liabilities and liabilities originating from a guarantor status,
- d) characteristics, affiliations and other circumstances which could serve as a motive for blackmail or other forms of pressure on the person subject to security clearance.

Article 51

(Contents of the Additional questionnaire)

Additional questionnaire shall consist of two parts:

- a) full names and addresses of three persons who can verify the claims from the questionnaire; these cannot be persons referred to in Article 49, Paragraph (1), item g) or if the person subject to security checks cannot list the requested names due to justified reasons, he/she shall give a special statement about the reasons for being unable to list the said names and all other issues required by BiH OSA or persons responsible for authorization issuance, which they shall take into account in the process of adopting the decision to issue the authorization
- b) data on persons referred to in Article 49, Paragraph (1), item g) subject to a security check in accordance with this Law.

Article 52

(Obligations related to filling out questionnaires)

Persons filling out the questionnaires referred to in Article 49, 50 and 51 shall be obliged to provide accurate and detailed answers to all questions in the Questionnaire. In case the person does not have anything to report to a question, he/she shall write, under full legal accountability, that there is nothing to report on the question.

Article 53

(Period of security checks)

- (1) The information from the basic, special and additional questionnaire shall be verified in the process of issuance of the authorization to access secret data classified as CONFIDENTIAL, SECRET and TOP SECRET for the period of the last fifteen years.
- (2) Any further security checks obligatory under law to issue the authorization to access secret data designated as CONFIDENTIAL shall encompass the last ten-year period, the authorization for secret data designated as SECRET and TOP SECRET shall encompass the last five-year period.

Article 54

(Medical examination)

(1) In case in the process of security check there arises a suspicion that the person is addicted to alcohol, drugs or that he/she has other inappropriate forms of addiction, the BiH OSA Director General may propose in writing that the person subject to security check undergo a medical examination in a competent institution. If the person subject to security check fails to accept the proposal, the persons responsible for the issuance of security authorization shall pass a Decision refusing the issuance of authorization to access secret data.

Article 55

(Secrecy of data source)

(1) The BiH OSA, that is, persons responsible for the issuance of security authorization shall not be obliged to provide the information on illegal cooperation of persons subject to security checks with foreign intelligence and security services, in case that it would endanger the sources, manner of obtaining information and the process of verification of disputable information.

(2) Data referred to in Paragraph (1) shall be presented before the Intelligence and Security Committee of the BiH Parliamentary Assembly in charge of overseeing the BiH OSA during an appellate procedure or a judge in the BiH Court during a court proceeding, if that is assessed necessary for the proceeding.

(3) The persons referred to in Paragraph (2) shall possess appropriate authorization in line with law.

Article 56

(Cooperation with other competent authorities)

(1) Beside its operative knowledge and records, the BiH OSA shall verify certain information from the basic, special and additional questionnaires through cooperation with employers, courts, prosecutor's offices, structures in the Armed Forces of BiH, police authorities in BiH as well as tax, customs, and other competent state, entity and other bodies.

(2) Bodies referred to in paragraph (1) shall be obliged to cooperate with OSA BiH in the process of the Law enforcement.

(3) Bodies referred to in paragraph (1) shall also be obliged to cooperate with the bodies referred to in Article 33, paragraphs (3) and (4) in the process of security clearance stipulated in Article 33.

Article 57

(Additional checks in the event of a suspicion on security-related concerns)

(1) If, due to a violation of regulations governing secret data processing, a disciplinary procedure has been initiated against a person who is already in the possession of an authorization to access secret data, or criminal proceedings have been initiated against that person on grounds of a suspicion that he/she committed a criminal act, or there is ground to believe in the existence of a security-related concern in accordance with the provisions of this Law, the head of the body, organisation or institution in which the person subject to security clearance works on access, use, safekeeping or protection of secret data shall be obliged to inform the persons responsible for the issuance of security authorization about the aforesaid development.

(2) If the persons responsible for the issuance of security authorization assess establish that there is a reasonable doubt, they shall address a request for additional security checks to the BiH OSA.

(3) In the case referred to in Paragraph 1 it shall not be necessary to acquire the consent of the person subject to security check, but it shall be the duty of the head, immediately upon the initiation of the process of additional security check, to temporarily prevent the person from accessing secret data pending the completion of the process, on which a decision shall be passed.

