

- Unofficial updated text -

THE LAW OF THE SECURITIES MARKET

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I BASIC PROVISIONS

Article 1.

This Law shall regulate:

- a) issue of securities;
- b) activities with securities and establishment and operations of authorized participants on the securities market;
- v) establishment and operations of the stock exchange and other regulated public markets;
- g) establishment and operations of the Central Registry of Securities;
- d) protection of interests of securities rights holder and investors on the securities market;
- đ) transparency of activities in trading of securities;
- e) organization and competence of the Securities Commission of Republic Srpska (hereinafter: the Commission);
- ž) 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 which issues securities for the purpose of raising funds and which is, in respect to securities holders, responsible for fulfilment of obligations indicated in the security.

“**Owner**” shall be a person/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 this Law, as well shares from privatization process of the state capital in companies 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 and 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 shall be 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 indicated in the securities.

“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.

“Investor” shall be a domestic or foreign entity who invests in securities.

“Trade of securities” shall be transfer of ownership rights based on concluded transactions in purchase, sale, exchange, gifting, lending and other legal activities in accordance with this Law.

“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 appearance 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 with securities.

“Stock exchange intermediary” shall be a broker-dealer company or a bank holding the Commission’s license to perform activities 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 attached to 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.

“Custodian bank”, within the meaning of this Law, shall be a bank holding the Commission’s license to handle 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 with 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 attached to securities, the third parties' rights attached to securities, activities regarding clearing, settlement and transfer of securities and money obligations and claims arising from activities with securities as well other activities in accordance with this Law.

'Public company' within the meaning of this Law is a company which, as an issuer of securities, successfully performed at least one public offering of securities and which the Commission approved the prospectus for the issue of securities or a prospectus for listing of securities on the stock exchange or another regulated public market.

'Qualifying holdings' within the meaning of this Law is any direct or indirect participation in the broker-dealer company, in the stock exchange or in the Register that represents stake of 10% or more of the share capital or voting rights, or which make possible to realize a significant impact on the management of a broker-dealer company, the stock exchange or the Registry.

'Related parties' within the meaning of this Law are natural persons and legal entities who are connected through the ownership or management of equity capital, or otherwise in order to achieve common business goals, so that business and results of one party may significantly affect the operations or results of operations of another party.

Related parties are the persons who are connected:

- a) as family members, and members of the family are:
 - 1) a spouse, parent, child, brother or sister of the spouse,
 - 2) parents, brother, sister, grandchild or spouse of any of these persons,
 - 3) a relative by blood in direct line and the lateral line to the second degree, adoptive parent and adopted child and fosterer and foster child, in-laws in the first degree,
 - 4) other persons who live with that person in the household,
- b) so that a person or persons who are considered related parties in accordance with this point, together, directly or indirectly, participate in another entity,
- v) so that the same person or persons who are considered related parties in accordance with this point participate in both entities and
- g) in the manner prescribed for related parties by the law regulating the business operations of companies.

II SECURITIES

1. Term, types and compulsory elements of securities

Article 3.

(1) Securities in terms of this Law are:

- a) securities in the narrow sense,
- b) money market instruments and
- v) financial derivatives.

(2) Securities shall be registered securities.

(3) Securities issued in series shall be securities of the same issuer, issued simultaneously which give an equal rights to their owners, or which derive the same obligations of the issuer.

(4) Securities of the same type that gives equal rights to their owners, or which derive the same obligations of the issuer, regardless of whether they were issued simultaneously, shall be securities of the same class.

(5) Securities of the same type and class have the same nominal value.

(6) According to maturity securities may include:

- a) short-term, if have maturity of up to one year and
- b) long term, if have maturity of over one year.

(7) The issuer determines the type and class of securities, rights and limitations of the rights contained in securities and other properties that issued securities have, in the decision to issue securities, in accordance with international standards set by the Commission.

Article 4.

Securities in the narrow sense are:

- a) equity securities,
- b) debt securities, other than money market instruments and
- v) rights issue.

„Article 4a.

(1) Equity securities are shares issued by joint stock company in accordance with this Law and the law governing the operations of companies and representing ownership of the part of the share capital of joint stock company.

(2) With regard to rights contained, shares may be:

a) ordinary shares (common stock) include voting rights, rights to dividends, the right to participate in the distribution of the liquidation surplus upon liquidation of the company, after payment of creditors and owners of preferred shares, and other rights established by the law governing the business operations of companies and the decision on the issue,

b) preferred (preference) shares that include the priority of payment of dividends in respect of ordinary shares, the right to participate in the distribution of the liquidation surplus upon liquidation of the company, after payment of creditors, and before payment of holders of common shares, and other rights established by the law governing the business operations of companies and the decision on the issue and

v) other equity securities set by the Commission in accordance with relevant international standards.

(3) Units of open-ended investment funds are not considered securities under this Law.

Article 4b.

(1) Debt securities include the right to charge a nominal value or nominal value plus interest as well as other rights, and they confirm the debt of the issuer to the owner under conditions stipulated by law and decision on the issue.

(2) Debt securities, in terms of this Law, are:

a) bonds - interest or discount, and these are securities by which the issuer obliges to pay the agreed amount of money and the repayment of debt principal, or that contain the right to charge a nominal value or nominal value with interest,

b) convertible bonds and these are bonds that can be exchanged for other securities,

v) bonds with attached warrants and these are bonds that are issued with one or more of the warrants, which include the right to purchase certain specified price securities, usually ordinary shares of the issuer of bonds with warrants and

g) other debt securities set by the Commission in accordance with relevant international standards.

Article 4v.

(1) Rights issue, in terms of this Law, are securities that contain the privilege to acquire securities or other property at pre-determined conditions.

(2) Rights issue, under paragraph 1 of this Article, are:

a) scrip issue (bonus issue), which include the right to acquire securities of the new issues at no charge,

b) subscription rights, which include the right to subscribe securities of the new issues at a cost that is normally lower than the prevailing market price,

v) warrants, which include the right to acquire a certain number of securities of a determined type and class, on a certain day or within a certain period at a specified or determinable price and

g) other rights set by the Commission in accordance with relevant international standards.

Article 4g.

(1) Money market instruments are securities that are marked in issuance as short-term debt securities.

(2) Money market instruments in terms of this Law are:

a) treasury bills, issued by the Republic Srpska,

b) treasury bills issued by a bank or other financial institutions,

v) commercial papers, issued by any other legal entity,

g) certificates of deposit issued by a bank or other financial organization with which the issuer obliges to the owner within a specified time to pay the amount of deposited funds with accrued interest and

d) other money market instruments set by the Commission in accordance with relevant international standards.

Article 4d.

(1) Financial derivatives are derivative financial instruments whose value derives from the value of the item underlying the contract, whose type, number, quality and other characteristics are standardized.

(2) Financial derivatives in terms of this Law are:

- a) options,
- b) futures and
- v) other financial instruments set by the Commission in accordance with relevant international standards.

Article 4đ.

(1) Options are contracts that include the right to buy or sell funds or assets specified in the contract at pre-determined conditions on a particular day or within a specified time.

(2) Options in terms of this Law are:

- a) call option, i.e. contract that gives the buyer (owner of the call option) the right, but not the obligation, to purchase certain funds or assets at a predetermined fixed price or a price that can be obtained using the agreed formula on a particular day or within a specified period, and a seller of call options has an obligation to transfer funds or assets specified in the contract if the buyer wants to exercise the option,
- b) put option, i.e. contract that gives the buyer (owner of the put option) the right, but not the obligation, to sell certain funds or assets at a predetermined fixed price or a price that can be obtained using the agreed formula on a particular day or within a specified period and a seller of the put option has an obligation to buy funds or assets specified in the contract if the buyer wants to exercise the option and
- v) other options set by the Commission in accordance with relevant international standards.

Article 4e.

(1) Futures are contracts that oblige the customer to receive and a seller to transfer certain funds or assets at a predetermined price on a certain day.

(2) Futures in terms of this Law are:

- a) financial futures, which are futures contracts based on financial instruments as an underlying asset and
- b) commodity futures, which are futures contracts based on commodities as an underlying asset.“

Article 5.

(1) Compulsory elements of security are:

- a) identification of the type of security,
- b) designation of the type and the class of the security and special attributes of the security – CFI code (Classification of Financial Instruments code),
- v) number and designation of the security in the Registry,
- g) international (unique) security identification number – ISIN,
- d) name, address and registration number of the issuer, its identification and registration number in the Registry of issuers with the Commission,
- đ) nominal value,
- e) data about the owner of the security: name, head office and registration number of the legal entity or the name and surname, address and personal identification number of the natural person or an appropriate identification number for foreign legal entities and natural persons,
- ž) obligations of the issuer and the rights of owner of security and the manner of their realization and
- z) other elements stipulated by a specific law or regulation of the Commission.

(2) Designation of the type and the class of the security and special attributes of these securities (CFI code) and international (unique) security identification number – ISIN are determined in accordance with relevant international standards through the Registry.

(3) Notwithstanding paragraph 2 this Article, in exceptional circumstances where an internationally recognized ISIN number is not assigned, this number is not considered mandatory element, the second mark is determined, about which the Register shall issue a certificate.

2. Issuer of securities

Article 6.

The issuer of securities may be the Republic Srpska, city, municipality, investment fund, Social Welfare Fund in the Republic Srpska, other levels of government in Bosnia and Herzegovina in accordance with specific regulations and any other legal entity based in the Republic Srpska as well as a legal entity established outside the Republic Srpska, whose institutions authorized to control the securities market have concluded an agreement with the Commission regulating the cooperation of the competent authorities for market surveillance.

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 an 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.

„(4) Notwithstanding paragraph 3 this article, entities, Brcko District of Bosnia and Herzegovina (hereinafter: Brcko District) and Bosnia and Herzegovina are not required to submit an application for entry of data into the Registry of Issuers.“

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 acts of the Registry.

(2) The issuer shall be obliged to submit application 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 provisions of 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 attaching to 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) Notwithstanding 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) The issuer shall publish a prospectus when it issues securities through a public offering in the Republic Srpska, or when it applies for admission of securities on the stock exchange or other regulated public market.

(2) In the case of public offering the issuer may publish a preliminary prospectus in order to test investor interest for the issuance concerned.

(3) Prospectus under paragraph 1 this article and the preliminary prospectus must contain a complete, accurate and objective information about the assets and liabilities, profit or loss, financial position and prospects of the issuer, the purpose of raising funds, risk factors, and the rights contained in the securities referred to in the prospectus, based on which the potential investor can objectively assess the risks of investing and make a decision about investing.

(4) The preliminary prospectus and a prospectus shall be published after approval by the Commission.

(5) Issuer, authorized persons of the issuer and the auditor are responsible for authenticity, accuracy and completeness of data published in the preliminary prospectus.

(6) Persons referred to in paragraph 5 this Article are jointly responsible for the damage caused by false, erroneous or incomplete data in the preliminary prospectus.

(7) The Commission is not responsible for the authenticity, accuracy and completeness of data referred to in paragraph 5 this Article.

(8) The Commission shall pass the act to prescribe the form and content of the preliminary prospectus and the manner of publication of the preliminary prospectus and advertisements regarding the preliminary prospectus within 90 days from the date of enactment of this Law.

Article 12.

(1) Payment of securities issued in accordance with provisions of this Law shall be carried out exclusively in cash.

(2) Notwithstanding paragraph 1 this Article, shares that are being issued in the establishment of an open joint stock company may be paid in non-cash contributions.

„Article 12a.

Qualified investors in terms of this Law are:

a) legal entities holding a license to operate issued by the competent authority or are subject to supervision on financial markets, which are:

- 1) banks,
- 2) insurance companies,
- 3) broker-dealer companies,
- 4) investment funds and investment fund management companies,
- 5) pension funds and pension fund management companies,
- 6) persons trading in commodities and derivatives on commodities exchanges,

b) financial organizations established under a separate law to govern the property that is directly or indirectly owned by the Republic Srpska,

v) entities, Brcko District, Bosnia and Herzegovina, local governments, other countries or national and regional bodies, the Central Bank of Bosnia and Herzegovina and central banks of other countries, international and supranational institutions such as the International Monetary Fund, European Central Bank, European Investment Bank and other similar international organizations,

g) legal entities that according to the latest annual financial report or the consolidated report, meet at least two of the following conditions:

- 1) have an average number of employees during the financial year at least 250,
- 2) a total assets in the balance sheet is at least 43,000,000 KM,
- 3) the total annual income of at least 50,000,000 KM,

d) natural persons residing in the Republic Srpska, who were, at their request, granted the status of qualified investors by the Commission. This status shall be recognized for natural persons who are not resident of the Republic Srpska by applying the principle of reciprocity on the basis of the approval of the relevant competent body of that securities market and

đ) small and medium-sized enterprises, with head office situated in the Republic Srpska, that were, at their request, granted the status of qualified investors by the Commission. This status shall be recognized for small and medium-sized enterprises whose head office is not situated in the Republic Srpska by applying the principle of reciprocity on the basis of the approval of the relevant competent body of that securities market.

Article 12b.

The Commission shall grant a natural person, at his request, the status of a qualified investor and its entry into the register of qualified investors if it determines that the person fulfils at least two of the following conditions:

a) that he carried out several transactions of a significant size on securities market at an average frequency of at least ten transactions per quarter over the previous year,

b) that the value of his portfolio exceeds one million convertible marks and

v) that he has worked for at least one year or works in the financial sector, holding a professional position which requires specific knowledge relating to investment in securities.

Article 12v.

The Commission shall grant a small and medium-sized enterprise, at its request, the status of a qualified investor and its entry into the register of qualified investors if it

determines that the enterprise meets conditions for the status of such company pursuant to the law governing the promotion of small and medium-sized enterprises.

Article 12g.

- (1) The Commission keeps a register of qualified investors in the Republic Srpska.
- (2) The Commission checks whether the legal entities and natural persons fulfil the conditions for recognition of the status of a qualified investor and the entry into the register of qualified investors, and makes decision regarding the entry into the register of qualified investors, as well as the decision on removal from the register of qualified investors.
- (3) The register of qualified investors contains the following:
 - a) small and medium-sized enterprises, with head office situated in the Republic Srpska that have acquired the status of qualified investors and
 - b) natural persons residing in the Republic Srpska, who have acquired the status of qualified investors.
- (4) Small and medium-sized enterprises that fulfil the conditions prescribed by the law governing the promotion of small and medium-sized enterprises and natural persons who fulfil the conditions prescribed by this Law, acquire the status of a qualified investor by being entered into the register of qualified investors.
- (5) The register of qualified investors must contain the data on the basis of which a person may be identified beyond doubt, at least the first and the last name of a natural person, and the firm and the head office of a legal entity.
- (6) A person entered into the register of qualified investors may request that the Commission removes it unconditionally from the register of qualified investors.

Article 12d.

- (1) The Commission shall issue a written confirmation of the status to a person registered as a qualified investor, at its request.
- (2) The Commission shall provide access to data regarding persons entered in the register of qualified investors to each issuer and, at the issuer's request, shall issue a confirmation of that status of persons entered in that register.
- (3) The Commission shall adopt the act that prescribes the manner of keeping the register of qualified investors within 90 days from the date of enactment of this Law.“

1. Public offering

Article 13.

The procedure of issuance of securities by public offering includes:

- a) preparation of the prospectus;
- b) making decision on issuance;
- v) conclusion of contracts between issuers and banks for the purpose of opening a temporary bank account for depositing payments for the purchase of securities;
- g) application to the Commission for approval of the prospectus;
- d) decision-making upon the application of the issuer;
- đ) publication of the prospectus and public invitation for subscription and payment of securities,

- e) subscription and payment of securities,
- ž) determination and publishing of the issue results;
- z) entry of the issue in the Register of Issuers with the Commission and the registration of securities in accounts at the Registry.

1.1. Prospectus

Article 14.

(1) Prospectus must contain:

- a) data on the issuer,
- b) data on securities subject to the issue,
- v) data on the operations of the issuer,
- g) data on the place, manner, deadline and time of subscription and payment of securities,
- d) statement on investing,
- đ) data on responsible persons of the issuer,
- e) data on guarantor of the issue,
- ž) statement by the responsible persons of the issuer and
- „z) data and signature of issuing agent, if one is engaged.

„(2) The preliminary prospectus contains the same elements as the prospectus, except for the elements specified in paragraph 1 g) of this Article.

(3) The Commission shall adopt an act which elaborates on the content and form of the prospectus and the manner of publication of prospectuses and advertisements regarding the prospectus within 90 days from the date of enactment of this Act.

Article 15.

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1.2. The decision on issuance

Article 23.

