

THE LAW OF

THE SECURITIES MARKET

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.

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 issue 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 issue 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 of 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 Transactions 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 shareholders 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.

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 than 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.

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 form 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.

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.

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.

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 then 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 than 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.

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 issuers 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 then 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 loose 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.

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),

- 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 then 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;

- 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,

- 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,

- 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,

- 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.

- (1) 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

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:
Date,

President of the Republic Srpska National Assembly
Igor Radojičić