Article 58

(Repeated security checks after obtaining authorization)

(1) A person who has access to secret data classified as CONFIDENTIAL shall be subject to obligatory security check every ten years, and a person who has access to secret data classified as SECRET and TOP SECRET shall be subject to clearance at least every five years.

(2) The procedure of repeated security check shall be identical to the first security check procedure, unless stipulated otherwise by law or an international treaty between Bosnia and Herzegovina and another state, international or regional organisation.

(3) If in the new security check the BiH OSA establishes a security-related concern, the persons responsible for the issuance of security authorization shall pass a Decision withdrawing the authorization and inform the person subject to security check and the head of the state body, organisation or institution in which the person in question has access to secret data thereon.

(4) From the moment the head receives the Decision referred to in Paragraph 3, he/she shall be obliged to prevent the person whose authorization was withdrawn from accessing secret data.

Article 59

(Security-related concerns)

(1) The security-related concerns that serve as the ground for rejecting the issuance of Authorization to access secret data shall be the following:

- a) proven false allegations in the questionnaire,
- b) final court verdicts to at least three-month imprisonment,
- c) existence of one or more final court verdicts due to offences referred to in Article 49, item 1 of this Law,
- d) conduct of criminal proceedings for offences subject to at least three month imprisonment sentence,
- e) conduct of proceedings before the International Criminal Tribunal for Crimes Committed on the Territory of the Former Yugoslavia,
- f) established existence of security-related concerns regarding one or more statements made in the security clearance questionnaire which serve as ground for suspicion about the credibility, loyalty to the state and confidentiality of the person to be provided access, use, safekeeping and protection of secret data, in particular:
 - i) unauthorized contact with members of organized criminal groups, terrorist organizations and organizations which support them financially or in other ways or a membership in the said,
 - ii) unauthorized contact or cooperation with persons in intelligence, security or military structures of other states,
 - iii) disclosure or commenting on the secret data, documents or activities to unauthorized persons, especially intelligence and security agencies of other states or public media,
 - iv) excessive indebtedness leading to financial problems and representing a proven possibility for blackmail or any other forms of pressure on the person subject to security checks,
 - v) established inexplicable enrichment from an unknown source or a source associated with organizations referred to in lines 1 and 2,
 - vi) refusal to provide answers or information, or proven instance of preventing other persons to give answers or information requested by the BiH OSA, persons responsible for issuance of authorization or the Committee,
- g) existence of other security-related concerns stipulated by this Law or international agreements.

(2) The BiH OSA in cooperation with relevant authorities referred to in Article 30, Paragraph (5) and Article 56 shall be obliged to collect and present the evidence on security-related concerns referred to in Paragraph (1).

Article 60

(Records)

(1) Heads of bodies, organizations and institutions of Bosnia and Herzegovina, Entities and other levels of state organization of Bosnia and Herzegovina shall archive the records on authorizations and data collected during security clearance in a separate part of personal files, and the said may be used exclusively in relation to this Law and/or implementation of by-laws adopted on the basis of this Law.

(2) Responsible persons referred to in Paragraph (1) shall be accountable for the safety and protection of the records referred to in Paragraph (1).

Article 61

(Application of regulations in the event of Authorization withdrawal)

(1) When the persons responsible for the issuance of security authorization withdraw the authorization from a person who has access to secret data, he/she shall be declared redundant and/or placed at disposal as of the date the decision becomes final in line with Article 45. The redundant person shall be reassigned exclusively to vacant positions in the same or a different institution in line with the Law. In the event that the reassignment of the said persons is not possible due to non-existence of similar posts their employment shall be terminated and severance pay shall be paid out in line with the Law.

(2) The persons referred to in Paragraph (1) shall be subject to provisions regulating redundancies in laws regulating this area. Notwithstanding the provisions of these special laws, redundancy shall also occur when it is found, by a decision of a responsible authority, that a security-related concern exists in relation to a person.

(3) An appeal, complaint or motion to review may be initiated against decisions on declaring redundant, placing at disposal, transfer, termination of employment and severance pay provided that the said are envisaged in a special law.

