FEDERATION OF BOSNIA AND HERZEGOVINA

LAW ON THE SECURITIES COMMISSION

dated 9 March 1998

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I GENERAL PROVISIONS

Article 1
Pursuant to this Law, founded will be the Securities Commission in the Federation of Bosnia and Herzegovina (hereinafter: Commission) also regulating its title, seat, status, composition, organization, authorities and responsibilities and the financing of the Commission.

II TITLE, SEAT AND STATUS OF THE COMMISSION

Article 2
The Commission is an independent specialized institution of the Federation of Bosnia and Herzegovina (hereinafter: Federation).
The Commission has the character of a legal entity.

Article 3
The title of the Commission is: The Securities Commission of the Federation of Bosnia and Herzegovina.
The seat of the Commission is in Sarajevo.
The Commission may have offices outside the seat of the Commission, that are founded through a resolution of the Commission.

Article 4
The Commission has its seal that, in two concentric circles, contains the Coat of Arms of the Federation and text written in Latin letters:;
“Bosnia and Herzegovina - Federation of Bosnia and Herzegovina
Securities Commission of the Federation of Bosnia and Herzegovina”.
The Coat of Arms of the Federation of Bosnia and Herzegovina is placed in the center of the seal.
The Law on the Seal of the Federation of Bosnia and Herzegovina (“The Official Gazette of the Federation of B&H”, No. 2/94 and 21/96) shall be applied to the form, making, use and safekeeping of the seal of the Commission.
III COMPOSITION OF THE COMMISSION

Article 5

The Commission is made up of a President, a Deputy President and three members, who are appointed and removed by the Parliament of the Federation on the proposal of the Government of the Federation of Bosnia and Herzegovina.

The term of office of the Commission lasts for a period of five years.

The same person may be appointed more than once to the Commission.

When appointing the Commission, at least two members from the previous term of office of the Commission must be appointed for every following term of office.

The President, Deputy President and members of the Commission in the first term of office are appointed by the President of the Federation with the agreement of the Deputy President of the Federation within a period of 30 days as of the day of coming into effect of this Law.

Article 6

One member of the Commission in the first two terms of office shall be appointed from foreign experts by the OHR.

Article 7

The President, Deputy president and members of the Commission may not:

1) be in matrimony with each other or in kinship neither in an ascendant line, nor in a collateral line, or in-laws up to the third degree;

2) be a person convicted for a criminal act which is incompatible with service in the Commission;

3) be a member of a legislative, executive or court authority, nor a member of the Supervisory Board or Management Board of an enterprise, bank, management company, investment fund, pension fund, insurance company or professional intermediary in the trade of securities;

4) carry out any other paid job, except for activities in the fields of science, research and lecturing;

5) possess directly or indirectly more than 5% of the securities of an enterprise, bank, management company, investment fund, pension fund, insurance company or professional intermediary in the trade of securities;

6) conduct activities incompatible with the principles of protection of investors or Commission independence.

Article 8

The President, Deputy President and members of the Commission shall be appointed with their written consent.

Candidate for President, Deputy President and member of the Commission who conducts activities from Article 7 item 3 of this Law relieves himself/herself of such duty and suspends
his/her membership throughout the duration of his/her term of office to the Commission through a written consent from paragraph 1 of this Article.

The President, Deputy President and member of the Commission may not represent any person in a procedure before the Commission for a period of two years upon the end of his/her term of office.

**Article 9**

The President, Deputy President and member of the Commission may be removed before the expiration of his/her term of office, upon his/her own request.

The President, Deputy President and member of the Commission may be removed before the expiration of his/her term of office in the event that he/she does not act in accordance with the law, or with acts of the Commission, or if he/she misuses his/her function or if other circumstances arise that are incompatible with the performing of duties in the Commission.

**Article 10**

With a removal in accordance with Article 9 of this Law, another person shall be appointed for President, Deputy President or member of the Commission.

In a case from paragraph 1 of this Article, another person shall be appointed for the period until the expiration of the term of office of his/her predecessor.