- (1) The decision on issuance of securities must contain:
- a) full name and address of the issuer;
 - b) designation and registration number of the issuer in the Register of Issuers with the Commission;
 - v) title of the authority which made decision;
 - g) date of the decision on the issue;
 - d) investment objectives, manner to use funds which will be raised by the issuance and expected effects of investing;
 - đ) type of the issue;
 - e) ordinary number of the issue, designation of the type and the class of securities **and special attributes of securities – CFI code**“
 - ž) number and nominal value of securities and total value of the issue;
 - z) maturity, interest, manner and deadline for payment of principal and interest (in case of the issue of debt securities);
 - i) total number and value of securities of the same class issued to date, and the amount of registered capital;
 - j) rights and limitation of the rights contained in the security;
 - k) holders, deadline and manner to exercise pre-emptive right, if the issue being conducted includes that right;
 - l) selling price and manner of its determination;
 - lj) issuance performance criteria;
 - m) opening and closing time of the subscription and the list of locations for the subscription and payment of securities;
 - n) indication on the issuer’s reserved right to withdraw from the public offering of securities prior to expiration of determined deadline for their subscription and payment;
 - nj) name, surname and the function of the issuer’s persons authorized to carry out the issue of securities;
 - o) other elements in accordance with the regulation of the Commission.
- (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 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 between the issuer and a bank

Article 26.

- (1) The contract 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) More detailed elements of the contract referred to in the paragraph 1 of this Article shall be prescribed by the Commission.

1.4. The application of the issuer

Article 27.

- (1) The issuer of securities shall submit to the Commission the application for the approval of the prospectus, at the latest within 30 days from the day of the adoption of the decision on issuance.
- (2) The application shall be filed on the form prescribed by the Commission.
- (3) The application referred to in the paragraph 1 of this Article shall be accompanied by the following:
 - a) prospectus;
 - b) decision on issuance;
 - v) the Statute;
 - g) a court's decision on issuer's entry in the Court Register, for issuers obliged to enter into the Court Register;
 - ~~d) deleted;~~
 - đ) the contract between the issuer and a bank on opening the account for depositing payments,
 - e) financial reports and an auditor's reports, in accordance with the regulation of the Commission,
 - ž) minutes of sessions of the competent authority at which the decision on issuance was made;
 - z) proof of payment for processing of applications for the approval of prospectus.
- (4) In addition to items specified in paragraph 3 this Article, the Commission may prescribe the obligation of submission of other documents.

1.5. Correction of documentation

Article 28.

- (1) If the application 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 conclusion to correct all deficiencies within the determined period from the day of the receipt of the Commission's request.

(2) In case the issuer does not comply with the deadline referred to in the paragraph 1 of this Article, the Commission shall by conclusion reject the application as disorderly, incomplete or submitted by an unauthorized person.

1.6. Reaching the decision regarding the application of the issuer

Article 29.

(1) The Commission shall make decision regarding the issuer's application for approval of the prospectus within 30 days following the day of the 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 attachments as prescribed by this Law and the regulation of the Commission.

(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) Notwithstanding the provisions of paragraph 1 this Article, if there are important facts and circumstances, that have to be stated in the prospectus according to the provisions of this Law, or it is generally known, or known to the Commission or the Commission has reliable evidence of those facts and circumstances, the Commission will invite the issuer by the conclusion to supplement the prospectus accordingly.

(4) Non-compliance with the Commission's request may be ground for refusal of the application.

Article 31.

(1) The Commission shall refuse the application for the approval of the prospectus:

- a) if the prospectus is not made in accordance with the regulations of the Commission,
- b) if the decision on issuance of securities is cancelled or revoked,
- v) if the applicant is the issuer who fails to comply with this Law and the regulations of the Commission regarding on disclosure of information to public.

(2) In accordance with prescribed criteria, the Commission may 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 issuing the decision to approve the prospectus, the Commission confirms 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) Issuer, authorized persons of the issuer and the auditor are responsible for authenticity, accuracy and completeness of data published in the prospectus.
- (3) Persons referred to in paragraph 2 this Article are jointly responsible for the damage caused by false, erroneous or incomplete data in the prospectus.
- (4) The Commission is not responsible for the authenticity, accuracy and completeness of data referred to in paragraph 3 this Article.

1.7. Publication of the prospectus and public invitation

Article 33.

- (1) The issuer is obliged to publish, at least 15 days prior to the opening date of the subscription for securities, the public invitation for subscription and payment of securities in the form of an advertisement in a daily newspaper available throughout the territory of the Republic Srpska. The advertisement shall contain the text of the prospectus or information where the prospectus can be obtained or ordered, free of charge.
- (2) The prospectus must be available to investors at the headquarters of the issuer and in all the places where the subscription for securities is performed.
- (3) The issuer is obliged to 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 date of the subscription for securities.
- (4) The public invitation shall not be published prior to the receipt of the Commission's decision on approval of the prospectus.
- (5) The issuer is obliged to 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 fails to publish the prospectus within the prescribed time, the decision on the 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 owners of securities 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 reaching the decision regarding purchase of securities, the issuer is obliged to 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 is obliged to publish the modification of the prospectus within 3 days from the day of receipt of the decision of the Commission, in the manner prescribed for publication of the prospectus.

(4) The issuer is obliged to submit 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 or paid in securities referring to the data from the prospectus prior to its modification, shall have right, within 15 days from the day of the receipt of modified prospectus, to cancel its subscription of securities and request reimbursement of paid amount along with the interest on deposit **that the issuer realized on these funds at the bank upon concluded contract.**

(6) The issuer is obliged to reimburse paid in deposits along with the interest on deposits **that the issuer realized on these funds at the bank upon concluded contract,** within three days from the day of the receipt of a request referred to in the paragraph 5 of this Article.

1.9. Promotion of the public offering

Article 35.

(1) The issuer may promote the public offering of securities.

(2) The promotion which is associated with the public offering of securities must contain information about the date of publication of the prospectus and places where the prospectus is available to investors.

(3) Information about public offering must be complete, shall not lead into wrong conclusions and shall be in accordance with the prospectus.

(4) The issuer is obliged to submit 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 is obliged to commence the procedure for subscription and payment of securities within 30 days from the day of the receipt of the decision on approval of the prospectus 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 grounds for refusal of the application had they been known when deciding on approval of the prospectus,
- b) circumstances alter to the extent that there is no more basis for approval of the prospectus,
- v) 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 is obliged to cease 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 payments received by the issuer for subscribed securities, along with the

interest on deposits that the issuer realized on these funds at the bank upon concluded contract, shall be returned to buyers, within three days from the day of the receipt of the Commission's decision.

Article 37.

(1) The subscription of securities in a public offering shall be carried out in the issuer's offices or offices of a stock exchange intermediary that perform these activities under contract with the issuer or in offices of the bank with which the issuer has concluded the contract on temporary deposit of payments for the purchase of securities.

(2) The issuer, the bank with which the issuer has concluded the contract on temporary deposit of payments for the purchase of securities and stock exchange intermediaries are obliged to ensure that the subscription of securities is carried out in accordance with this Law, the regulation of the Commission and the prospectus.

(3) During the subscription, all payments for purchased securities shall be kept in a separate account with a bank, and shall not be used by the issuer until the successful completion of the public offering in accordance with the Article 39 paragraph 1 of this Law.

(4) Provisions of 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) Funds paid for the purchased securities shall not be subject to the payment of claims of creditors of the issuer prior to the successful completion of public offering.

(6) In the event that a proposal to initiate a bankruptcy proceedings has been submitted or bankruptcy proceedings has been initiated, the public offer shall be cancelled and made payments returned in accordance with Article 39 paragraph 2 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 last 90 days at the most, from the opening date for the subscription and payment of securities.

(2) Notwithstanding the provisions of the paragraph 1 of this Article public offering of debt securities issue by banks and local governments can take 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 suspended by:

- a) the decision of the issuer,
- b) termination of the issuer or
- v) a ban imposed by the Commission.

1.12. Completion 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, unless the issuer in the prospectus did not specify higher percentage of success of the issue.

(2) If the subscription and payment of securities in public offering is not completed in accordance with the paragraph 1 of this Article, the subscription of securities shall be annulled. All payments received by the issuer for subscribed securities, along with the interest on deposits, **that the issuer realized on these funds at the bank upon concluded contract**, shall be returned to buyers, within three days from the day of the receipt of the Commission's decision.

(3) If prior to the deadline for the subscription and payment for securities all offered securities are subscribed and paid, the issuer may complete a public offering of securities.

(4) Upon completion of the public offering in accordance with the paragraph 1 and 3 of this Article, subscribed securities that are not paid shall not induce any legal consequences and cannot be included in any legal transactions.

(5) After expiration of the deadline for the subscription and payment of securities, the issuer or the issuing agent shall not offer or enable the subscription of securities and 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 void.

Article 40.

(1) Provisions of the Article 39 **paragraphs 1 and 2** shall not apply to a public offering of debt securities issued by banks **and local governments** within the deadline referred to in the Article 38 paragraph 2.

(2) More detailed conditions 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 is obliged, at the latest within seven days from closing date of the public offering, to submit to the Commission the report on the number and percentage of the subscribed and paid securities, along with the bank report on payments made on the temporary account. The Commission is authorized to require from the issuer other data concerning the subscription and payment of the relevant issue.

(2) The bank and local governments shall notify the Commission of the subscribed and paid securities in the event 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 deadlines for reporting referred to in the paragraphs 1 and 2 of this Article.

(4) The issuer is obliged, at the latest within seven days from the day of the entry in the Registry of issuers, to publish the data referred to in the paragraph 1 of this Article on the web sites of the stock exchange and other regulated public market.

1.14. Registration of the issue

Article 42.

(1) In case of successful completion of the public offering of securities, the issuer is obliged to submit application for registration of the issue into the Register of Issuers with 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 is obliged within the deadline referred to in the Article 8 paragraph 2 of this Law, apply for registration of securities in the Registry.

(2) The Registry is obliged to 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 admitted to trading on the free market or other regulated public market, within one year from the registration of such securities in the Registry.

~~2. Емисија приватном понудом~~

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Article 44.

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Article 45.

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Article 46.

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~~2.1. Одлука о емисији приватном понудом~~

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Article 47.

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~~2.2. Захтјев за одобрење пројекта~~

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Article 48.

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~~2.3. Промјена купаца у приватној понуди~~

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Article 49.

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~~2.4. Доношење рјешења по захтјеву емитента~~

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Article 50.

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~~2.5. Комуникација са кунцима~~

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Article 51.

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~~2.6. Упис и уплата хартија од вриједности~~

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Article 52.

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~~2.7. Завршетак приватне понуде~~

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Article 53.

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~~2.8. Извјештај о резултатима приватне понуде~~

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Article 54.

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~~2.9. Упис емисије~~

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Article 55.

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3. The issuance 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 issuance 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 application for approval of the prospectus on behalf of a foreign issuer shall be submitted by the stock exchange intermediary referred to in the paragraph 1 of this Article.
- (3) The request must be accompanied by a contract between the foreign issuer and the stock exchange intermediary on performance of activities of an agent or an underwriter.
- (4) The stock exchange intermediary shall perform on behalf and for the account of the foreign issuer all the tasks in the process of the issuance of securities.

Article 58.

(1) The Commission may approve the prospectus of a foreign issuer even if the application is not accompanied by all the attachments or if the prospectus does not contain all the prescribed data provided that:

- a) the stock exchange intermediary engaged to act as an agent or an underwriter proves that pursuant to legislation of the issuer's country it is not possible to obtain these attachments and data, and the Commission assess that this will not lessen the possibility of potential investors to objectively estimate risks of the investment and make a decision on investment and
- b) the stock exchange intermediary engaged to act as an agent or an underwriter proves that pursuant to legislation of the country in which the issuer of securities has head office, such attachments and data are not required for the approval of the prospectus, under condition of reciprocity that is assumed.

(2) In addition to foreign issuer, the stock exchange intermediary referred to in the paragraph 1 of this Article is also jointly liable for the accuracy and completeness of data contained in the prospectus of a foreign issuer guarantee.

5. The issuance of securities outside the Republic Srpska

Article 59.

(1) A domestic issuer who intends to issue securities outside the Republic Srpska is obliged to previously notify the Commission about features of the intended issue in accordance with provisions of this Law.

(2) Within eight days from the completion date of the issue referred to in the paragraph 1 of this Article, the issuer is obliged to notify the Commission about the number of subscribed and paid securities.

(3) Within ten days after receiving appropriate decision on the completion of the issue referred to in the paragraph 1 of this Article, the issuer is obliged to publish results of the issue in the manner and form prescribed by provisions of this Law.

„6. Exceptions from the obligation to publish the prospectus

Article 60.

(1) The prospectus is not published in the following public offerings:

- a) an offer that is addressed solely to qualified investors,
- b) an offer that is addressed to natural persons or legal entities in the Republic Srpska whose number may not be greater than 10, and who are not qualified investors, including the conversion of claims into shares,
- v) an offer addressed to investors who will pay the amount of at least 100.000 BAM per investor for subscribed securities, for each separate offer,
- g) an offer of securities whose denomination per unit amounts to at least 100.000 BAM,
- d) an offer with a total consideration of less than 200,000 BAM, which limit shall be calculated over a period of 12 months,

d) an offer of shares issued in substitution for already issued shares of the same class, if the issuance of such new shares does not involve any increase in the share capital of the company,

e) securities that are offered, allotted or that will be allotted in the processes of status changes of the companies, provide that a document is available regarding the securities, containing data which are regarded, by the Commission, as being equivalent to the data from the prospectus, taking into consideration provisions of the law governing operations of companies,

ž) shares that are offered, allotted or that will be allotted at no charge to existing shareholders or as dividends paid out in shares of the same class as the shares in respect of which the dividends are paid, provided that a document is available containing data on the number and rights attached to shares as well on the reasons for and details regarding an offer and

z) securities that are offered or will be offered by the issuer whose securities have been admitted to trading on the stock exchange of other regulated public market or by the company affiliated to the issuer which offers or will offer to existing shareholders or former members of the management or to employees, provided that a document is available containing data on the number and nature of the shares as well on the reasons for and details relating to an offer.

(2) Securities issued and acquired in accordance with paragraph 1 points a) to d) of this Article may be disposed under the condition that the issuer publishes a prospectus in accordance with the provisions of this Law, except in cases of:

a) transfer on the basis of inheritance or by force of law,

b) transfer of shares in case of takeover of joint stock company,

v) transfer of shares to the issuer in cases permitted by the law governing operations of companies.

(3) An issuer that issued securities in accordance with paragraph 1 this Article is obliged, at the latest within one year from the date of the registration of the securities in the Register, to publish the prospectus for admission of securities on the stock exchange or another regulated public market in accordance with the provisions of this Law.

(4) In the case of issuance referred to in paragraph 1 this Article, the issuer is obliged to notify the Commission about the issuance, within seven days from the date of reaching the decision, accompany this by the decisions and other documents specified by the regulations of the Commission.

(5) Commission shall adopt the act to prescribe the content of the decisions and other documents the issuer shall submit to the Commission, the manner of notifying the Commission, and other obligations regarding the issuance referred to in paragraph 1 of this Article, within 90 days from the day of entry into force of this Law.

„Article 60a.

(1) The prospectus for admission of securities on the stock exchange or other regulated public market contains information about the entire class of these securities, including securities that are reserved for future issues subsequent to exercising the rights on the

basis of these securities or conversions of issued securities such as options, warrants and convertible securities.

(2) Publication of the prospectus is not mandatory for admission of the following securities on the stock exchange or other regulated market of:

a) shares which, over a period of 12 months, represent less than 10 % of the total number of shares of the same class which have already been admitted to the same regulated market,

b) shares issued in exchange for shares of the same class already issued, if the issue of such new shares does not involve increasing the capital of the issuer,

v) securities that are offered, allotted or that will be allotted in the processes of status changes of the companies, provide that a document is available regarding the securities, containing data which are regarded, by the Commission, as being equivalent to the data from the prospectus, in accordance with the law governing operations of companies,

g) shares which are issued to the existing shareholders, on the basis of an increase in the share capital from the company's assets or in other cases when they are offered, allotted or that will be allotted at no charge to existing shareholders or as dividends paid out in shares of the same class as the shares in respect of which the dividends are paid, provided that a document is available containing data on the number and rights attached to shares as well on the reasons for and details regarding an offer,

d) securities that are offered or will be offered by the issuer whose securities have been admitted to trading on the stock exchange of other regulated public market or by the company affiliated to the issuer which offers or will offer to existing shareholders or former members of the management of to employees, provided that a document is available containing data on the number and nature of the shares as well on the reasons for and details relating to an offer,

đ) shares which resulted from the conversion or exchange of other securities or from exercising the rights conferred by other securities, provided that the said shares are of the same class as the shares of the issuer which have already been admitted to the the stock exchange or other regulated public market.“

Article 61.