(4) A court dispute may be initiated against final decisions on appeal, complaint or motion to review, if provided for in a special law, but the final decisions referred to in Articles 36 and 37 of the Law may not be the subject of the review in the proceedings referred to in paragraph (3) both appellate and court.

Article 62

(Central registry and data keeping)

(1) The Council of Ministers of BiH shall issue a decision on the Central registry to maintain official records on authorizations issued to all persons who are entitled to access secret data classified as CONFIDENTIAL, SECRET and TOP SECRET.

(2) Records on the authorizations referred to in Paragraph (1) shall contain the following information:

- a) name, surname, Personal Identification Number, date, place and state of birth, citizenship of a person,
- b) the body which employs the person concerned,
- c) degree of classification that can be accessed by the person concerned,
- d) statements on repeated security checks,
- e) number, date of issuance and date of expiry of the authorization,
- f) written approval for security checks, and
- g) other documents relevant to security checks.

(3) All information relevant to security clearance shall be kept for as long as the security authorization is valid, i.e. for as long as the person is entitled to access secret data, after which the information shall be treated in accordance with the laws regulating the issue of the personal data protection.

(4) The documents referred to in Paragraph (1) in case of persons who have not passed security checks that is who have not been issued authorization shall be stored in records referred to in Article 60.

(5) The Central registry referred to in paragraph (1) shall also receive and distribute secret data.

Article 63

(Temporary access to secret data)

A person who holds an authorization may temporarily be provided access to secret data classified at one level higher than the level the person is entitled to. The access shall be provided on the basis of a written request by the head, which shall be sent to the persons responsible for the issuance of authorization along with an explanation as to why this is required and a restriction to only those data necessary for the implementation of a certain activity but the aforesaid temporary period may not exceed three months.

CHAPTER IV – ACCESS TO SECRET DATA AND THEIR SAFEKEEPING

Article 64

(Right of access to secret data)

(1) Only persons who were granted authorisation by the persons competent for granting authorisation shall be entitled to access secret data of the secrecy level stated in the authorisation when performing their duties or within their tasks.

(2) No one may request secret data prior to and to an extent larger than required for performing certain duties or tasks.

Article 65

(Disposing of secret data)

Secret data may be provided to other state, entity or bodies at other levels of the state organisation of Bosnia-Herzegovina, which act in accordance with this Law, i.e. to the authorised persons in those bodies, for their disposal, only on the basis of a written authorisation by the head of the body designating the data as secret.

Article 66

(Conditions of secret data exchange)

The authorised person may forward secret data to a state, entity or body, organisation or institution at other levels of the state organisation of Bosnia and Herzegovina as well as legal entities referred to in Article 3, Paragraph (1), only under the following conditions:

- a) if the user of such secret data meets physical, organisational and technical requirements for safekeeping secret data in accordance with this Law and by-laws harmonised with this Law;
- b) if persons who access secret data have an authorisation of the appropriate level;
- c) if authorised persons, having been granted access authorisation, sign a written statement acknowledging the contents of this Law, other applicable regulations and take up an obligation to use the secret data in accordance with the aforesaid regulations;
- d) if a state body, organization or institution guarantees that the access to secret data shall only be given to authorised persons who require the access for the performance of their official duties.

Article 67

(Restriction of secret data exchange)

The legally authorised user who receives secret data from an authorised person may not make it available to other users without the person's consent, except in cases provided by the Law and regulations.

Article 68

(Oversight and records)

The authorised person shall have permanent oversight over secret data distribution and shall keep updated records that clearly show the time of access and the identity of persons who accessed secret data.

Article 69

(Procedure of safekeeping secret data)

(1) All state, entity and body, organisation or institution at other levels of state organisation of Bosnia and Herzegovina that use secret data shall establish, in accordance with this Law and relevant by-laws, a system of procedures and decisions of importance for secret data safekeeping, which shall be harmonized with the secrecy level and guarantee the prevention of unauthorised data disclosure.

(2) The procedures referred to in Paragraph (1) shall include but not be limited to:

- a) general security-related decisions;
- b) protection of persons entitled to access to secret data;
- c) protection of premises;

- d) protection of documents and media containing secret data;
- e) protection of communications used for secret data transfer;
- f) manner of classification;
- g) protection of secret data processing equipment;
- h) manner of informing users about decisions and secret data protection procedures;
- i) oversight and registration of secret data access;
- j) oversight and registration of forwarding and distribution of secret data.