**IV AUTHORITIES OF THE COMMISSION**

**Article 11**

The Commission ensures the application of the law and supervises its implementation along with other regulations that are related to the issuance and trade of securities and is authorized and responsible especially for:

1) the regulation of conditions and the method of issuing and trading securities;
2) the approval of issues of shares and other securities of enterprises and banks;
3) the approval of the issues of securities of fund management companies, investment funds, mutual funds and other legal entities dealing with the issuance of securities;
4) the regulation of conditions and the method of issuing cantonal and municipal bonds;
5) the regulation of rules and the supervision of the trade of securities, based on the exchange of securities and the quotation system, through electronic media;
6) investor interest protection;
7) the regulation and supervision over the application of disclosure standards for investors and the public on the business operations of the participants in trading with securities;
8) the regulation and supervision of the application of corporate governance standards; and
9) the regulation of conditions, licensing and supervising of professional intermediaries and other participants as well as other activities related with the work in the trade of securities.
Article 12

In the performing of its authorities the Commission:

1) supervises the application of the law and other regulations on the issuance and trading of securities and is entitled to request information and documents from all legal and natural persons that based on its judgment are necessary for the carrying out of supervision;

2) coordinates the activities of the administrative bodies, Federal institutions and agencies of the Federation on issues of regulation and supervision of activities in securities trading;

3) prescribes the conditions and rules of securities trading;

4) issues permits for securities issuance;

5) prescribes and supervises the procedures and determines the results of a public offering of securities and conducts the registration of issuers of securities;

6) prescribes the standards and obligatory elements of the securities prospectus;

7) prescribes the standards for the approval of the sale of securities through public offerings and for their quotation;

8) prescribes the conditions and approves the trade of securities of foreign issuers;

9) passes regulations regulating the trading of securities on basis of confidential information;

10) suspends the issuance and trade of certain securities and other activities in the trade of securities in cases of manipulation or speculation or when it assesses that the interests of the investors and the public are jeopardized by such activities, or that they were not in accordance with the law and other regulations;

11) suspends the trade of all securities and the activities of all institutions and participants in the trade of securities in cases determined by the law and regulations of the Commission;

12) prescribes the conditions and rules for the professional conducting of intermediary activities in the trade of securities, including security and guarantee standards;

13) issues, suspends and revokes licenses for conducting of intermediary activities in securities trading;

14) prescribes the conditions and standards for managing the Registrar of securities and conducting settlement and depository activities in relation to securities;

15) supervises the work of the Registrar of securities and Depository;

16) prescribes the conditions and rules for participation of management companies, investment funds, pension funds and insurance companies in the trade of securities;

17) prescribes the conditions and the procedures and approves the splitting-up and merging of shares and the acquisition and take-over of joint stock companies;

18) prescribes the conditions and the procedure and approves the acquisition of shares between joint stock companies;

19) prescribes the standards for capital and limitation of risk in securities transactions for professional intermediaries in the trade of securities;

20) prescribes the standards for protection of shareholders and corporate governance;
21) prescribes the conditions and procedures for entry in the register and keeps the Register of Issuers of Securities;

22) prescribes the content, conditions and standards for the disclosure of financial statements and other information, including forward looking disclosure on business operations and the method for informing shareholders on the business operations of joint stock companies;

23) prescribes the form and time-frames for the keeping of public registers of information on issuers and securities owners, professional intermediaries and activities in the trade of securities and ensures the establishment of those registers;

24) initiates the process for passing of and amendments to regulations that relate to securities, corporate governance and protection of shareholders, professional intermediaries in the trade of securities, self-regulating organizations and anti-trust regulations, for which the Commission is not authorized to pass;

25) determines the conditions, standards and method of information delivery to the Commission from issuers and professional intermediaries in the trade of securities and the disclosure of statements that relate to their activities, including presentations and promotion;

26) supervises the business books, financial statements and announcements of issuers and professional intermediaries in the trade of securities;

27) organizes the training of professional participants, specialists and other participants in the trade of securities;

28) keeps the register of issued, suspended and revoked licenses of professional intermediaries and specialists in the trade of securities;

29) prescribes fees for the approval of an issuance, the quotation of securities on the Stock Exchange and other regulated public markets and the issuance of licenses for professional intermediaries and specialists in the trade of securities;

30) supervises implementation of other regulations that directly or indirectly affects the issuance and trade of securities and reports to the competent administrative bodies, administrative organizations and agencies of the Federation on its findings;

31) considers the method of the implementation of laws and other regulations on the issuing and trading of securities, files charges with the competent bodies concerning economic violations and criminal acts, enforces actions regarding economic violations breaching Federation regulations in accordance with the Law on Violations; and

32) undertakes other measures and activities for which it is authorized and responsible in accordance with this Law and other laws and regulations.