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~~(1) The issuer with publicly issued securities, which are traded in organized manner on the stock exchange or other regulated public market, may issue shares in conversion of claims into the share only when it is specifically prescribed by other law in case of re-organization of a bankruptcy debtor in bankruptcy proceeding or in the process of restructuring in preparing a company for privatization, and in case of conversion of claims of the Republic Srpska on the basis of unpaid taxes and contributions.~~

„(2) The issuer may carry out the issuance referred to in paragraph 1 of this Law once during a calendar year.“

„Article 61a.

(1) Status of the issuer for the public company may cease subsequent to submission of adequate evidence to the Commission:

a) that at the end of any calendar year, following that in which it successfully completed a public offering of securities of that company, the

company has fewer than 100 holders of the class of debt securities that were subject to public offering,

b) that it has made decision on conversion of an open joint stock company into closed, and that it has executed redemption of shares from disagreeing shareholders.

(2) Notwithstanding the paragraph 1 of this Law the status of the issuer for the public company ceases if during any calendar year all securities issued in public offering are:

a) taken over by means of takeover offer or

b) purchased in the compulsory sale or in exercising the rights to sell shares of the company in accordance with the law governing the operations of companies or

v) cancelled subsequent to status change.

(3) The Commission shall issue a decision on deletion of the issuer from the Register of issuers, at its request, if the conditions in paragraphs 1 and 2 this Article are fulfilled.“

IV ACTIVITES WITH SECURITIES AND AUTHORIZED PARTICIPANT ON THE SECURITIES MARKET

Article 62.

Activities with securities are as follows:

- a) brokerage in purchase and sale of securities by the order of a client, on its own behalf and for the client's account (brokerage activities);
- b) securities trade on its own behalf and for its own account in order to make a profit (dealer's activities);
- v) transactions in special stock exchange trade – simultaneous simultaneous continuous offers for purchasing and selling of securities, on its own behalf and for its own account "or on its own behalf and for the account of the professional investor" in order to maintain constant demand and supply for certain security (market support activities – market making);
- g) managing of the portfolio of securities on behalf of a client (activities of portfolio management);
- d) organization, preparation and carrying out the subscription and payment of securities, and performance of other activities for the issuer related to issuance of securities as well as preparation for the admission of securities on a stock exchange and regulated public market including the application for admission on behalf of the issuer (activities of the issuing agent);
- đ) organization, preparation and carrying out the issuance of securities for the issuer and in related to that the subscription and payment of all securities, for their further sale to potential investors, to ensure the success of the subscription and payment (underwriting activities);
- e) providing advising service to clients in relation to operation with securities (investment advice activities) and
- ž) 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 activities with securities such as stock exchange intermediary, brokers, investment advisors and investment managers.

1. Stock exchange intermediary

Article 64.

(1) Activities 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 activities and have entered them as a business activity in the court register.

(2) Trading publicly issued securities shall be conducted exclusively by the stock exchange intermediaries on a stock exchange or other regulated public market.

(3) By its regulations the Commission shall determine conditions under which the securities that were not issued by means of public call for sale, can be traded on a stock exchange or other regulated public market.

(4) Securities issued in accordance with provisions of this Law can be traded directly between stock exchange intermediaries with an obligation to notify the stock exchange about the trading on a daily basis.

(5) The Commission shall prescribe more detailed conditions 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 activities with securities.

(3) Stock exchange intermediary may perform investment advice activities if, in addition to a broker, it also employed at least one investment advisor.

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

1.1. Broker-dealer company

Article 66.

(1) Broker-dealer company shall be founded as a joint stock company with head office in the Republic Srpska, whose sole business shall be activities with securities under the provisions of this Law, for which it receives a license from the Commission.

(2) Provisions of the law regulating the establishment and business operation of joint stock companies shall apply to broker-dealer company, unless otherwise prescribed by this Law.

(3) A natural or legal person, independently or together with related persons, may not acquire, increase or decrease a holding of the share capital or of voting rights of the broker-

dealer company that is equal to or greater than 25%, 33%, 50% or 75%, without approval of the Commission.

(4) The Commission shall adopt the act to define the criteria and procedure for approval of acquisition, increase or decrease of a holding of the share capital or of voting rights of the broker-dealer company within 90 days from the day of entry into force of this Law.

Article 67.

(1) Shares of a broker-dealer company shall be registered shares and must be paid in full before the registration of the establishment or of the increase of the initial capital in the court register.

(2) Shareholder of a broker-dealer company may not be a person who has been convicted of a criminal act against economy and payment operation, against his/her official duty or of a criminal act prescribed by this Law, for which legal consequences of conviction have become effective, while the 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 the 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 for conducting of activities specified in the Article 62 points d) and đ) of this Law, may, based on the contract signed with another broker-dealer company, request a license to perform these activities from the Commission, for the specific 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 broker-dealer companies;
- b) contracting parties together meet the requirement regarding the money part of the share capital for conducting of activities referred to in the Article 56 points d) and đ) of this.

1.2. Bank

Article 70.

- (1) Provisions of this Law related to operations of a broker-dealer company shall be appropriately applied to the bank that conducts activities with securities.
- (2) A bank may conduct activities with securities when it receives a license from the Commission for each individual activity and enter these activities as business activity in the court register.

Article 71.

A bank may conduct activities with securities providing that:

- a) it has special organizational part;
- b) it has a special business account opened;
- v) it provides a separate recording and the data on business conduct of that organizational part in the business records.

1.3. Limitation to acquire shares and conflict of interest

Article 72.

- (1) The same legal entity and natural person cannot, either directly or indirectly, own shares of more than one broker-dealer company.
- (2) Stock exchange intermediary cannot either directly or indirectly, own shares of another broker-dealer company.
- (3) One person may be employed by only one stock exchange intermediary or be a member of the management or of **the body that carries out supervision** of only one stock exchange intermediary.
- (4) A brokerage company is obliged to submit information on the ownership structure to the Commission within eight days from the day of any change.

1.4. License to conduct activities with securities

Article 73.

- (1) By a license to conduct activities with securities the Commission shall determine the type of activities which a stock exchange intermediary may perform.
- (2) The Commission shall prescribe more detailed conditions related to business and licensing.
- (3) The Commission shall issue a license to conduct activities with securities valid for the period of three years from the issuing day.
- (4) The Commission may extend validity of a license to conduct activities with securities if a stock exchange intermediary continuously meets the requirements and fulfil obligations prescribed by this Law and the regulations of the Commission and if it submits 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, as well as before each subsequent 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 activities with securities.

(2) The application for the issuance of a license to conduct activities 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 submitted to the Commission accompanying the application for the issuance of a license to conduct activities with securities:

- a) founding act;
- b) the Statute;
- v) Rules of business conduct of the broker-dealer company;
- g) enactment on fees for conduct of activities with securities;
- d) an extract from the court register when the application is submitted by the broker-dealer company which already has a license to conduct certain activities with securities;
- đ) proof of payment of the share capital in cash;
- e) statements of each shareholders of the broker-dealer company that has no interferences related to acquisition of shares pursuant to provisions of this Law;
- ž) proof that the broker-dealer company has permanently employed an adequate number of brokers, investment advisors and investment managers in accordance with the Article 65 of this Law;
- z) data on persons with special authorizations and responsibilities;
- i) certificate issued by the competent authority there are no interferences specified in the Article 67, paragraph 2 of this Law;
- j) other documentation determined by the regulation of the Commission on the basis of which it is possible to determine if the personnel, technical and organizational conditions exist for providing services to which the application for issuance of a license relates;
- k) proof of payment of fee for processing of the application for the issuance of a license to conduct activities with securities.

Article 76.

The bank shall submit to the Commission the following documents accompanying the application for the issuance of a license to conduct activities with securities:

- a) the Statute;
- b) decision on the establishment of the organizational part to conduct activities with securities;
- v) data on persons with special authorizations and responsibilities;
- g) approval of the Banking Agency of Republic Srpska for establishment of the organizational part to conduct activities with securities;
- d) decision on an entry of the organizational part in the court register;
- đ) other documentation, pursuant to the Article 75 of this Law, determined by the regulation of the Commission on the basis of which it is possible to determine 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 activities with securities has not been accompanied by an orderly and complete documentation in accordance with provisions of this Law, the Commission shall submit to the applicant a written conclusion about deficiencies that the applicant is obliged to eliminate within the specifies period from the day of the receipt of the Commission's conclusion.
- (2) If processing the application indicates the need for additional data or documents, the Commission shall by conclusion invite the applicant to provide them accompanied with necessary explanations, within specified deadline from the date of receiving the conclusion.
- (3) In case the applicant does not comply with the deadline referred to in the paragraph 1 and 2 of this Article, the Commission shall by conclusion reject the application as disorderly, incomplete or submitted by an unauthorized person.
- (4) The Commission shall make decision on adoption or refusal of the application for the issuance of a license to conduct activities with securities within 30 days from the day of the receipt 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 activities with securities if the applicant fulfils the conditions prescribed by this Law and the regulation of the Commission and if the application has been accompanied by the prescribed documentation.
- (7) In the decision on the issuance of a license to conduct activities with securities, the Commission shall specify individual activities for which the license is issued.

Article 78.

The Commission shall refuse the application for the issuance of a license to conduct activities 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 regulation of the Commission,
- б) the stock exchange intermediary does not fulfil conditions prescribed by this Law and the regulation of the Commission.

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 is obliged, prior to submitting the application for the entry in the court register, to obtain permission for the status change from the Commission.

Article 81.

(1) Stock exchange intermediaries that are merging are obliged, prior to the entry of the new stock exchange intermediary in the court register, to submit to the Commission an application to conduct activities with securities for the stock exchange intermediary that will be formed by merging.

(2) In the event that the stock exchange intermediary changes head office or head office address it is obliged to previously notify the Commission about it.

Article 82.

(1) A stock exchange intermediary may conduct activities 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) The stock exchange intermediary is obliged to notify the Commission in advance of its intention to establish a branch office or a special legal entity outside of the Republic Srpska.

(3) The stock exchange intermediary is obliged to 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 activities 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 activities 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, is obliged to submit the following documents in addition to the application for the issuance of a license to conduct activities with securities:

- a) authorization to conduct activities with securities in the country of its domicile with a certified translation,
- b) proof of delivery of the notification on the establishment of a branch office in the Republic Srpska to a competent regulatory body in the country of its domicile with a certified translation.

(4) The provisions of this Law that relate to the issuance and revocation of license to the stock exchange intermediary, 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 activities with securities issued to the stock exchange intermediary from the Federation of Bosnia and Herzegovina and from Brcko District shall be valid 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 respecting the principle of reciprocity.

(2) The provision of paragraph 1 this Article shall appropriately apply to stock exchange intermediaries whose head office is in countries with which the Republic Srpska has signed an agreement on special relationships and parallel connections.

(3) The stock exchange intermediary referred to in the paragraph 1 and 2 of this Article is obliged to register the branch office on the territory of the Republic Srpska and to enter it in the Register of the Commission referred to in the Article 79 of this Law.

(4) Provisions of this Law related to business conduct, supervision and revocation of a license shall appropriately apply to the stock exchange intermediary referred to in the paragraph 1 and 2 of this Article unless otherwise prescribed by individual provisions of this Law.“

Article 85.

Licenses to conduct activities 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) as of the date of instituting bankruptcy or liquidation proceedings of a stock exchange intermediary;
- v) as of the date of delivery of a decision to revoke the license to conduct activities with securities;
- g) as of the date of delivery of a decision to revoke the approval to provide banking services, in accordance with provisions of the Law on Banks;
- d) as of the date of the entry of the merging by overtaking in the court register related to the stock exchange intermediary that was merged by overtaking;
- đ) as of 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 informs 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 on cessation of validity of the license to perform activities with securities of that stock exchange intermediary providing that all liabilities to clients have been settled.

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

Article 87.

(1) If in the procedure of supervision of a stock exchange intermediary it establishes illegalities or irregularities in operations, the Commission shall make a decision ordering to eliminate established irregularities within specified deadline and may undertake one or more of the following measures:

- a) issue reprimand;
- b) issue public reprimand;
- v) revoke consent to the appointment of a director and issue the order for initiation of procedure for appointing a new person to that position;
- g) give the order for temporary prohibition of conducting certain activities or all the activities the license to perform transactions relates to – for up to six months;
- d) give the order for temporary prohibition of disposal of funds on cash accounts and financial instruments on securities account and other assets – for up to three months;
- đ) revoke the license to conduct activities with securities;
- e) undertake other measures in accordance with this Law and the regulation of the Commission.

(2) The Commission shall prescribe more detailed conditions and manner for supervision, the procedure of issuing orders and undertaking measures as well as deadlines for execution of orders and duration of measures.

Article 88.

The Commission may revoke the license of a stock exchange intermediary to conduct one or more activities with securities if:

- a) within 30 days from the issuance of the license does not submit an application for entry in the court register or within 30 days from the issuance of the license does not submit an application for entry in the court register, as its business activity, the activities with securities, for which it has subsequently obtained the license from the Commission;
- b) within six months from the issuance of the license, the stock exchange intermediary does not begin to conduct activities with securities or if it does not conduct such activities over a period longer than 6 months,
- v) it conducts activities with securities for which it has no license from the Commission,
- g) it performs business activities that are not activities with securities,
- d) the license for conducting activities with securities has been obtained on the basis of false data;
- đ) it no longer meets the conditions prescribed for obtaining the license to conduct activities with securities;
- e) it fails to bring its business operations into conformity with the provisions of this Law and the Commission's regulation;
- ž) it repeatedly or severely violates the provisions of this Law and the regulation of the Commission concerning the manner for conducting activities with securities;
- z) it violates the provisions related to manipulation and use of inside information;

- i) it fails to comply with the decision on temporary prohibition of conducting activities with securities;
- j) within the deadline set by the Commission's enactments it fails to comply with the order to eliminate established illegalities or irregularities and
- k) in other cases when it fails to conduct activities relating securities in accordance with this Law and the regulations of the Commission.

Article 89.

In addition to the cases referred to in the Article 88 of this Law, the Commission can revoke the license for conducting activities with securities of a branch office of a foreign stock exchange intermediary if the license of that stock exchange intermediary for conducting transactions with securities in the country of domicile is revoked.

Article 90.

(1) By the decision on revocation of the license for conducting activities with securities, the Commission shall set the deadline within which the stock exchange intermediary cannot repeatedly ask to be issued a license for conducting activities with securities, which cannot be longer than one year.

(2) By the decision on revocation of the license for conducting activities with securities, the Commission may order that unexecuted orders and other documents of clients of the stock exchange intermediary from which the Commission withdraws the license, are entrusted to another investment firm, subject to the client's consent.

(3) From the day on which the decision of the revocation of the license to conduct activities with securities becomes final, or from the day on which the license ceases to be in effect by force of law, the stock exchange intermediary shall not conclude, start performing or perform any new activity 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, delivering decision.

(5) On the day on which the decision of the revocation of the license for conducting activities with securities was made, the Commission shall instruct the bank at which the accounts of the stock exchange intermediary are kept, to carry out freezing of these accounts.

Article 91.

(1) In the 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 not include either claims of its clients based on investment in securities or claims of the Republic Srpska and the Central Bank of Bosnia and Herzegovina on that basis.

(3) The decision on initiating liquidation procedure or bankruptcy proceeding on broker-dealer company shall be submitted to the Commission within eight days from the day of reaching the decision.

2. Broker, investment advisor and investment manager

Article 92.

The Commission shall organize and run 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 activities referred to in the Article 62 of this Law only in capacity of an employee of the stock exchange intermediary or of the other authorized participant, providing that it has a license from the Commission.

(2) The license shall be issued for the period of two years.

(3) One person cannot simultaneously have a license to perform activities of an investment manager and broker or investment advisor and broker.

(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 the 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 who submits an application for the issuance of a broker, investment advisor or investment manager license shall accompany the application with the following:

~~a) deleted~~

b) the certificate of a competent authority that he/she has not been convicted of a criminal act against economy and payment operation, against his/her official duty or of a criminal act prescribed by this Law and that no measure has been imposed against him/her banning him/her to perform the same or similar activities in connection with securities; in the case of a foreign applicant; or certified translation of such a certificate issued by the competent authority of the country of which he/she is citizen;

v) a certificate of citizenship;

g) a certified copy of his/her passport if the person is a foreign citizen;

d) a certified copy of an employment booklet;

đ) proof of fulfilment of the conditions in accordance with the regulations on employment of foreigners;

e) proof that he/she is employed with a stock exchange intermediary or confirmation of that stock exchange intermediary that he/she will be employed;

ž) proof of payment of the fee.