Article 70

(Measures and procedures of secret data protection)

- (1) Secret data shall be kept in a manner ensuring the information access is granted only to persons with the secret data access authorization of the appropriate level, who need such information during performance of their duties and tasks.
- (2) Secret data may be transferred outside the user's premises only in conformity with the protection measures and under the procedures guaranteeing that the information will be accessed only by persons holding authorizations of appropriate levels.
- (3) Procedures and decisions related to secret data transfers shall be issued by responsible managers in line with the level of classification, provided that the transfer may not be carried out through unprotected communication systems.
- (4) The Council of Ministers of BiH shall stipulate the physical, organisational and technical measures and procedures for the protection of secret data and documents in more detail by a special regulation referred to in Article 24.

Article 71

(Procedure in case of disappearance, destruction or unauthorised disclosure)

- (1) Officials, civil servants and other employees in state, entity and bodies, organisations and institutions at other levels of state organisation of Bosnia and Herzegovina who establish a disappearance, destruction or unauthorised disclosure of secret data shall be obliged to immediately inform the authorised person accordingly.
- (2) The user or recipient of secret data who establishes a disappearance, destruction or unauthorised disclosure of secret data shall be obliged to immediately inform the authorised person in the body that transferred the data accordingly. The authorised person shall immediately take measures aimed at establishing the circumstances and the responsibility for the disappearance or disclosure of the secret data to an unauthorised person, and take appropriate measures to redress the damage.

Article 72

(Training on secret data protection)

- (1) After the security clearance is carried out and the authorisation of access to secret data granted, the authorised persons shall pass a training on secret data protection, in order to acquire appropriate knowledge on the following questions:
 - a) provisions regulating the issue of the protection of secret data and legal responsibility for their disclosure,
 - b) principles of the protection of secret data to the extent necessary for performing tasks or duties, and
 - c) other questions that are considered important for authorised persons taking into account their jobs or positions.
- (2) The body referred to in Article 75 shall be the executive proponent in establishing the programme of education on security, aimed at directing and training all authorised persons on the Law as well as those who have a need to access such information. This programme shall be adopted, regulated and implemented by each institution or body that has a need for access to secret data.
- (3) The programme of security education shall be regulated by a special rulebook to be adopted by the Head of the body referred to in Article 75.
- (4) The cost of training shall be born by the institution or body in which the authorised persons are employed.

V - SUPERVISION

Article 73

(Internal oversight)

(1) Heads of state bodies, ministries, administrations, institutes, services, organizations and institutions shall be responsible for organising internal oversight over the implementation of this Law.

(2) In the Ministries of the Council of Ministers of BiH, Armed Forces of BiH, Intelligence and Security Agency of BiH, State Investigation and Protection Agency, State Border Service, administrations and independent state, entity and services and institutions at other levels of state organisation of Bosnia and Herzegovina, special positions shall be systemised for the duties of internal oversight over secret data protection, to which authorised employees shall be distributed, or special organisational units shall be established within a Ministry, administration, institute, agency, service and institution.

Article 74

(Substance of internal oversight)

(1) Internal oversight shall ensure regular monitoring and assessment of individual activities in the implementation of this Law and relevant by-laws and decisions passed in line with this Law in all state, entity and bodies at other levels of state organisation of Bosnia and Herzegovina.

(2) The Council of Ministers of BiH shall regulate the manner and substance of internal oversight over the implementation of this law and relevant by-laws.

Article 75

(State Security Body)

(1) The Council of Ministers of Bosnia and Herzegovina shall specify a State security body to monitor the implementation of the Law and the regulations adopted on the basis thereof.