Article 13

For the purpose of conducting authorities and responsibilities as determined through the provisions of Articles 11 and 12 of this Law, the Commission shall pass the Rules of Work of the Commission (hereinafter: Rules).

Article 14

The Ministry of Finance and the Banking Agency of the Federation are required to cooperate with the Commission in the exercise of its authorities in the regulation and supervision of activities of banks and other financial organizations.
Natural persons and legal entities are required to provide information and documents requested by the Commission in the exercise of its authorities and responsibilities in the method and in the period determined by the Commission.

V BY-LAWS, DECISION-MAKING AND MANAGEMENT

Article 15
The Commission has its By-laws.
The By-laws regulate the management and organization of the Commission.
The Commission appoints the Secretary to the Commission.

Article 16
Acts passed by the Commission are final.
An unsuccessful party may initiate an administrative dispute against acts of the Commission.

Article 17
The President, Deputy President and members of the Commission, as well as employees of the Commission are required to ensure protection of confidential information in accordance with the law, other regulations and acts of the Commission.

VI INCOMPATIBILITY OF POSTS

Article 18
Persons employed in the Commission may not:

1) at the same time carry out any other paid job that relate to authorities of the Commission, except for activities in the fields of science, research and lecturing;

2) be members of a Supervisory or Management Board of enterprise, bank, fund management company, investment fund, pension fund, insurance company or professional intermediary in the trade of securities;

3) possess, directly or indirectly more than 5% of the securities of an enterprise, bank, fund management company, investment fund, pension fund, insurance company or professional intermediary in the trade of securities;

4) perform activities that are incompatible with the principle of protection of investors or the independence of the Commission.

VII FINANCING

Article 19
The Commission is financed out of the fees and duties collected from the activities of the Commission in accordance with the financial plan of the Commission.
Income surplus realized from the activities of the Commission, in relation to the financial plan of the Commission, belongs to the Federal budget.

Activities of the Commission may be financed also from donations of foreign governmental and foreign non-governmental organizations.

**VIII  PENALTY PROVISIONS**

**Article 20**

An individual who does not act in accordance with the Article 14 paragraph 2 of this Law will be penalized for a violation with a fine in the amount of 200 - 1,000 KM.

**Article 21**

A legal entity which does not act in accordance with the Article 14 paragraph 2 of this Law will be penalized for an economic violation with a fine in the amount of 5,000 - 70,000 KM.

A responsible physical person in a legal entity will be penalized for an economic violation from paragraph 1 of this Article with a fine in the amount of 1,000 - 5,000 KM.

**IX  TRANSITIONAL AND FINAL PROVISIONS**

**Article 22**

The Commission is required to submit its By-laws for confirmation to the Federal Parliament within a period of four months from the appointment of the Commission.

The Commission shall submit an annual financial plan for confirmation to the Federal Parliament.

Along with an annual financial plan, the Commission shall submit an annual report on its work for the previous year to the Federal Parliament.

**Article 23**

The Commission shall perform the registration of issuers and shares issued in the privatization process in accordance with the Law on the Privatization of Enterprises (“Official Gazette of the Federation of Bosnia and Herzegovina”, no. 27/97), on the basis of final authorization reports from the competent agencies for privatization.

The previous approval of the Commission is not necessary for the issuance of shares from paragraph 1 of this Article.

**Article 24**

On the effective date of this Law, the application of laws and other regulations regulating these matters in the territory of the Federation, prior to the effectiveness of this Law, shall cease.
Article 25

This Law comes into effect on the eighth day after its publication in “The Official Gazette of the Federation of Bosnia and Herzegovina”.