(2) In addition to documents referred to in paragraph 1 of this Article, the person who has submitted the application shall sign the following statement:

- a) that he/she will consciously, professionally and responsibly perform activities for which he/she submits the application;
- b) that his/her employment with former employers was not terminated 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. Recognition of vocation

Article 96.

(1) The person who acquired broker, investment advisor or investment manager vocation outside the territory of the Republic Srpska shall submit to the Commission the application for recognition of vocation in the Republic Srpska.

(2) The Commission shall regulate more detailed conditions for recognition of vocation by its regulation.

(3) Notwithstanding provisions of paragraph 1 of this Article, broker, investment advisor and investment manager vocation acquired in the Federation of Bosnia and Herzegovina and Brcko District shall be recognized with an obligation of registering 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 has the right to acquire broker, investment advisor and investment manager vocation without taking the exam, and in accordance with the regulation passed by the Commission.

2.4. Supervision of operations and revocation of license

Article 98.

(1) If in the procedure of supervision it establishes illegalities or irregularities in performing activities with securities, the Commission can impose the following measures to the broker, investment advisor and investment manager:

- a) issue reprimand,
- b) issue public reprimand,
- v) temporary prohibit conducting activities with securities and
- g) revoke the license to conduct activities with securities.

(2) The Commission shall prescribe more detailed conditions and manner for supervision, undertaking measures and their duration.

Article 99.

The Commission can revoke the operating license to conduct transactions with securities issued to a broker, investment advisor or investment manager if:

- a) it establishes that the license has been granted on the basis of false information,
- b) he/she has been convicted by final judgement of a criminal act against economy and payment operation, against his/her official duty or of a criminal act prescribed by this Law or measure has been imposed against him/her or is in effect banning him/her to perform activities with securities;
- c) he/she has been convicted with legal effect for an offence referred to in Article 299 of this Law;
- g) he/she repeatedly or severely violates the provisions of this Law or the regulation of the Commission;
- d) he/she no longer fulfils the conditions on the basis of which the license was issued and fails to meet these conditions within the time limit determined by the Commission and
- d) he/she performs activities for which he/she does not have license issued by the Commission and
- e) violates prohibition of market manipulation on the securities market.

3. Conducting activities with securities

3.1. The Code of ethics

Article 100.

(1) Stock exchange intermediary in performing its activities is guided first by the interests of a client, so it always put them ahead of their own interest.

(2) A stock exchange intermediary, members of the management and the body that carries out supervision, brokers, investment advisors and investment managers are obliged, conducting activities 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 activities with securities that would jeopardize stability of the market, and particularly:

- a) provide false information regarding the price of securities;
- b) disseminate false information in order to change the price of securities;
- v) handle securities owned by its client without the client's order.

3.2. Conflict of interest

Article 102.

(1) Related parties with a stock exchange intermediary for the purposes of this Law shall be:

- a) shareholders of the stock exchange intermediary who possess at least 10% of shares of the stock exchange intermediary,
- b) members of management and the body that carries out supervision, the director and employees of the stock exchange intermediary,

- v) spouses and relatives of persons referred to in points a) and b) of this paragraph in lineal line to the third degree and in a lateral line to second degree of kinship,
- g) legal entities in which the stock exchange intermediary or the person referred to in points a), b) and c) of this paragraph, individually or jointly, directly or indirectly holds 25% or more of the shares of the capital,
- d) persons who possess 25% or more of the shares of the capital in the legal entity which is a shareholder of the stock exchange intermediary,
- d) 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 are obliged, within five days from the day of acquisition or alienation of securities, to report to the stock exchange intermediary each acquisition or alienation of securities including data on number, price and the date of the transaction as well data on acquisition or disposal of the holding in related legal entities.

(3) The stock exchange intermediary is obliged to 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 availability of data kept in the register referred to in the paragraph 3 of this Article.

Article 103.

(1) A stock exchange intermediary is obliged to inform the 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 is obliged to organize operations so that potential conflict of interest of clients, the stock exchange intermediary and employees of that stock exchange intermediary are limited to the least extent possible.

(3) The Commission shall adopt regulations by which it prescribes:

a) the measures to be taken in order to identify, prevent, manage conflicts of interest and notify the clients about conflicts of interest when providing services,

b) appropriate criteria for determining the types of conflict of interest whose existence may damage the interests of the clients or potential clients of the investment firm, within 90 days from the day of entry into force of this Law.

3.3. Business secret

Article 104.

(1) Members of the board and the body that carries out supervision, brokers, investment advisors, investment managers other employees of a stock exchange intermediary are obliged to safeguard 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 activities with securities for the clients. These data are considered to represent business secret, and said persons must not use them, disclose to third parties or allow third parties their use.

(2) Data from paragraph 1 of this Article shall not represent business secret when their submission, in exercise of their supervisory or other public authorities in accordance with this Law or other laws, require the Commission, a stock exchange, regulated public market, judicial and administrative authorities, or when their disclosure is approved in writing by the client.

3.4. Net liquid assets

Article 105.

- (1) The broker-dealer company is obliged to adjust its liquid assets and liabilities.
- (2) The alignment referred to in paragraph 1 of this Article shall be expressed by the indicator of net liquid assets which represent the ratio of total liquid funds to total current liabilities of the broker-dealer company.
- (3) The indicator of net liquid assets of a broker-dealer company must not be less than one.
- (3) The Commission shall prescribe the manner for determination of the indicator of capital adequacy, the liquidity and risks, the method for adjusting the liquidity and reserves for risks and reporting to the Commission.

3.5. Public advertising of a stock exchange intermediary

Article 106.

- (1) Only a stock exchange intermediary may publish advertisements whose subject is an offer to conduct activities with securities.
- (2) It is prohibited to publish advertisements whose content might mislead investors with regard to the rights and risks arising from securities or activities with securities conducted by a stock exchange intermediary.
- (3) A stock exchange intermediary is obliged to submit to the Commission the text of advertisements before publication. The Commission shall, within three days from receiving the text of the advertisement, make conclusion on approval or refusal 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 regulation of the Commission.
- (5) Public advertising referred to in paragraph 1 of this Article refers to distribution of printed material and advertising in the media.
- (6) The provisions of this Article shall not apply when the purchase or sale of securities or public advertising is performed in the procedure for takeover of joint stock companies in accordance with the law.

3.6. General acts of a stock exchange intermediary

Article 107.

- (1) General acts of a stock exchange intermediary are the Statute, rules of business conduct, tariffs and other general acts.
- (2) The Statute is basic general act which regulates issues determined by the [law governing operations of companies](#) and this Law.

- (3) Rules of business conduct regulate activities performed by a stock exchange intermediary, conditions and manner for their performance, mutual rights and obligations of the stock exchange intermediary and its clients and other issues related to operations of the stock exchange intermediary.
- (4) The Commission shall prescribe the content and manner of publication of the rules of business conduct of a stock exchange intermediary.
- (5) A stock exchange intermediary is obliged to expose the rules of business conduct and act on fees in a visible and accessible place for a client in all the premises in which it performs activities for its clients.
- (6) All the general acts must be in conformity with the Statute.
- (7) The Commission shall give consent to the Statute, rules of business conduct, act on fees and other general acts, which regulate work and operations of a broker-dealer company, as well as all changes and amendments to those acts.
- (8) The Commission shall give consent to the rules of business conduct, act on fees and other general acts, which regulate work and operations of an organizational part of a bank which perform activities of a stock exchange intermediary, as well as all changes and amendments to those acts.

Article 108.

A stock exchange intermediary is obliged to charge for its services exclusively in accordance with the act on fees.

3.7. Boards of a stock exchange intermediary

Article 109.

- (1) The Commission shall give consent to the appointment of director of a broker-dealer company or a manager of a special organizational part of a bank, which has the license to conduct activities with securities.
- (2) The Commission shall give consent to the appointment of members of management and **the body that carries out supervision** of a broker-dealer company.

Article 110.

Director and members of management and of **the body that carries out supervision** of a broker-dealer company or a manager of a special organizational part of a bank, which has the license to conduct activities with securities, must have university degree and three years of experience in higher education level and meet other conditions prescribed by the Commission.

3.8. Broker's and dealer's activities

Article 111.

- (1) A stock exchange intermediary is obliged to inform the client about all circumstances which may be of influence for making decision about purchase or sale or in respect of other transactions with securities, and in particular to provide him with accurate information on supply and demand, trade and price movements of securities.

(2) A stock exchange intermediary is obliged to respect the principle of equality of clients in its operations.

Article 112.

(1) A stock exchange intermediary is obliged to conclude with a client a written contract, which regulates their mutual rights and obligations in the performance of activities of stock exchange intermediary (hereinafter: contract).

(2) A stock exchange intermediary is obliged to get a client acquainted with rules of business conduct of the stock exchange intermediary and to give it to him/her to view it.

(3) A stock exchange intermediary is obliged to inform a client about changes to the rules of business conduct prior to their entry into force.

(4) The Commission shall prescribe mandatory elements of the contract referred to in the paragraph 1 of this Article.

Article 113.

After conclusion of the contract referred to the Article 112, paragraph 1 of this Law, the stock exchange intermediary is obliged to open client's account with the stock exchange intermediary, in accordance with provisions of this Law and general act of the Registry.

Article 114.

A stock exchange intermediary shall close client's account 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 is obliged to check the identity of a client prior to opening the client's account with the stock exchange intermediary at the Registry as well as when receiving orders from the client.

(2) A stock exchange intermediary shall act in accordance with the general acts of the Registry if it establishes differences when checking the identity of the client in relation to the data stored at the Registry.

Article 116.

(1) An order is a unilateral statement of client's will made to the stock exchange intermediary in writing or in electronic form, instructing the latter to perform a certain transaction with securities, on its own behalf and for the client's account.

(2) The Commission shall prescribe the content and types of orders, manner of receiving and handling the client's orders.

Article 117.

(1) The stock exchange intermediary shall receive clients' orders:

a) in its own business unit,

b) in a business unit of a legal entity which 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 of receipt of the order 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 are met.

Article 119.

A stock exchange intermediary may refuse the order:

- a) for purchase, if it determines that the client's cash account has insufficient funds to settle his/her liabilities which may arise upon the execution of the order for purchase of securities,
- b) for sale, when it establishes that the client has insufficient securities that are the subject of the order on the securities account,
- v) it suspects that with this transaction manipulation of the securities market is made,
- g) if it assesses that the transaction is effected for the purpose of money laundering or financing terrorist activities and
- d) in other cases prescribed by the Commission.

Article 120.

- (1) A stock exchange intermediary is obliged to 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) Each order shall be entered in the order book. Orders for purchase and sale shall be entered in the order book in chronological order of receipt and marked with the corresponding ordinal number.
- (3) If the order is partially executed, the remainder shall keep its place in the order book.
- (3) The stock exchange intermediary is obliged to deliver to the client, without delay at his/her request, a certified extract from the order book.
- (4) The data in the order book and those in the order must be identical at all times.
- (5) Each refusal, change, cancellation of an order and information about the execution of the order shall be entered in the order book. An order in which the quantity of securities is reduced keeps the same order number and the order of execution. The order in which the quantity of securities is increased or the price is changed represents a new order.
- (6) The order book shall be kept in a manner that prevents any subsequent change of entered data.
- (7) The Commission shall prescribe the content of the order book and the manner of its keeping and preservation.
- (8) The order book shall be preserved for at least five years from the end of the business year to which it refers.

Article 121.

- (1) A stock exchange intermediary is obliged to 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 is obliged, without delay, to enter the order for purchase or sale of securities into the trading system of the stock exchange, unless in the order the time for entry of the order is determined otherwise.
- (3) The Commission shall prescribe more detailed conditions for execution of orders.

Article 122.

A stock exchange intermediary may not execute the order for its own account, for the account of members of management 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 conditions.

Article 123.

A stock exchange intermediary is obliged to deliver to a client in writing (in hard copy or electronic form) a notice with the calculation of work for each executed transaction with securities, at the latest on the day following the day of the execution.

Article 124.

- (1) A stock exchange intermediary is obliged to open a special account for funds of clients 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 is obliged to remit the funds on the client account realized from sale of securities exclusively in favour of the client account.
- (4) The stock exchange intermediary is not permitted to use the funds on the client account for the purpose of assignment, cession or compensations, with exception of compensations with the client for the purchase of new securities, provided that the client account is not frozen.
- (5) Funds in client's account are not property of the stock exchange intermediary, are not included in its assets, nor in liquidation or bankruptcy estate, nor can they be used in the settlement of claims of creditors of the stock exchange intermediary.

Article 125.

A stock exchange intermediary is obliged to undertake all necessary actions for the purpose of meeting all financial obligations arising from transactions with securities and transfer of securities in accordance with the Law, and regulations of the Commission and of the Registry.

Article 126.

- (1) A stock exchange intermediary may lend and borrow securities only with the written consent of the owner of those securities.

(2) Transactions related to securities borrowing 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 more detailed conditions for lending and sale of borrowed securities and reporting these transactions to the Commission.

3.9. Management of portfolio of securities

Article 127.

(1) Under a contract on the management of portfolio of securities, a stock exchange intermediary agrees that it will, on its own behalf and for the account of a client, invest client's funds in securities under the most favourable terms, and receive for management client's securities, and the client agrees to pay commission for that.

(2) The contract on the management of portfolio of securities shall determine in particular:

- a) amount of funds, and type and number of securities that are subject to the management;
- b) the policy of investment in securities;
- v) conditions under which the client entrusts securities to the management of stock exchange intermediary;
- g) amount of commission and the basis for calculating and collecting the commission;
- d) other mutual rights and obligations.

(3) The policy of investment referred to in the paragraph 2, point b) of this Article refers to particular type of securities which will be purchased using client's funds, characteristics of the issuer of securities, the maximum allowed amount of investment in securities of one issuer and its related parties, as well as other circumstances relevant in determining the degree of investment risk.

(4) The provisions of this Law relating to trading in securities in one's own behalf and for the account of the client shall apply as appropriate to the management of securities portfolio.

(5) The Commission may prescribe detailed conditions for performing activities related to management of securities portfolio.

(6) A stock exchange intermediary which performs activities related to the management of portfolio of securities is obliged to hold securities in the client's account with the Registry, separated from its own property.

(7) Paragraph 6 of this Article shall apply as appropriate to the stock exchange intermediary which performs activities related to the management of portfolio of securities traded in markets outside the Republic Srpska.

3.10. Custody activities

Article 128.

(1) Custody activities for the purposes of this Law shall be:

- a) opening and maintaining securities accounts in the Registry on behalf and for the account of owners - their clients (custody account in the name),

- b) opening and maintaining securities accounts in the Registry on behalf of custodian bank and for the account of owners or nominees - their clients (joint custody account),
- v) execution of orders for transfer of rights arising from securities and orders for entering third parties rights on securities and ensuring the transfer of rights arising from those securities;
- g) collecting claims from issuers on the basis of matured securities, interest and dividends for the account of owners of such securities, and ensuring the realization of other rights belonging to owners of securities, who are its clients;
- d) provision of service of lending securities;
- đ) informing shareholders about annual assemblies of joint stock companies and representation at the assemblies;
- e) notification of rights related to securities and the execution of client's orders in relation to the exercise of those rights;
- ž) notification of legislative changes that directly or indirectly affect the notification to the client on the state of securities on custody account;
- z) taking care of the execution of tax liabilities of owners of securities;
- i) other services related to securities, the exercise of rights and fulfilment of obligations arising from securities, as agreed between the client and the bank that performs custody activities and which are not contrary to the law.

(2) Activities referred to in the paragraph 1 of this Article may perform 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 point b) of this Article may be performed by a broker-dealer company, which obtain license from the Commission to perform these activities.

(4) A license to conduct custody activities on the territory of the Republic Srpska can get a bank with headquarter in the Federation of B&H and Brcko District, provided that it meets conditions for establishment and operation prescribed by this Law and regulations of the Commission.

(5) The bank referred to in paragraph 4 this Article shall be obliged to register its business unit on the territory of the Republic Srpska.

Article 129.

(1) Under a contract, the custody bank undertakes that it will perform one or more custody activities for the account of client under provisions of this Law.

(2) Custody bank shall perform custody related activities in a special organizational part.

(3) The Commission shall prescribe more detailed condition for performance of custody activities.

Article 130.

(1) A custodian bank is obliged to open securities accounts with the Registry in which the client's securities are kept. The custodian account can be either in the name or joint custody account.

(2) A custodian bank can use securities in the account only upon the order of the client.