(2) The state security body shall carry out the following tasks in particular:

- a) supervise security clearance,
- b) issue authorizations to access secret data of other states, international or regional organizations in line with the Law or international and/or regional agreement,
- c) monitor the situation in the area of classification and protection of secret data and take care of advancing and implementing physical, organizational and technical standards of secret data protection on state, entity and other levels of governmental organization of BiH, such standards relating to public office holders and those in economic organizations which obtain and utilize secret data,
- d) take care of implementing international obligations and international treaties on protection of secret data and, in relation to this, cooperate with relevant bodies of other states, international or regional organizations.
- e) take care of protection of secret data in state institutions and bodies abroad,
- f) issue security authorizations for systems and means for transfer, keeping and processing of secret data of other states, international or regional organizations,
- g) verify fulfilment of specified conditions for secret data processing performed by certain bodies,
- h) issue instructions for handling secret data of another state or international or regional organization,
- i) supervise enforcement of decisions related to physical, organizational and technical protection of secret data of another state, international or regional organization, and, according to the findings of such supervision, issue mandatory instructions for elimination of found shortcomings, which must be rectified by appropriate bodies without delay,
- j) exchange information with state security authorities and international organizations,
- k) prepare proposals of regulations required for implementation of the Law,
- l) issue opinions about the harmonization of general regulations related to classification, protection and handling secret data with this Law,

- m) coordinate the activities of the bodies responsible for security checks,
 - n) propose procedures for improvement of secret data protection,
 - o) supervise crypto-protection of secret data,
 - p) carry out other tasks specified by the Law and regulations made on the basis thereof.
- (3) The Council of Ministers of BiH shall designate bodies for information security when transferring secret data.

**Article 76
(Oversight)**

(1) The state security body shall carry out operational and technical oversight in the area of the protection of secret data over all institutions and bodies of Bosnia-Herzegovina, entities and other levels of governmental organisation of BiH whose competencies imply acting in accordance with the provisions of the Law, or whose activities are related to the Central registry referred to in Article 62.

(2) The state security body shall be obliged to report to the Security and Intelligence Committee of the Parliamentary Assembly of BiH for supervision of work of the BiH OSA, at least once a year.

**Article 77
(Parliamentary oversight)**

(1) The Security and Intelligence Committee of the Parliamentary Assembly of BiH for overseeing the work of the BiH OSA shall carry out oversight over the implementation of this Law.

(2) Among others, the Committee shall be competent for the following:

- a) oversight over the implementation of this Law by BiH, entity and bodies at other levels of state organisation of BiH,
- b) debates and consideration of reports of the Ministry of Security of BiH and/or the Ministry of Defence of BiH and the State Security Body on the granting authorisations, security checks and other aspects of the implementation of this Law,
- c) investigation on the work of the Ministry of Security of BiH and the Ministry of Defence of BiH with regard to the granting authorisations, of the BiH OSA with regard to security checks and of the State Security Body with regard to issues under its competence but excluding investigations related to secret data of other states, international or regional organizations,
- d) requesting, through the Committee's Chairperson, the competent bodies referred to in this Law to ensure expert advice when necessary for performing the function of oversight, and
- e) other activities aimed at ensuring full implementation of this Law.

(3) While carrying out investigation, the Committee may interrogate all officials, civil servants, employees and other persons that are subject to this Law and have access to documentation relevant for the investigation.

(4) For access to documentation referred to in Paragraph (3), the members of the Committee shall have appropriate authorisation in accordance with this Law.

VI – PENALTY PROVISIONS

**Article 78
(Sanctions for responsible persons)**

(1) The responsible official in a body, agency, institute, service, organisation and institution of Bosnia and Herzegovina, entities or at other levels of state organisation of Bosnia and Herzegovina shall be fined in the amount ranging from 1,000 to 5,000 KM if:

- a) the authorized body fails to keep records on the distribution of secret data of other states, international or regional organizations (Article 28);
- b) the head of a body from the list determined by the Council of Ministers fails to send a request to the BiH OSA within the foreseen deadline (Article 30);

- c) the authorized body fails to keep official records on authorisations granted to all persons with the right of access to secret data classified as CONFIDENTIAL, SECRET and TOP SECRET (Article 62);
- d) heads of bodies, organizations and institutions of Bosnia and Herzegovina, entities and at other levels of state organisation of Bosnia and Herzegovina fail to keep records on authorisations for their authorised employees and fail to archive them in a separate part of personnel files (Article 60);
- e) the authorized official fails to maintain permanent oversight over the distribution of secret data and fails to update the register that clearly shows the time of access and the identity of persons who accessed the secret data (Article 68);
- f) The system of procedures and decisions of importance for safekeeping secret data (Article 69) has not been established;
- g) If, in their safekeeping and transfer, secret data have not been protected from access by unauthorised persons (Article 70);
- h) Lack of reporting to the authorised person on disappearance, destruction or unauthorised disclosure of secret data (Article 71);
- i) internal oversight over secret data protection has not been ensured (Article 73 and 74).