(3) Securities in the account of the custodian bank are owned by the client, are not included in assets of the custodian bank, in liquidation or bankruptcy estate, nor can they be used for enforcement in respect of claims against custodian bank.

(4) A custodian bank is obliged to proceed with client's funds in accordance with provisions of this Law.

(5) A custodian bank shall be liable for any damages suffered by its client due to deficiencies in fulfilment of the contract on the performance of custody operations, including lost profits.

(6) The responsibility of custodian bank cannot be limited or excluded under the contract on the performance of custody operations.

Article 131.

(1) A custodian bank is obliged to keep for each client a special record of securities entrusted to the keeping and of orders of clients.

(2) The order book regarding custody accounts shall be kept in the same manner as the order book referred to in the Article 120 of this Law.

(3) A custodian bank shall provide the Commission with an insight into the order book and other documentation.

(4) A custodian bank is obliged , without delay to notify the client of any deal concluded in accordance with his/her order even if the client does not particularly require so.

Article 132.

Provisions of this Law relating to operations, supervision and revocation of the license to a stock exchange intermediary shall appropriately apply to the custodian bank, unless otherwise prescribed by individual provisions of this Law.

Article 133.

At the request of the Commission, a custodian bank is obliged to provide information about clients and the number of securities that they have in the custody account.

3.11. Submission of information related to business conduct of stock exchange intermediary

Article 134.

A stock exchange intermediary is obliged to publish and submit to the Commission annual financial statement and other reports on its business conduct with the content, in the manner and within deadlines prescribed by the Commission.

„Article 134a.

A stock exchange intermediary is obliged to categorize its clients with regard to their knowledge, experience, financial situation and investment objectives as retail and professional investors.

Article 134b.

Professional investors within the meaning of this law are:

- a) legal entities holding a license to operate issued by the competent authority, or which are subject to supervision in the financial market, namely:
- 1) banks,
 - 2) insurance companies,
 - 3) broker-dealer companies,
 - 4) investment funds and investment funds management companies,
 - 5) pension funds and pension funds management companies,
 - 6) persons trading in commodities and derivatives on commodities exchanges,
 - 7) other investors whose main activity is investing in securities, including institutions engaged in property insurance or other financial transactions,
- b) financial organizations established under a separate law to govern the property that is directly or indirectly owned by the Republic Srpska and
- v) national and regional governments, public bodies that manage public debt, central banks, international and supranational institutions such as the World Bank, the International Monetary Fund, the European Central bank, the European Investment Bank and other similar international organizations.

Article 134v.

(1) A stock exchange intermediary is obliged, prior to provision of services, to inform the entity referred to in Article 134b of this Law that, based on the information available about it, such entity shall be deemed to be professional investor.

(2) A stock exchange intermediary is obliged to provide to professional investor, on its request, a treatment involving a higher level of protection, as it provides to retail clients.

(3) A stock exchange intermediary is obliged to inform the professional investor that it can request a variation of the terms of the agreement in order to secure, on its request, a higher level of protection.

(4) Professional investor is obliged to require a higher level of protection if it deems that it cannot properly assess or manage the risks characteristic for a particular investment.

(5) In case the professional investor enters into a contract with the stock exchange intermediary based on which it shall not be treated as a professional investor in terms of the applicable conduct of business rules, the stock exchange intermediary is obliged to provide a higher level of protection to it.

(6) The contract referred to in paragraph 5 this Article shall be made in writing indicating whether it relates to one or more services or transactions, or to one or more types of products or transactions.

Article 134g.

(1) Clients other than those mentioned in Article 134b of this Law may also be treated by a stock exchange intermediary as professional investors, provided the relevant criteria and procedures set out in this Article are fulfilled.

(2) A stock exchange intermediary may treat clients referred to in paragraph 1 of this Article as professional investors, exclusively on the basis of their requests and if it assesses that the client, depending on the type of transaction or service, has sufficient knowledge, experience and expertise to independently make decisions on investing and proper risk assessment in relation to investment.

(3) In the course of the assessment referred to in paragraph 2 of this Article, as a minimum, two of the following criteria should be satisfied:

a) that the client has executed transactions on the relevant market for him, at an average frequency of 10 per each quarter, in the last year,

b) that the size of the client's portfolio exceeds one million convertible marks and

v) the client works or has worked in the financial sector for at least one year in a professional position which requires knowledge of the transactions or services envisaged.

(4) The relevant market referred to in paragraph 3 point a) of this Article is the market where trading takes place in securities in respect of which a client wants to acquire the status of professional investor.

(5) Portfolio referred to in paragraph 3 point b) shall include both securities and funds.

Article 134d.

(1) Clients referred to in Article 134g of this Law may waive the higher level of protection arising from the business rules only where the following procedures are followed:

a) a client requests in writing that it wish to be treated as professional investors either generally or in respect of a particular service, transaction, type of transaction or product,

b) a stock exchange intermediary warns the client in writing of the level of protection and rights that the system for protection of investors provides, it may lose,

v) a client states in writing, in a separate document from the contract, that it is aware of the consequences of losing such level of protection.

(2) A stock exchange intermediary is obliged to take appropriate action in order to determine whether the client meets the conditions referred to in Article 134g of of this Law, and after that to decide to accept the request for waiver of a higher level of protection arising from the business rules.

Article 134đ.

Clients of the stock exchange intermediary other than those referred to in Article 134b of this Law shall be regarded as retail clients within the meaning of this Law.

Article 134e.

(1) Prior to provision of a service to a new retail client for the first time, a stock exchange intermediary is obliged to conclude a contract with the retail client, in writing, and it regulates their mutual rights and obligations.

(2) The rights and obligations referred to in paragraph 1 of this Article may also be incorporated in other legal acts of the stock exchange intermediary.

Article 134ž.

(1) A stock exchange intermediary is required to adopt and apply internal acts which prescribe measures and procedures to categorize clients in accordance with the provisions of this Law and regulations issued on the basis of this Law.

(2) Professional investors are responsible for keeping the stock exchange intermediaries whose services they use promptly informed of all facts that could influence the change in the categorization of client with the stock exchange intermediary.

(3) In case that the stock exchange intermediary determines that a client does not belong to initially determined category of professional investor, it is obliged to take measures aimed at appropriate categorization of the client.

Article 134z.

(1) When providing investment advice or portfolio management, a stock exchange intermediary is required to obtain information regarding knowledge and experience of the client or potential client in the investment field relevant to the specific types of products or services, its financial situation and its investment objectives which are sufficient to enable the stock exchange intermediary to recommend to the client or potential client the investment services and securities that are suitable for it.

(2) If the stock exchange intermediary fails to obtain the information referred to in paragraph 1 of this Article, it shall warn the client of the inability to provide investment advice or portfolio management.

(3) The stock exchange intermediary provides the warning referred to in paragraph 2 of this Article in a standardized format, prescribed by the Commission.

Article 134i.

(1) When performing activities other than activities referred to in Article 134z of this Law, a stock exchange intermediary is required to seek from the client or potential client information regarding his knowledge and experience in the investment field relevant to the specific types of offered or requested products or services, so as to be able to assess whether the particular service or product is suitable for the client.

(2) If the stock exchange intermediary, based on information received in accordance with paragraph 1 this Article considers that a product or service is not suitable for the client or potential client, it is obliged to warn it of that.

(3) The stock exchange intermediary provides the warning referred to in paragraph 2 of this Article in a standardized format, prescribed by the Commission.

(4) If a client does not want to provide to the stock exchange intermediary information referred to in paragraph 1 this Article, or if it has provided insufficient information regarding its knowledge and experience, the stock exchange intermediary is obliged to warn it that it is unable to determine whether the particular services or products are suitable for it.

(5) The stock exchange intermediary provides the warning referred to in paragraph 4 of this Article in a standardized format, prescribed by the Commission.

Article 134j.

A stock exchange intermediary shall consider the information received from a client in accordance with Articles 134z and 134i of this Law as credible, except where it is aware or should be aware on the basis of all known circumstances that the information is outdated, inaccurate or incomplete.

Article 134k.

The Commission shall adopt act which prescribes the rules of business of a stock exchange intermediary regarding the provision of services for specific categories of clients, within 90 days from the date of entry into force of this Law.“

4. Professional organization

Article 135.

- (1) Authorized participants on the securities market may form a professional organization of authorized participants on the securities market or 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 activities with securities, by the conclusion of the contract on the establishment and adoption of appropriate general acts.
- (3) The Commission shall give prior consent on the contract on establishment of the professional organization, the Statute and other general acts.

Article 136.

The professional organization may:

- a) adopt rules for performance of activities of authorized participants on the securities market, aimed at improving the professional activities, standardization of practices and development of securities market;
- b) adopt the business rules, usages and standards which are obligatory in application for all authorized participants on the securities market;
- v) adopt the code of ethics which is obligatory in application for all authorized participants on the securities market;
- g) cooperate with relevant regulatory and supervisory authorities responsible for dealing with securities, in order to improve the regulation and its implementation, and it can also give initiatives regarding any changes of rules and regulations or adoption of new laws and bylaws;
- d) receives and prepares members' information, analyses, project and other materials relating to enforcement of rules, standards, usages and codes or behaviour of participants on the securities market, in order to strengthen the profession, protect the interest of investors and authorized participants on the securities market, develop the securities market, ensuring transparency, prevent manipulation of securities prices and other manipulation on the securities market;
- đ) carries out supervision over application of regulations and its own acts, impose measures to authorized participants on the securities market and undertake measures to protect the interest of users of services of authorized participants on the securities market and their compensations for losses caused by errors, omissions and illegal activities of members of the professional organization.

Article 137.

The professional organization, in addition to the contract on establishment and the Statute which are determined at the time of establishment, shall also adopt the rules, usages and standards and other general acts in order to perform the activities specified in the contract

on establishment and the Statute and which are obligatory in application for all members of the organization.

Article 138.

The general acts of the professional organization referred to in the Article 137 of this Law shall expressly prohibit or prevent the following:

- a) discrimination of clients who use the services of a member of the professional;
- b) discrimination of members of the professional organization;
- v) unfounded restriction in terms of accession to membership or withdrawal from membership of the professional organization;
- g) preventing development of competition between authorized participants on the securities market, as well as unfounded limitation in terms of revenue and commissions that members of the professional organization realize performing their professional activities;
- d) making false, incomplete or unclear information to members of professional organization.

Article 139.

The professional organization shall be financed by membership fees, contributions and donations of members and third parties, as well as by compensations from services provided to members and third parties, and the profit realized on those grounds shall be used exclusively for the development of professional organization.

Article 140.

Regulations that regulate professional association of companies 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) Securities within the meaning of this Law, shall be traded on organized stock exchange and other regulated public market which is 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 may be performed only by the stock exchange and other regulated public market.

Article 142.

The Commission shall prescribe more detailed conditions under which securities are traded on the stock exchange and other regulated public market.

Article 143.

(1) Stock exchange and other regulated public markets are entitled to perform the activities pursuant to this Law on the basis of the license of the Commission.

(2) The Commission shall issue the license referred to in paragraph 1 of this Article if all conditions under this Law and regulations of the Commission 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 regulating the establishment and business operations of joint stock companies apply to the establishment and business operations of stock exchange, appointment, competence and activities of governing bodies of the stock exchange and the adoption of general acts, unless otherwise provided by this Law.

Article 145.

- (1) The stock exchange shall perform the following activities:
 - a) organize connecting the supply and demand in trade of securities,
 - b) provide information on supply, demand, market price as well as other information on securities;
 - v) establish and publish quotation list of securities;
 - g) perform other activities in accordance with the Law and regulations of the Commission.
- (2) In addition to the activities referred to in paragraph 1 this Article, the stock exchange may perform the following activities:
 - a) creation, development, maintenance and control of computer software in connection with trading in securities,
 - b) organizing and conducting training of participants in the securities market in connection with the work that it performs and
 - v) calculation of financial claims and liabilities of members of stock exchanges in connection with the trade which is a result of connecting with other stock exchanges located outside the Republic of Srpska.

Article 146.

- (1) The stock exchange shall ensure that:
 - a) all participants to trade 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 to trade on the stock exchange have an equal access to market information about securities being traded and that everyone can 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 may be general or specialized.
- (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 for which the exchange is specialized 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 activities 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 may be established if the following conditions are fulfilled:
 - a) if the minimum amount of initial capital prescribed by this Law as well as appropriate premises have been provided;
 - b) if the personnel, technical and organizational capacity have been provided to perform stock exchange trade and other activities that stock exchange performs.
- (2) An appropriate business premises within the meaning of paragraph 1 of this Article shall be provided either by the transfer of property right on business premises or by assignment of rights of use of premises with the lease agreement.
- (3) Personnel capacity of the stock exchange in terms of paragraph 1 of this Article shall imply that the stock exchange employ at least one person who possesses the authorization for performing activities of a broker.
- (4) Technical capability of the stock exchange in terms of paragraph 1 of this Article shall imply that the stock exchange possess developed information system for the stock exchange trade and the system for public disclosure of information.
- (5) Organizational capability of the stock exchange in terms of paragraph 1 of this Article shall imply the existence of organizational units for 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 with 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 becomes a legal entity by means of the registration in the court.

(2) Legal entity which is not established as a stock exchange in accordance with this Law, cannot be entered in the court registry as the stock exchange, and it cannot use title “The Stock Exchange” in legal transactions nor use it as an integral part of the company name.

1.3. Initial capital and shareholders of the stock exchange

Article 152.

- (1) The initial capital of the stock exchange shall amount to at least 1.000.000 BAM and it is divided into ordinary shares which are registered shares.
- (2) The stock exchange net capital cannot be less than the amount stipulated in the paragraph 1 of this Article.
- (3) Shareholders of the stock exchange may receive cash payment of up to 50% of realized profit.

Article 153.

„(1) A shareholder of the stock exchange cannot own over 20% of the shares, including persons connected to him/her.

(2) Shares above the limit referred to in paragraph 1 of this Article shall have no voting rights.

(3) The stock exchange shall submit to the Commission and publish data on shareholders.

(4) Shares of the stock exchange are traded on specially organized auctions in accordance with the stock exchange rules.

Article 154.

(1) Other restrictions on the acquisition of shares may 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 resulting from a strategic alliance with another stock exchange.

(3) The Commission approves the acquisition of shares of the stock exchange which achieves 5%, 10%, 15% or 20% of total voting shares, as well as the acquisition of shares of the stock exchange in accordance with the provisions of paragraph 2 of this Article.

(4) Shares of the stock exchanges whose acquisition the Commission did not approve are non-voting shares and must be disposed of within six months from the date of acquisition.

(5) The Commission shall adopt an act to define the criteria and procedure for approving the acquisition of shares of the stock exchange within 90 days from the date of the entry into force of this Law.

1.4. General acts of the stock exchange

Article 155.

(1) General acts of the stock exchange are the Statute, the rules of the stock exchange, act on fees and other general acts, which define operations of the stock exchange.

(2) The Commission shall give consent to acts referred to in paragraph 1 of this Article, as well as to changes and amendments to those acts.

Article 156.

By its general acts the stock exchange determines amounts and manner of payment of the following:

- a) admission fee for members of the stock exchange;
- b) annual fees for members of the stock exchange;
- v) compensations for services provided by the stock exchange to members and third parties;
- g) contribution of member of the stock exchange into a contingency;
- d) fines for violation of the stock exchange acts.

1.5. Bodies of the stock exchange

Article 157.

- (1) Bodies of the stock exchange are the assembly, management board, **the body that carries out supervision** and the director.
- (2) Management board shall consist of at least five members, and **the body that carries out supervision** of at least three members.
- (3) To be selected as members of management board and of **the body that carries out supervision** persons must have a university level education in Economics or Law and at least five years of working experience in that profession.
- (4) Selection of members of management board and of **the body that carries out supervision** shall be carried out on the basis of previously conducted public contest.
- (5) Period of office of the members of management and **the body that carries out supervision** is five years with the possibility of re-election.
- (6) The Commission shall give consent to the appointment of the members of management board, **the body that carries out supervision** 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) To be appointed the director of the stock exchange a person must have university level education in Economics or Law, five years of working experience in the area of capital market, 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 conducted public contest.
- (3) Period of office of the director is five years with the possibility of re-election.
- (4) **The stock exchange may have one or more executive directors and in case there are more of them - the stock exchange director is director-general and legal representative.**
- (5) **If the stock has more than two executive directors, executive board shall be formed whose chairman is director-general.**

(6) Director or director-general manages the business, signs contracts and represents the stock exchange in accordance with the statute.

(7) Provisions referred to in paragraph 1, 2 and 3 of this Article shall apply accordingly to the conditions to be met by a person to perform the function of executive director, as well as to the appointment and terms of office of the executive director.

Article 159.

The members of management and of the body that carries out supervision and the director of the stock exchange must not:

- a) be in the matrimony or related to each other;
- b) be persons who were convicted by final judgement of a criminal act against economy and payment operation, against his/her official duty or of a criminal act prescribed by this Law, or measure has been imposed against them or is in effect banning them to perform activities with securities;
- v) hold, directly or indirectly, more than 5% of the capital of the legal entities licensed by the Commission to perform activities;
- g) conduct business and perform activities which are contrary to the principles of investor protection, independence and impartiality of the stock exchange operations.

Article 160.

The stock exchange shall form the stock exchange court in accordance with the statute and rules of the stock exchange 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) Members of the stock exchange may be only stock exchange intermediaries that meet conditions for membership, determined by the rules of the stock exchange.

(2) A stock exchange shall admit to membership a stock exchange intermediary which submits an application for membership and meets the following conditions:

- a) it has the Commission's license to perform transactions with securities;
- b) it meets other conditions prescribed by the stock exchange.

(3) The stock exchange shall make decision within 60 days from the day of submission of the application referred to in paragraph 2 of this Article.

(4) Against the decision of the stock exchanges applicant may file an appeal to the Commission within 15 days from the day of receipt of the decision or the expiry of the deadline specified in paragraph 3 this Article.

(5) Notwithstanding the provisions of paragraph 1 this Article, a member of the stock exchange with special authorization can be:

- a) the Registry, in connection with clearing and settlement operations, in accordance with regulations of the Commission and acts of the stock exchange,
- b) the Central Bank of Bosnia and Herzegovina, the Ministry of Finance and Treasury of Bosnia and Herzegovina, and the Ministry of Finance of the Republic Srpska, in

connection with the issuance of securities of the Bosnia and Herzegovina and the Republic Srpska.

Article 162.

A member of the stock exchange is obliged to immediately notify in writing the stock exchange of any change in its authorizations that occurred, rights and obligations and in particular on changes related to the facts upon which it has obtained the license for the membership of the stock exchange.

1.7. Impartiality

Article 163.

(1) The exchange may not trade in securities for its own account, give advice with regard to securities or investments in securities, nor give its opinion on favourable or unfavourable aspects of purchasing and selling of securities.

(2) Notwithstanding the limits specified in paragraph 1 this Article, the stock exchange may acquire shares of other stock exchanges, commodities exchanges, the Registry of Securities, as well as a joint stock company for clearing and settlement of transactions concluded in the regional market, in accordance with specific rules of investment, which the Commission approves.

(3) Stock exchange may acquire securities of the Republic Srpska and local governments without the consent of the Commission.

(4) Stock exchange is entitled to publicly present advantages of the admission of securities on the stock exchange and trading in those securities.

1.8. The stock exchange operations

Article 164.

(1) Members of the stock exchange shall trade in securities admitted to the stock exchange in accordance with the Statute and the rules of the stock exchange.

(2) The stock exchange shall prescribe conditions for at least three different official stock exchange markets, on which securities that meet the conditions prescribed by rules of the stock exchange are being admitted.

(3) In addition to the official markets, the stock exchange is obliged to organize trading on the free market, on which securities that do not qualify for admission to official stock exchange market are being admitted.

(4) The Commission can prescribe also additional conditions for admission of securities.

(5) In addition to markets referred to in paragraph 2 and 3 of this Article, the stock exchange may organize special money market and commodities market with special systems of membership.

Article 165.

- (1) Securities being admitted on a stock exchange shall be fully negotiable and paid in.
- (2) An issuer can, under conditions prescribed by the stock exchange and the Commission, carry out public offering of securities on the stock exchange.

Article 166.

Applications for admission of securities to the official market shall be submitted by an issuer and must be made in relation to all securities of the same class of that issuer.

Article 167.

- (1) The issuer which meets the following requirements:
 - a) issues shares by means of public offering,
 - b) has more than 100 shareholders,
 - v) has share capital of at least 10 million BAM and
 - g) has total annual revenue of at least 10 million BAM,

is obliged to submit an application for admission of securities to the official stock exchange market within 90 days from the day of fulfilment of conditions.

(2) The issuer referred to in paragraph 1 of this Article is obliged to publish the prospectus in accordance with acts 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 over 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 may be admitted on the official stock exchange market without specific conditions and restrictions.

Article 169.

Securities of an issuer whose headquarter is outside the Republic Srpska may be admitted to a stock exchange under conditions specified by this Law, regulations of the Commission, acts 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 there is large market imbalance or other extraordinary circumstances,
- b) if it assesses that trading in those securities will cause market disruption, and also that there is possibility of damage,
- v) if at the beginning or in the course of trading larger price fluctuations occur or other abnormal circumstances (for example larger quantities, market imbalance etc),
- g) if the issuer whose shares are traded does not fulfil obligations that it has on the basis of this Law and the rules of the stock exchange,
- d) if it assesses that it is needed for the purpose of protection of investors and
- đ) if bankruptcy proceedings has been instituted over the issuer.

(2) Temporary suspension referred to in paragraph 1 of this Article shall last until conditions to continue trading are satisfied, for a maximum of six months from the day of making decision on temporary suspension of trading by the stock exchange, **except in the case referred to in paragraph 1 point d) of this Article, when a temporary suspension of trading might last until the closure of bankruptcy proceedings.**

(3) The stock exchange shall prescribe more detailed condition for temporary suspension of trading with particular securities.

Article 171.

(1) The stock exchange shall remove from the official stock exchange market the securities of a particular issuer or securities of certain class or series of securities of the same issuer:

- a) if an issuer no longer fulfils the conditions for admission;
- b) if it is established that securities have been accepted to the official market on the basis of false or wrong data;
- c) if an issuer withdraws its securities or their maturity expires;
- d) if the bankruptcy proceeding or liquidation proceeding over an issuer have been instituted;
- e) if an issuer files removal 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 remove from the official stock exchange market the securities of a particular issuer or securities of certain class or series of securities of the same issuer if the securities are not traded for more than six months.

Article 172.

The stock exchange shall remove from the free market 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 over the issuer have been instituted;
- v) 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 removal of securities from the stock exchange market which is applicable from the day it was 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) Against the decision referred to in paragraph 1 of this Article an applicant may file an appeal to the Commission within 8 days from the day of receipt of the decision.

Article 174.

- (1) Trade in financial derivatives **may be carried out** at the special market of the stock exchange.
- (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 trading on the stock exchange, conditions for trading in those derivatives and manner for discharge of liabilities arising from transactions concluded in trading in financial derivatives.
- (4) For trading in financial derivatives the stock exchange shall determine standardized rights and obligations of the contracting parties and the date of beginning of trading.
- (5) The stock exchange may introduce to trading only financial derivatives which ensure achieving the economic interests of legal entities and other organizations and persons and if it is not contrary to the public interest.
- (6) The stock exchange is obliged, at least 30 days prior to the beginning of trading in an individual financial derivative, to notify the Commission of the intention to introduce the derivative to trading.
- (7) The Commission shall prohibit the introduction of financial derivative to trading or shall prohibit further trading in financial derivative which trading has begun on the stock exchange, if this is necessary in order to protect investors.

Article 175.

- (1) The provisions of this Law relating to trading in securities and discharge of liabilities arising from transactions concluded in trading in securities shall apply as appropriate to trading in financial derivative, prohibition of misuse of confidential information and discharge of liabilities arising from transactions concluded in trading in those instruments.
- (2) Clearing and settlement of transactions relating to financial derivatives shall be carried out at the stock exchange.

1.9. Supervision of the stock exchange activities

Article 176.

- (1) The Commission shall carry out supervision over the stock exchange operations in accordance with this Law and its regulation.
- (2) In the procedure referred to in paragraph 1 of this Article, the Commission can inspect acts, business records and other documentation of the stock exchange.

Article 177.

If in the procedure of supervision it establishes illegalities or irregularities in operations, the Commission shall issue an order and specify deadline for their elimination and shall take 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 operations was obtained on the basis of false data;
 - v) it does not conduct activities relating securities in accordance to this Law;
 - g) it no longer meets conditions prescribed for obtaining the operating license;
 - d) it violates the prohibition of manipulation;
 - đ) if fails to eliminate illegalities or irregularities established within the time determined by the decision of the Commission;
 - e) it notifies the Commission of termination of business activities and submits an application for removal from the register of issued licenses for operations of stock exchange.
- (2) When the Commission revokes the license for operations of the stock exchange, it shall institute liquidation proceeding, in accordance with the Law.

1.11. Notifying and transparency of the stock exchange

Article 179.

- (1) The stock exchange shall notify the Commission on:
 - a) realized turnover;
 - b) membership on the stock exchange;
 - v) admission and removal of securities to/from the stock exchange.
- (2) More specific elements of notification 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 operations and the audit report.
- (4) The stock exchange shall be obliged to notify the Commission of changes in share capital of the stock exchange and changes of shareholders of the stock exchange.
- (5) The stock exchange is obliged to enable the Commission monitoring of trading in the stock exchange trade system in real time, free of charge.
- (6) The Commission can prescribe an obligation relating submission of other reports, or data on trading on the stock exchange and data on its business operations.

Article 180.

The stock exchange is authorized to inform the public about trading in securities and about data which it is obliged to disclose on the basis of this Law, regulation of the Commission and its own general acts.

1.12. The obligation of professional secrecy and 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 at least annually inform the persons referred to in paragraph 1 this Article about their obligations in respect of professional secrecy.

Article 182.

The stock exchange shall report to the Commission on monthly bases on the acquisitions or disposal of securities held by the members of the stock exchange management and of **the body that carries out supervision**, the director and employees of the stock exchange.

Article 183.

The director and employees of the stock exchange may not be members of management 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 operations

Article 184.

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

2. Other regulated public market

Article 185.

(1) The stock exchange intermediaries may, by a contract, in accordance with the Law, establish other regulated public market on which trading in securities that are not admitted to the stock exchange market takes place, pursuant to pre-established 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 admission of securities to trading on another regulated public market may be submitted by an issuer or a stock exchange intermediary.

(2) The Commission shall prescribe the data which an issuer is obliged to disclose when listing securities to trading 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 on the entire territory of the Republic Srpska.

(2) Other regulated public market shall submit 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.

„3. Withdrawal of shares from the stock exchange or other regulated public market

Article 187a.

(1) If an open joint stock company, in accordance with this Law and law regulating the operations of companies, makes a decision on the conversion of open to closed joint stock company, it is considered that it adopted the decision on withdrawal of shares or other equity securities from the stock exchange or other regulated public market.

(2) The decision referred to in paragraph 1 this Article, the issuer may issue if the following conditions are cumulatively fulfilled:

a) that it has less than 100 shareholders,

b) that within the period of one year preceding the year in which the decision was made, a total realized turnover of shares that are subject to withdrawal from the stock exchange or other regulated public market amounted to less than 0.5% of their total issued number and

v) that within at least six months of the period referred to in point b) above, realized monthly turnover of such shares on the stock exchange or other regulated public market amounted to less than 0.05% of their total issued number.

(3) Conversion of an open joint stock company in the closed one and the withdrawal of securities from the stock exchange or other regulated public market shall require the approval of the Commission.

(4) After obtaining the approval of the Commission the decision referred to in paragraph 1 this Article shall be entered in the register and becomes effective:

a) if the decision was made by a majority that includes the votes of 9/10 of the capital, on the day the decision being entered in the court register, except where it was determined by the decision that it becomes effective after a certain period of time has passed since the decision being entered in the court register and

b) in all other cases, after the expiry of one year from the day of the decision being entered into a court register.

(5) A company is obliged to, following the decision on a withdrawal from the stock exchange or other regulated public market being entered into a court register, notify the stock exchange or other regulated public market, from which the securities will be withdrawn on the first working day following the day on which the decision became effective.

(6) The Commission shall adopt by-law which prescribes the manner and procedure for approval of converting the open joint stock company into a closed joint-stock company within 90 days from the day of entry into force of this Law.“

VI THE CENTRAL REGISTRY OF SECURITIES

Article 188.

(1) The Central Registry of Securities (hereinafter: Registry) shall be legal entity, public authority to perform activities referred to in the Article 189, paragraph 1 of this Law, which maintains a data base in which the data on securities, owners, the rights and

limitations of rights attached to securities are entered, maintained and safeguarded in accordance with the Law, regulations of the Commission and general acts of the Registry.

(2) The Registry shall keep shareholder book 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 safeguarding of information on securities and their owners, and all transactions with regarding the transfer the ownership or other changes of status of securities;
- b) registration and safeguarding of data on acquisition of ownership and other rights attached to securities;
- v) entry and removal of the third parties rights attached to securities as well as entry and deletion of prohibition of disposal on the basis of contracts, judicial decisions or decisions of competent authorities;
- g) opening and maintaining of accounts of the issuers, maintaining shareholders book, opening and maintaining accounts of securities holders as well as issuing of reports, statements and certificates on balance and changes in those accounts;
- d) opening and maintaining of an account of a stock exchange intermediary and other members of the Registry;
- đ) clearing, settlement and transfer of securities on the basis of transactions with securities concluded on the stock exchange or other regulated public market;
- e) transfer of securities on the basis of contracts, judicial decisions or decisions of the other competent authorities,
- ž) creation, development, maintenance and control of computer software in connection with trading in securities and
- z) organizing and conducting training of participants in the securities market in connection with the work that it performs.

(2) The Registry may perform tasks of a depository of investment funds and other activities for which it obtains approval from the Commission.

Article 190.

(1) In performing activities referred to in Article 189 paragraph 1 points a) to e) of this Law, the Registry shall apply provisions of the Law on General Administrative Procedure. Regarding the data it maintains and safeguards in accordance with this Law, it shall issue to the authorized participant the following public documents:

- a) list of shareholders,
- b) the report based on which the voting right is exercised at an issuer's assembly, pursuant to provisions of law,
- v) confirmation on ownership of securities and
- g) account activity statement.

(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 can be filed against them.

Article 191.

Appropriate provisions of this Law which regulate establishment and business operations of joint stock companies shall apply to business operations, appointment, competence and the activities of bodies of the Registry, and adoption of general acts, unless otherwise prescribed by of this Law.

1. Establishment of the Registry

Article 192.

- (1) The Registry shall be established as a joint stock company.
- (2) The conditions for the establishment of the Registry shall be as follows:
 - a) if the minimum amount of initial capital prescribed by this Law as well as appropriate premises have been provided;
 - b) if the personnel, technical and organizational capacity have been provided for performance of activities of the Register.
- (3) An appropriate business premises within the meaning of paragraph 2 of this Article shall be provided either by the transfer of property right on business premises or by assignment of rights of use of premises with the lease agreement.
- (4) Personnel capacity of the Registry in terms of paragraph 2 of this Article shall imply that the persons employed with the Registry are qualified for performance of activities of the Registry.
- (5) Technical capability of the Registry in terms of paragraph 2 of this Article shall imply that the Registry possess developed information system for activities of the Registry as well as the system and methodology for public disclosure of information.
- (6) Organizational capability of the Registry in terms of paragraph 2 of this Article shall imply the existence of organizational units for efficient and unique performance of activities of the Registry.
- (7) Operations regarding clearing and settlement in connection with transactions concluded on the stock exchange and other regulated public market, the Registry shall perform in a special organizational unit (hereinafter: department for clearing and settlement).
- (8) For performing activities referred to in paragraph 7 of this Article, the Registry may open a special business account and provide in business records a separate recording and the data on operations of that organizational unit, in accordance with regulations of the Commission.

Article 193.

- (1) The Registry shares shall be ordinary shares and registered.
- (2) The Registry shares may not 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 prior 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 approval of the Commission.

(2) An individual shareholder of the Registry referred to in paragraph 1 of this Article, may, directly or indirectly, acquire a maximum of 10 % of the total number of issued shares of the Registry.

(3) Notwithstanding paragraph 2 of this Article, the Republic Srpska may acquire shares of the Registry without limitation, and 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 initial capital of the Registry shall amount to no less than 1.000.000 BAM.

(2) Net capital of the Registry cannot be less than the amount determined in paragraph 1 of this Article.

Article 196.

(1) The Registry may perform transactions referred to in Article 189 of this Law only on the basis of license of 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 are fulfilled.

2. General acts of the Registry

Article 197.

(1) General acts of the Registry shall be the Statute, regulations, price list and other general acts which regulate the operations of the Registry.

(2) The Commission shall approve general acts referred to in paragraph 1 of this Article, as well as changes and amendments to those acts.

(3) General acts referred to in paragraph 2 of this Article shall be published in the Official Gazette after obtaining approval of the Commission and shall enter into effect 8 days from the day of publishing.