Article 79

(Sanctions for responsible authorised persons)

An authorised person shall be fined from KM 1,000 to KM 5,000 if he/she:

- a) transfers the authority to classify data to another person (Article 13 Paragraph 3)
- b) classifies data as CONFIDENTIAL, SECRET or TOP SECRET without the authority to do so (Articles 13 and 14)
- c) does not classify a document created by merging two or more pieces of information which by themselves are not deemed confidential (Article 18)
- d) fails to act in accordance with Article 21 of this Law
- e) changes the classification level of a document or data without authorization (Article 23)
- f) fails to appropriately mark a secret document (Article 24)
- g) fails to prevent a person who has been stripped of his/her authorization from accessing secret data (Article 58 Paragraph 4)
- h) issues a temporary secret data access authorization in contravention of the provisions of Article 63 of this Law
- i) acts in contravention of Article 67 of this Law.

VII – TRANSITIONAL AND FINAL PROVISIONS

Article 80

(Budget funds for the implementation of the Law)

For the implementation of this Law, it is necessary to secure funds from the budget of the institutions of Bosnia and Herzegovina, entity budgets and other levels of state organisation of Bosnia and Herzegovina, i.e. funds from the budget of each state, entity and institution at other levels of state organisation of Bosnia and Herzegovina respectively.

Article 81

(By-laws adopted by the Council of Ministers of BiH)

The Council of Ministers of Bosnia-Herzegovina shall be obliged to adopt by-laws within its competencies in accordance with the relevant provisions of this Law, not later than three months upon the entry into force of this Law.

Article 82

(Other by-laws)

All bodies, organizations and institutions of Bosnia and Herzegovina, entities and other levels of state organisation of Bosnia and Herzegovina shall be required

to adopt the relevant regulations from within their competencies and adjust their organisation for their implementation and/or harmonise the existing regulations and organisation with the provisions of this Law, not later than six months upon the entry into force of this Law.

Article 83

(Ensuring granting of authorisations)

(1) Bodies, organisations and institutions of BiH, entities and other levels of state organisation of Bosnia and Herzegovina shall be obliged to ensure that all officials and employees who must have access to secret data by virtue of their duties receive appropriate authorisations as stipulated by this Law not later than within eighteen months upon the day of entry into force of this Law.

(2) All officials and employees who do not receive the authorisations referred to in Paragraph (1) shall be denied access to secret data.

Article 84

(Harmonisation of classification levels)

It shall be the duty of authorised persons to change the degree of classification for the secret data whose degree of secrecy was determined in accordance with former regulations and which still have operational value, so as to harmonise it with the provisions of this Law not later than within one year from the day of entry into force of this Law.

Article 85

(Harmonisation of classification levels for electronic and other data)

(1) It shall not be obligatory to change levels of classification within the deadline referred to in Article 84 for the secret data in the electronic or other form (not on a hard copy), or in the data in the current or permanent collection of documentation material.

(2) It shall be obligatory to change the classification level for the secret data referred to in Paragraph (1) when they are reused or handed over to another user.

Article 86

(Comparison of previous and present classification types and degrees)

Secret data referred to in Article 85 of this Law shall be processed during interim period as follows:

- a) data classified as STATE SECRET as TOP SECRET.
- b) data classified as OFFICIAL or MILITARY SECRET as follows:
 - (1) OFFICIAL or MILITARY SECRET – STRICTLY CONFIDENTIAL as SECRET
 - (2) OFFICIAL or MILITARY SECRET – CONFIDENTIAL as CONFIDENTIAL
 - (3) OFFICIAL or MILITARY SECRET – RESTRICTED as RESTRICTED.

Article 87

(Harmonization of laws in BiH)

(1) Competent authorities in Bosnia and Herzegovina shall be required to harmonize all relevant provisions of laws and bylaws with the Law, in particular in the domain of secret data classification, within six months after the effective date of the Law.