(4) Notwithstanding paragraph 3 this Article, the act on the manner of archiving documents and storage of data in electronic form is not published in the Official Gazette and shall enter into force eight days from the day of receipt of approval of the Commission.

Article 198.

The Register shall determine by general acts the following:

- a) manner and procedure for registration of securities, manner for opening accounts of issuers and accounts of securities holders;
- b) rights and obligations regarding membership;
- v) manner for clearing, settlement and transfer of securities on the basis of transactions with securities concluded on the stock exchange or other regulated public market;
- g) manner for keeping of special money accounts;

- d) manner for formation and conditions for usage of assets of the guarantee fund and other rules to overcome risks of failure to meet obligations of an individual member of the Registry;
- đ) manner for entry and deletion of third parties rights attached to securities,
- e) manner for entry and deletion of prohibition of disposal on the basis of contracts, judicial decisions or decisions of other competent authorities,
- ž) manner of transfer of securities on the basis of contracts, judicial decisions or decisions of other competent authorities;
- z) manner of performance of activities of a depository of investment funds;
- i) manner of archiving documents and storage of data in electronic form;
- j) manner and procedure for notifying owners of securities, issuers and members of the Registry, as well as other forms of rights of access to activities of the Registry;
- k) fees for services provided by the Registry.

Article 199.

General acts referred to in Article 198 shall apply to each member of the Registry, issuer and each person whose right and obligation occur in connection with securities.

Article 200.

Detailed procedure for application and enforcement of general acts the Registry shall determine by guidelines/instructions, which shall be adopted by management board or the director of the Registry.

3. Bodies of the Registry

Article 201.

- (1) Bodies of the Registry are the assembly, management board and **body that carries out supervision** and director.
- (2) Management board shall consist of at least five members, and **the body that carries out supervision** of at least three members
- (3) To be selected as members of management board and of **the body that carries out supervision** persons must have a university level education in Economics, Law or Electrical Engineering and at least five years of working experience in that profession.
- (4) To be appointed the director of the Registry a person must have university level education in Economics or Law, five years of working experience in the area of capital market, appropriate professional knowledge and personal attributes making him/her worthy to perform this function.
- (5) Selection of members of management board and of **the body that carries out supervision** shall be carried out on the basis of previously conducted public contest.
- (6) Period of office of the members of management board, **the body that carries out supervision** and the director is five years with the possibility of re-election.
- (7) The Commission shall give consent to the appointment of the members of management board and of **the body that carries out supervision** and the director of the Registry.

(8) The Registry may have one or more executive directors and in case there are more of them - the Registry director is director-general and legal representative.

(9) If the Registry has more than two executive directors, executive board shall be formed whose chairman is director-general.

(10) Director or director-general manages the business, signs contracts and represents the Registry in accordance with the statute.

(11) Provisions referred to in paragraph 4, 5 and 6 of this Article shall apply accordingly to the conditions to be met by a person to perform the function of executive director, as well as to the appointment and terms of office of the executive director.

Article 202.

The members of management and of the body that carries out supervision and the director must not:

- a) be in the matrimony or related to each other;
- b) be persons who were convicted by final judgement of a criminal act against economy and payment operation, against his/her official duty or of a criminal act prescribed by this Law, or measure has been imposed against them or is in effect banning them to perform activities with securities;
- v) hold, directly or indirectly, more than 5% of share capital of the legal entities licensed by the Commission to perform activities;
- g) conduct business and perform activities which are contrary to the principles of investor protection, independence and impartiality of Registry operations.

4. Member of the Registry

Article 203.

(1) Member of the Registry may be bank, “insurance company and other financial organization”, stock exchange intermediary, stock exchange, other regulated public market, management company of investment or pension fund, financial organizations established under a separate law to govern the property that is directly or indirectly owned by the Republic Srpska, an issuer of securities, the Central Bank of Bosnia and Herzegovina, and foreign bank and foreign stock exchange intermediary if licensed by the Commission.

(2) Admission 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 acts of the Registry.

Article 204.

(1) The member of the Registry shall have the right of access to the part of electronic record of data in the system of the Registry which is linked up with its identification mark, in accordance with this Law, the regulations of the Commission and general acts of the Registry.

(2) The member of the Registry – stock exchange intermediary either submits written order to the Registry, or enters an electronic order into the system of the Registry, in accordance with the regulations of the Commission and general acts of the Registry.

(3) The member of the Registry – stock exchange intermediary must either hold an order of a client or have other legal basis for submission or entry of the order referred to in paragraph 2 of this Article, in accordance with the regulations of the Commission and general acts of the Registry.

(4) The member of the Registry shall have right to be issued an excerpt from electronic record of data kept by the Registry related to the balance on the account of a client, 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 acts and guidelines-instructions of the Registry.

Article 205.

(1) The member of the Registry shall be accountable to the owner or other person vested with rights attached to securities which are subject to entry in the Registry, for damage caused by omission to enter the order or irregular entry of the order, on the principle of presumed liability.

(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 which led to omission to enter the order or to 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, which could not have been anticipated, prevented or avoided.

Article 206.

Securities and funds of owners and members of the Registry shall not be included in the assets of the Registry, or in its bankruptcy or liquidation estate, nor can they be the subject of enforcement in proceedings against the Registry.

Article 207.

(1) If the member of the Registry fails to discharge liabilities 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 acts 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 acts of the Registry.

5. Operations of the Registry

Article 208.

„(1) The Registry may not trade in securities for its own account, give advice with regard to securities or investments in securities, nor give its opinion on favourable or unfavourable aspects of purchasing and selling of securities.

(2) Trading referred to in paragraph 1 of this Article shall not be considered as buying and selling securities for the purpose of clearing and settlement.

(3) Notwithstanding the limits specified in paragraph 1 this Article, subject to approval of the Commission, the Registry may acquire shares of:

- a) another registry of securities in the procedure of a strategic alliance,
- b) a joint stock company for clearing and settlement of transactions concluded in the regional securities market,
- v) stock exchange and other regulated public market in the Republic Srpska,
- g) other joint stock companies in the procedure for reorganization of debtor based on its claims against the debtor and
- d) other joint stock companies in compensation procedures.

(4) The Registry may acquire securities issued by the Republic Srpska, without the consent of the Commission.

(5) The Registry is required to dispose of shares acquired in accordance with paragraph 3 points g) and d) within a year.

(6) The Registry is entitled to publicly present advantages of the admission of securities on the stock exchange and trading in those securities.“

5.1. Maintaining of the register of securities

Article 209.

The following shall be entered in the Registry:

- a) securities,
- b) rights attached to securities and their owners,
- v) third parties rights from securities and persons vested with those rights,
- g) prohibitions and limitations 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,
- v) accounts for depositing securities,
- g) accounts of members of the Registry and of their clients,
- d) custodian accounts and
- đ) other accounts necessary for performance of activities of the Registry, and in accordance with general acts of the Registry.

(2) The following activities shall be performed on the accounts referred to in paragraph 1 of this Article:

- a) keeping of the balance of securities;
- b) entering and transfer of rights attached to securities,
- c) entering third parties rights,
- d) entering limitations of transfer and prohibition of disposal and
- e) entering other limitations and prohibitions in accordance with the Law.

Article 211.

(1) The Registry shall make entry of rights attached to 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 acts of the Registry.

(3) The rights of owners of securities shall have effect against third parties from the date of entry into 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 custodian banks may be members of the clearing and settlement system.

(2) Admission to membership shall be carried out in accordance with general acts of the Registry.

(3) The members of the clearing and settlement system, when fulfilling obligations resulting 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 acts of the Registry.

Article 213.

The members of the clearing and settlement system shall be accountable to the owners for damage caused by giving 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 fails to settle obligations resulting 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 acts 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 acts 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) Monetary obligation of members of clearing and settlement system arising from transactions with securities concluded on the stock exchange and other regulated public market, which are included in clearing and settlement, shall be executed through the account for clearing and settlement.

Article 216.

Provisions of the Article 205 of this Law shall apply as appropriate to issues relating liability of a member of clearing and settlement system.

Article 217.

- (1) The Registry must create a guarantee fund, to ensure fulfilment of obligations arising from transactions with securities concluded on the stock exchange and other regulated public market, **for which it carries out clearing and settlement of monetary obligations.**
- (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 acts 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 general act, 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 in connection with transactions concluded on the stock exchange and other regulated public market may not last more than three days from the day of

conclusion of a transaction "except in the case of forced buy or sale for the purpose of clearing and settlement of transactions concluded on the stock exchange and other regulated public market or in other extraordinary situations established by the general acts of the Registry."

Article 219.

- (1) Transfer of rights from securities on the basis of an act of a competent authority shall be carried out in accordance with the data from that act.
- (2) The competent authority is obliged to, at the request of the Registry, provide information necessary for entering transfer of rights from securities.
- (3) The Registry shall make entry of the data ex officio or at the request of a person who has legal interest.
- (4) The Registry shall be responsible for the accuracy of data entered in the order in relation to 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 gift 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 donor, donee or a stock exchange intermediary, on the form of the order 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 gift.
- (4) A person who submits the order shall be liable for the accuracy of the data in the order.

5.4. Entering third parties rights on securities

Article 221.

The Registry shall carry out entry and deletion of third parties rights on securities in accordance with this Law, regulations of the Commission and general acts of the Registry .

Article 222.

- (1) The Registry shall make entry of third parties rights ex officio or in accordance with the order of the owner of securities.
- (2) If the owner submits the order for the entry of third parties rights on the securities, the order shall be supported with document which proves the legal basis.

Article 223.

- (1) The order for entry of the lien on securities must contain:
 - a) data on the lienor and the lienee;
 - b) amount and maturity of claim secured by the lien and
 - v) data on securities subject to lien.
- (2) If the lien on securities is entered to secure someone else's debt, the order shall contain also data on the 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
 - v) a contract on pledge of securities if it secures a claim which arise from business contract.
- (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 of obligations relating to pledge on movables shall apply to the lien within the meaning 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 about who has the right to dividend and other income from the pledged security.
- (2) If the order for entry of the lien does 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 lienee.

Article 226.

- (1) If the debtor under the contract referred to in the Article 224, paragraph 1 point v) fail to fulfil its obligation secured by the lien, the pledgee shall have right to sell pledged securities on the organized market within 8 days from the day when 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 whom he gives the authorization to sell, for his account, pledged securities on the organized market.
- (3) In addition to 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 no later than the first working day from the day of receipt of the notice from the Registry by which the pledgee has authorized it to sell pledged securities.
- (5) Selling costs shall be paid off first from the amount received by selling pledged securities, and then the pledge, up to the amount of his claim based on the underlying debt .
- (6) Creditor's claims on the basis of interest shall be paid off in accordance with calculation of interest made by a bank or an authorized court appointed expert.
- (7) Payments 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) Deletion of a lien on securities shall be carried out on the basis of the order of a lienor or an owner of securities.
- (2) The content of the order referred to in paragraph 1 of this Article shall be prescribed by the Registry.
- (3) The order of the owner of securities referred to in paragraph 1 of this Article shall be accompanied by the certified statement of the lienee that he allows deletion of the lien on securities or final court decision which replaces such a statement.

Article 228.

In case of change in the number of securities due to decrease of capital, merging, division or conversion of securities, the lien on securities shall be transferred to the proportional share of securities resulting from such activity. The Registry shall notify a lienee and a lienor of it, within three working days from entry being carried out.

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 transaction 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 usufructuary.
- (3) In case he requires deletion of the right of usufruct prior to expiry of time for which the right was established, the owner of securities shall be obliged to accompanied the order by a certified statement of user of right of usufruct allowing deletion of that right or final court decision which replaces such a statement.

5.5. Entry and deletion of prohibition on disposal on the basis of a contract, a judicial decision and a decision of competent authority

Article 230.

Entry and deletion of prohibition on disposal on the 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 acts 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 ensure continuous functioning of information system by forming a secondary database and secondary computer system, to ensure continuity of

its activities 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 caused by inaccuracy or loss of data 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 which 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.

Acts of the Registry must specify which persons are responsible for the accuracy of data and the correctness of individual activities in connection with securities, and the scope of their responsibility.

6. Supervision over the work of the Registry

Article 234.

(1) Supervision over the work and operations 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 inspect acts, business records and other documents of the Registry.

Article 235.

If in the procedure of supervision it establishes illegalities or irregularities in operations, the Commission shall issue an order and specify deadline for their elimination and shall take measures prescribed in Articles 265 to 267 of this Law.

Article 236.

(1) If in the procedure of supervision it establishes illegalities in operations of the Registry the Commission is authorized to make a decision to revoke the license for performing activities referred to in the Article 189 of this Law.

(2) The Commission may revoke the license of the Registry if:

- a) if it no longer meets conditions prescribed by the Law for obtaining the operating license and it is likely that for a longer period of time it will not be able to meet the same,
- b) performs activities for which it is not authorized by the license of the Commission and pursuant to provisions of the Law,

- v) it repeatedly violates the provisions of this Law,
- g) does not apply, or does not have it or act contrary to law, other regulations, acts of the Commission and its own acts.
- d if it fails to eliminate illegalities or irregularities established within the time determined by the decision of the Commission.

7. Notifying, transparency and availability of data from the Registry

Article 237.

The Registry is authorized for informing the public about registration of securities and the data which it is obliged to publish on the basis of this Law, regulations of the Commission and general acts of the Registry.

Article 238.

- (1) Owner of securities, investment fund and custodian 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 data on history of entries of securities kept in the Registry for securities whose issuer it is.
- (3) Shareholder shall have the right of access to the data referred to in Article 209 point b) of this Law which are kept in the Registry for shares of issuers whose shareholder he is.
- (4) Registry is obliged to make the list of shareholders of an issuer of securities available to the 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 limitations.
- (6) Judicial and administrative authorities shall have the right of access to the data kept in the Registry, within the scope of legal authorities.
- (7) Each person who proves his legal interest shall have the right of access to the history of transactions of individual security.
- (8) Except in cases specified in paragraph 1 to 7 of this Article the Registry is obliged to keep data referred to in Article 290 of this Law and data on history of entries of securities kept in the Registry as business secret.

Article 239.

- (1) The Registry is obliged to, 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,
 - v) members - on data that are fundamental for transactions with securities they have made for their own account or for the client's account.
- (2) The Registry shall submit to the Commission reports on its work, within the period, in the manner and with the content prescribed by the Commission.

(3) Issuer of securities is obliged to inform the Registry on any changes to the data kept in the Registry within seven days from the occurrence of change, or 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. The obligation of professional secrecy and special restrictions

Article 240.

(1) The provisions of Articles 269 and 270 of this Law regulating the obligation of professional secrecy 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 referred to in paragraph 1 of this Article, at least once a year, about their obligations in respect to preserving professional secrecy.

Article 241.

The Registry shall once a month present to the Commission a report on acquisition and alienation of securities of the members of the management and of **the body that carries out supervision**, the director and employees of the Registry.

Article 242.

Employees of the Registry shall not be members of management 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 instituting bankruptcy proceedings or termination of the work of the Registry, the Commission shall be authorized to take measures for security of data stored 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 authorizations and responsibilities of the Commission are determined by this Law.

(2) The headquarter of the Commission shall be in Banja Luka.

Article 245.

(1) The Commission shall be accountable to the National Assembly of the Republic Srpska for performing its activities determined by the Law.

(2) **The Commission submits to the National Assembly of the Republic Srpska, through the Government of the Republic Srpska, the annual report on the state of affairs on the**

securities market, report on its activities and financial report of the Commission at the latest by 30 June of next year.

(3) Semi-annual information on the state of affairs on the securities market, activities and operations of the Commission, the Commission shall submit to the Government of the Republic Srpska, at the latest by 30 September of current year.

Article 246.

(1) The Commission consists of the President, Deputy President and three members appointed by the National Assembly of the Republic Srpska.

(2) The President of the Republic Srpska submits proposal for appointment of the President, Deputy President and members of the Commission (hereinafter: members of the Commission) to the National Assembly of the Republic Srpska, on the basis of previously conducted contest, in accordance with the Law.

(3) Period of office of members of the Commission is five years.

(4) The same person may be appointed more than once for the certain position within the Commission.

(5) If new members are not appointed by the lapse of the term of appointed members of the Commission, existing members of the Commission will continue to perform their duties until the final appointment, made by the National Assembly of the Republic Srpska.

Article 247.