(2) The currently applicable regulations shall be applied parallel to the Law until harmonization of laws referred to in paragraph (1). In the event of a conflict, provisions of the Law shall apply.

Article 88

(Entry into force)

This Law shall enter into force on the eighth day upon its publication in the “Official Gazette of Bosnia and Herzegovina”.

PA BiH no.197/05

28 of July 2005

Chairperson of the PA BIH HOR

HoP

Sefik Dzaferovic Velimir Jukic

Chairperson of the PA BIH

ANNEX XIV. Extracts from the Book of Rules on Secret Data Protection in State Investigation and Protection Agency, signed by the Director of the Agency (SIPA) on 13.03.2006.

Article 4

(Persons authorized to assign levels of secrecy)

- (1) The level of «TOP SECRET» data can be assigned only by the Director of the Agency.
- (2) The level of «SECRET», «CONFIDENTIAL» and «RESTRICTED» can be assigned by the Director of the Agency or by a person in line of duty who is given such authorization by the Director by means of a special document.
- (3) The authorized persons mentioned in paragraph (2) of this Article cannot

Article 6

(Levels of Secrecy)

- (1) Secret data have one of the following levels of secrecy:
 - a) Top Secret
 - b) Secret
 - c) Confidential
 - d) Restricted.....

CHAPTER III- ACCESS TO SECRET DATA

Article 13

(Entitlement to Access Secret Data)

- (1) an entitlement to access secret data with certain level of secrecy is given only to a person who was given a permit with the same level of secrecy, as stipulated by provisions of the Law.
- (2) A person can be given temporary access to secret data which are one level higher than the one for which the person is given a permit provided that written authorization is given by a person competent to issue a permit and under the limitations in terms of data which are necessary for performing certain activity and with a timeframe of maximum three months.
- (3) Access mentioned in paragraph (2) of this Article can be given on the basis of request made by the Director of the Agency or an authorized person from paragraph (2) of Article 4 of this Book of Rules to persons competent to issue permits.

CHAPTER IV- STORAGE OF SECRET DATA AND SURVEILLANCE

Article 16

(General and specific measures of protection of secret data)

Apart from the measures and procedures for secret data protection stipulated by the Law and specific regulations of the Council of Ministers, persons employed within the Agency who have access to secret data shall also apply the following general and specific measures of protection:

- a) General measures of protection are as follows:
 - 1) Documents which represent secret are to be developed and kept with application of relevant measures of protection;
 - 2) Authorized person mentioned in Article 4 of this Book of Rules shall appoint persons who can get acquainted with a document which contains secret data as well as the ways of acquaintance;
 - 3) If a secret data is communicated orally or by means of relevant technical resources, in the course of meetings, counseling sessions, seminars or they are to be recorded, a prior warning is to be given regarding the secrecy. Such a warning is to be considered as assigning the level of secrecy in a written form;

- 4) Carrying out of documents which represent secret data from the premises and buildings in which they are kept or developed can only be done upon the authorization given by authorized person which assigned the level of secrecy;
 - 5) Parties are not to be allowed to enter premises in which secret data are being developed or stored, except for certain persons who are given the authorization by authorized person to enter such premises in order to perform a specific task;
 - 6) While developing secret documents only persons employed by the Agency who are directly involved in developing such in the premises.
- b) Specific measures of protection are as follows:
- 1) Specific measures of protection shall be applied for protection of documents, resources and objects which are classified as secret data in accordance with criteria stipulated by the Law and this Book of Rules;
 - 2) Organizational Units of the Agency which are developing, receiving or using the documents classified as secret data are to be obliged to keep books for correspondence classified as secret data as well as to pay attention regarding the usage, ways of keeping and storing the books;
 - 3) Content of the books mentioned in paragraph (1) point b) item 2 of this Article is stipulated by Guidance on ways of performing office business operations of Ministries, Services, Institutions and other bodies of the Council of Ministers of Bosnia and Herzegovina (“Official Gazette of B&H”, no. 35/03);
 - 4) In reference to measures, actions and procedures performed by Organizational units of the Agency in terms of production or realization of documents which have the level of secrecy “Top Secret” a secret-encrypted title has to be given;
 - 5) Documents and resources which constitute a secret data are to be mandatory kept in steel safe and in premises secured from possible breaks-in, forcible opening, fire and alike.

Article 18

(Disappearance, destroying and unauthorized tipping-off of secret data)

- (1) User, receiver of secret data and all employed by the Agency who find out that a secret data has disappeared, has been destroyed or an unauthorized person has it in his/her possession are obliged to report it immediately to the authorized person who had assigned the level of secrecy.
- (2) Once the authorized person mentioned in paragraph (1) of this Article is given the report, he/she is obliged to take immediately all necessary actions for the purpose of determining circumstances and responsibility on terms of disappearance, destroying and unauthorized tipping-off of secret data and accordingly to apply without delay all measures and take all actions in order to eliminate detrimental consequences.

Article 19

(Surveillance and records)

- (1) The authorized person mentioned in Article 4 of this Book of Rules must have continuous surveillance over the distribution of secret data and he/she must keep records stipulated by the Law and specially he/she has to pay attention to data entry as well as data on when and who has been acquainted with the secret data.
- (2) Special records are being kept on disappeared, destroyed or secret data with which an unauthorized person has been acquainted. The records contain title, i.e. type of secret data circumstances under which such a data has disappeared, has been destroyed or revealed, who has come or might have come into possession of disappeared data, and actions taken in order to eliminate detrimental consequences, as well as information regarding bodies, organizations and institutions which have been informed about disappearance or revealing, the measures taken against persons responsible for disappearance or revealing and short estimation of consequences of disappearance with given proposals.

ANNEX XV. Extract from Law on Enterprises

Prohibition of registration of its shares and shares of control enterprise

Article 215

- (1) A joint stock company can not register their actions, directly or indirectly through another person who acquired them for his account.
- (2) Depending society can not register the action of the parent company, in accordance with this law, directly or indirectly through another person who acquired them for his account.
- (3) If another person has register or has acquired shares in a manner contrary to paragraphs 1. and 2 of this article, it is considered that that person has taken it for its own account and shall be personally liable for the payment of the amount of the market value of such shares, even if there is a different agreement with the company for whose account they are registered or acquired.
- (4) Any agreement on a fee or compensation of persons in paragraph 3 this article is null and void.

General rules relating to the acquisition of own shares

Article 216

- (1) Own shares in this law are shares that a stock company acquired from its shareholders.
- (2) Joint-stock company may acquire its own shares or other securities, which its has issued from its shareholders, directly or indirectly through another person who acquired them in its own name and on behalf of that company, in accordance with the limitations of the constitutive act and limitations payment stipulated by this law.
- (3) Joint-stock company may acquire its preferred shares as well as its own shares or other securities that are not ordinary shares, in part or in whole.
- (4) A joint stock company may acquire only part of the ordinary shares, as own shares.
- (5) Open joint stock company may acquire its own shares so that the total nominal value, including the previously acquired shares that company holds and shares that are acquired indirectly, does not exceed 10% of its initial capital, unless:
 - a. if the company has reserves that can be used for this purpose and if used for this acquisitions,
 - a) acquisition of shares without fees which are fully paid,
 - b) acquiring shares in the process of forced sale under a court decision to pay the debt joint stock company by the shareholders, if no other method of collection and
 - c) Statutory changes.
- (6) Open joint stock company can not acquire its own shares with the shareholders agreement, but only through the offer to all shareholders pro rata in accordance with law.
- (7) Closed Joint Stock Company acquire its own shares or other securities by their values determined in accordance with this Law, unless the founding act or contract between the company and stock holder of securities, at the time when the securities issued, defines otherwise.

Ordinary and preferred shares

Article 199

- (1) A joint stock company can issue: ordinary (regular) and preferential (priority, preference) shares.
- (2) A joint stock company must have at least one ordinary share.
- (3) Ordinary shares of joint stock company always represent one class shares.
- (4) Preferential shares of joint stock company can be divided into two or more classes with different rights (different rates or different dividend participation or cumulative dividend rights or different rights to the payment of companies property in liquidation).
- (5) Ordinary shares of joint stock company have the same nominal value.
- (6) Preferential action of of joint stock company of the same class have the same nominal value.
- (7) A joint stock company may issue shares only in name.