To be appointed the member of the Commission, a person must have university level education in Economics or Law, five years of working experience in that profession, in the area of capital market, 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 persons penalized for acts which are incompatible with the nature of professional performance in the Commission;
- v) be professionally engaged in any political party or participate in political activities which are incompatible the nature of professional performance in the Commission ;
- g) hold, directly or indirectly, units or shares in the capital of the legal entities licensed by the Commission to perform activities;
- d) be members of bodies of legal entities which the Commission licenses to perform duties or activities as well issuers of securities;
- đ) conduct business and carry out activities which are contrary to the principles of investor protection and independence of the Commission activities.

(2) Provisions of the Article 248 of this Law shall apply to all employees in professional service of the Commission.

Article 249.

- (1) Members of the Commission may be appointed only with their written consent.
- (2) In the written consent referred to in paragraph 1 of this Article, persons state that there are no obstacles in terms 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 discharged before the end of their period of office if:
 - a) he/she himself/herself requests so;
 - b) he/she permanently loses the ability to perform duties;
 - v) he commits a criminal act against economy and payment operation, against his/her official duty or a criminal act prescribed by this Law;
 - d) conduct business and carry out activities which are incompatible with the nature of professional performance in the Commission;
 - đ) it is established that he/she does not fulfil conditions for appointment specified by Law.
- (2) Before the decision is made to discharge a member of the Commission, the member must be allowed to make a statement on the reasons for his/her discharge.
- (3) Simultaneously with discharge 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, another person shall be appointed for the period until the lapse of the term of his/her predecessor.

Article 251.

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2. Method of working of the Commission

Article 252.

- (1) The Commission shall decide in sessions.
- (2) The Commission makes valid decisions with majority of the member's votes, and member of the Commission may not abstain from voting.
- (3) Member of the Commission shall be exempt 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) The President of the Commission:
 - a) signs regulations and acts within the competence of the Commission;
 - b) adopts individual acts relating to participants on the securities market;

- v) represents and presents the Commission to other institutions and participants on the securities market;
- g) convenes sessions and presides over their work;
- d) is responsible for enforcement of the regulations of the Commission;
- d) decides on employment and its termination, salaries and execution of duties of employees in professional services.

(3) The Commission shall have professional services, whose organization shall be determined by the Statute.

Article 254.

(1) The Commission shall adopt the Statute approved by the Government of the Republic Srpska.

(2) The Statute of the Commission shall specifically regulate the organization and manner of performing activities of the Commission, authority to represent and to present the Commission, rights, obligations and responsibilities of the members and employees in professional services of the Commission, a way of providing a funds for the work, manner of adopting general and individual acts and other issues important for the work of the Commission.

(3) For the purpose of carrying out and performing activities determined by this and other laws, the Commission shall adopt regulations, orders, instructions, rules and other general acts.

(4) The Statute and other general acts of the Commission referred to in paragraph 3 of this Law shall be published in "The Official Gazette of the Republic Srpska" and they shall enter into force within eight days from the day of publication.

Article 255.

(1) Registers kept by the Commission shall be public.

(2) The Commission shall determine, by its regulations, more detailed content, manner of maintaining and manner for exercising the access to the registers from this Article.

Article 256.

The Commission may adopt views, opinions as well as other forms of statements for public, when it is necessary for application and enforcement of individual provisions of this Law and other laws regulating area of securities and competence of the Commission.

Article 257.

(1) In resolving administrative disputes the Commission shall apply provisions of the Law on General Administrative Procedure, unless otherwise determined by this Law.

(2) Administrative acts of the Commission shall be final.

(3) An administrative dispute may be filed 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 whose activities are related to securities, unless it is not contrary to the Constitution and Law.

3. Financing of the Commission

Article 259.

- (1) The Commission shall adopt the tariff by which it determine amount of fees for performance of the activities within its competence, subject to approval of the Government of the Republic Srpska.
- (2) Funding of the Commission shall be provided from fees collected in accordance with tariffs, for carrying out the activities within its competence, as well as other revenues that the Commission realizes on the basis of its work.
- (3) Activities of the Commission may be financed from donations of international governmental of non-governmental organizations.

4. Competence of the Commission

Article 260.

The Commission is competent to:

- a) adopt general regulations on enforcement of this Law and other laws when authorised to do so by law,
- b) monitor and study the state of affairs and trends on the securities market and notifies the Republic Srpska National Assembly of it,
- v) issue and revoke licences, permits and approvals when authorised to do so by this and other laws,
- g) control compliance with the rules of customary trade and fair competition in trade in securities,
- d) carry out supervision over entities whom it issue licenses to perform activities, and over issuers of securities in issuance procedure, as well impose measures for elimination of established illegalities and irregularities,
- đ) carry out supervision and take necessary measures in connection with the prevention of money laundering and financing terrorist activities over persons whom it issue licenses to perform activities and within its competence shall cooperate with other competent authorities in connection with enforcement of laws and other regulations which regulate obligations to implement measures relating to prevention of money laundering and financing terrorist activities,
- e) prescribe, organise, take and supervise measures to ensure the effective functioning of the securities market and the protection of investors' interest,
- ž) determine rules of trading of securities,
- z) suspend issuance and trading of individual securities and take other measures in case when it assesses that interests of the investors and public are jeopardized with such activities, or they are not in accordance with the Law and other regulations,
- i) prescribe general and specific operating conditions which must be fulfilled by legal entities which are licensed by the Commission to perform activities or business,
- j) prescribe the mandatory content of information which must be made public by issuer of securities when securities are issued by means of public offer,

- k) prescribe the mandatory content of information that shall be delivered to the Commission or made public by participants who take part in trading in securities,
- l) press charges against legal entities and natural persons before competent authority when in supervision procedure it establishes reasonable suspicion of a criminal act or a misdemeanour being committed,
- lj) carry out the above actions in case of breach of provisions of the Law and other regulations,
- m) provide information and spread knowledge on functioning of the securities market,
- n) cooperate with similar organizations abroad,
- nj) keep books and registers in accordance with provisions of this and other Law,
- o) prescribe the amount of fees for performing activities within its competence,
- p) launch initiatives for the adoption of laws and other regulations relating to issuance of securities and trading in securities, make proposals for changes to law and other regulations relating to this field, participate in preparation of other laws and regulations of interest to participants of the securities market, inform the public of the principles on according to which the securities market operates,
- r) give opinion relating to enforcement of regulations which contain authorizations of the Commission, at the request of parties in a procedure or persons who prove their legal interest,
- s) undertake other measures and perform other activities in compliance with the legal authorities.

(2) Members of the Commission and employees in the Commission are not liable for damage that arises during the performance of their duties relating to enforcement of regulations which regulate the area of the securities market unless it is proven that they performed or omitted to perform a certain action either deliberately or with gross negligence.

Article 261.

Natural persons and legal entities shall be obliged to submit 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. Mutual co-operation of supervisory authorities

Article 262.

(1) The Commission, Ministry of Finance of the Republic Srpska, Banking Agency of the Republic Srpska, and other authorities responsible for supervision of other financial institutions in the Republic Srpska, mutually co-operate and exchange information.

(2) Supervisory authorities referred to in paragraph 1 of this Article must mutually inform each other on irregularities and illegalities that they learn during the exercise of supervision, if these findings are important for the activities of the other supervisory authority.

(3) Each supervisory authority referred to in paragraph 1 of this Article is obliged, at the request of another supervisory authority, provide that body with all data and information

about the supervised entity which are necessary in the procedure of exercising supervision and in a procedure related to the issuance or revocation of a license or an authorisations.

6. Authorizations of the Commission in carrying out supervision procedure

Article 263.

(1) The Commission shall perform supervision by analysis and inspection of financial and other reports, business documentation, and other data and records which supervised entities are obliged to keep or submit to the Commission, pursuant to the provisions of this and other laws and regulations of the Commission, as well by taking statements or declarations from responsible persons and other employees of supervised legal entities, 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 persons employed with the Commission through analysis of submitted documentation or through inspection of documentation in direct supervision by authorised persons of the Commission, in the premises of the supervised person or of the legal entity with whom the supervised entity is directly or indirectly connected through business, management or capital.

(3) Supervised entities are obliged to enable authorised persons of the Commission access to business premises, provide adequate facilities and workers, and present for inspection and submit the requested documentation and certificates, **enable access and insight into electronic and other means of communication installed at supervised entities**, make statements or declarations and ensure other conditions necessary for performance of supervision.

(4) Authorised persons of the Commission may temporarily remove upon the issuance of a receipt, the documentation and business records referred to in paragraph 1 of this Article, securities, money or items that may be used as evidence in criminal or misdemeanour proceedings, but only until the instituting of those proceedings, when they shall be handed over to the competent authority conducting the proceedings.

(5) **In case an extraordinary supervision is carried out, the Commission shall deliver to supervised entity notification on on-site supervision at least eight days before the beginning of the supervision.**

(6) **By way of exception of paragraph 5 of this Article, the Commission may decide to carry out on –site supervision without notifying supervised entity, if it assesses that notifying it would jeopardize the purpose of on-site supervision. In the instances of that, the authorized employees of the Commission shall hand in the supervision notification directly before beginning on-site supervision.**

Article 264.

The Commission shall prescribe the manner for supervision performance, procedure for issuance of the order and undertaking measures as well as deadlines for their elimination.

Article 265.

(1) Supervisory measures order the elimination of established illegalities and irregularities and taking activities necessary for their elimination.

(2) In case illegalities or irregularities are found, the Commission shall issue a decision ordering what actions are to be taken to contribute to establishing compliance with the law and harmonization of work with laws and other regulations, or impose adequate measure prescribed by this or other laws.

(3) By the decision referred to in paragraph 2 of this Article, the Commission shall determine the deadline for the implementation of the decision that shall not exceed 60 days, and the obligation to submit to the Commission the proof of eliminated illegality or irregularity. If the Commission establishes that the illegality or irregularity is not eliminated, the Commission can issue a decision ordering the implementation of a new measure.

Article 266.

When it establishes illegalities and irregularities which jeopardize the functioning of the capital market as a whole, the situation of an individual participants on the capital market or that there is a possibility of causing significant damage, the Commission may:

- a) cancel a transaction concluded on a stock exchange, regulated public market or through other legal transaction if it is found that one or more elements of the transaction are incorrect or indicate manipulation with the price or number of securities,
- b) suspend all activities relating the transfer of ownership from the account of the owner to the account of the acquirer at the Registry if the Commission has information that indicate the suspicion that the securities have been acquired in an unlawful manner,
- v) order a change 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 drafting of new general acts in cases when the Commission establishes that it is necessary for the purpose of ensuring effective functioning of the securities market and the protection of participants,
- g) cancel or revoke an individual act of legal entities referred to in point c) of this paragraph in accordance with provisions of the Law on General Administrative Procedure,
- d) ban the management of the securities account to the stock exchange intermediary when the Commission finds that it handles them in the manner contrary to the instructions of the owner of securities,
- đ) issue reprimand and 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 establishes violations of provisions of this and other laws;
- e) undertake other measures prescribed by other provisions of this and other laws and the by the regulations of the Commission, that are necessary for the elimination of consequences of acts or omissions committed by entities referred to in point đ) of this paragraph, which could affect the market as a whole.

Article 267.

(1) In cases of violation of this Law or other laws and regulations of the Commission, or in cases when the continuation of business of supervised entity is uncertain, the Commission can order the implementation of the following special measures:

- a) prohibition of performance of individual activities arising from this and other laws for which the Commission issue a license,
- b) revocation of approval for appointment of director, members of management and of **the body that carries out supervision** and issuance of orders for appointment of new persons,
- v) revocation of the license to perform activities with securities.

(2) Where the Commission establishes that there is reasonable ground for suspicion of a criminal act or a misdemeanour being committed, the Commission shall notify the competent authority accordingly.

Article 267a.

In case of revocation of approval referred to in Article 267 paragraph 1 point b) of this Law and in the case of revocation of a license to perform activities with securities referred to in Article 267 paragraph 1 point c) of this Act, a person/entity whose approval or license has been revoked may not re-apply for the approval or license within one year from the date of the final decision of the Commission by which approval or license has been revoked.

Article 268.

(1) For the purpose of protection of interests of investors, of members and other users of services of the Registry, the Commission may issue a decision ordering the Registry to take action to freeze or prohibit alienation, acquisition or the entry of third parties rights on securities, which should be, in the process of clearing or settlement or transfer, entered on individual accounts opened with the Registry:

- a) if the Commission has at the disposal data that indicate suspicion that the securities entered on the account of the investor have been acquired by actions that are contrary to this Law and regulations adopted on the basis of this Law,
- b) if person/entity authorized to perform transactions with securities has made a mistake or some other inappropriate action which has as a consequence the entry of securities on the account of the investor,
- v) if it is necessary for the implementation of the supervision over authorized participants.

(2) In case referred to in paragraph 1 of this Article, the prohibition of the alienation or the entry of third parties rights on securities cannot last more than 60 days.

7. The obligation of professional secrecy and special restrictions

Article 269.

(1) The members of the Commission, employees and associates must keep information which they learn performing their duties or performing activities in the Commission or in other way, unless otherwise prescribed for a particular case by the Law. This information shall be considered professional secret.

(2) Persons referred to in paragraph 1 of this Article must not give advice with regard to trading in securities or investments in securities, nor give opinion on favourable or unfavourable aspects of acquiring or alienation of securities.

Article 270.

(1) The members of the Commission and employees are obliged to, within five days from the date of acquisition or alienation, report to the Commission each acquisition or alienation of securities including data on the number, price and the date of the transaction.

(2) The Commission shall be obliged to maintain a special register of reports referred to in paragraph 1 of this Article. Information 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 and of **the body that carries out supervision** and employees of a stock exchange, the Registry and a stock exchange intermediary.

VIII PROHIBITIONS AND RESTRICTIONS OF ACTIVITIES RELATED TO SECURITIES

1. Prohibition on use of inside information

Article 271.

(1) Inside information, for the purposes of this Law, shall be all facts that are not known to the public and relate to one or more issuers of securities or to securities, which would, if it were known to public, have an effect on the price of securities.

(2) The Commission shall prescribe the modes of preventing misuse of inside information.

Article 272.

Persons who possess inside information shall be persons who learn about inside information while performing activities, profession duty or on the basis of kinship and those are:

- a) members of management and of **the body that carries out supervision** or other equivalent bodies of an issuer and a company associated with the issuer as referred to in provisions of the law regulating operations of joint stock companies;
- b) members of managements and of **the body that carries out supervision** and employees of authorized participants;
- v) persons employed, professionally engaged or persons who execute certain functions that enable them access to such information;
- g) persons who directly or indirectly possess 10% or more of registered capital of an issuer;
- d) relatives in direct line to the first degree of natural persons referred to in points a), b), v), g) and g) of this Article;
- đ) other persons, for which the Commission establish, carrying out supervision or in other way that they used inside information.

Article 273.

(1) Persons referred to in the Article 272 are forbidden to:

- a) use inside 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) disclose or make available inside information to other persons,
 - v) use inside information when advising other persons to purchase or sale securities.
- (2) Stock exchange intermediaries and other authorized participants that learn inside information must not purchase or sell securities for their own account, nor give an investment advice on securities to which inside information relates.
- (3) For the purpose of establishment of misuse of inside information, all persons referred to in the Article 272 of this Law, shall be obliged to, at the request of the Commission, submit all requested information and documents.

Article 274.

- (1) The persons referred to in the Article 272 of this Law shall be obliged to submit notification on conducted transactions with securities of that issuer, to the issuer, to the Commission and to the stock exchange or other regulated public market on which such securities are listed, and to do so within 15 days from the date of concluded transaction.
- (2) Each person, who suffered damage due to violation of prohibition to use inside information, has right to require compensation from the person who caused damage, in the proceeding before competent authority.

Article 275.

- (1) The issuer is obliged to inform the public without delay of all material facts that can have effect on the price of securities.
- (2) In an issuer is unable to disclose the information referred to in paragraph 1 of this Article because it would jeopardize his business interests, it shall inform the Commission thereof, which may exempt it from that obligation, for a period of time which may not be longer than three months.

2. Manipulation on the market

Article 276.

- (1) It shall be forbidden to carry out manipulation on the securities market.
- (2) It shall be prohibited to influence or try to influence decisions of other parties regarding purchase or sale of securities, by:
- a) using false or ambiguous statements including promises, forecast or other similar activities directed to any person **or**
 - b) distortion or concealment of all significant information which certain person knows or has to know, and which relate to the issuer and its securities.

Article 277.

In order to prevent manipulation on the market it shall be prohibited to:

- a) execute a transaction with securities in the manner that its execution does not result in a change of a legal owner or in some other way to create 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, by the same or another

person, at the price or in the number which is the same or approximately the same, 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 in that way induce other investors to buy that security,
- b) decrease the price of that security and in that way induce other investors to sell that security,
- v) create the appearance of active trading in that security and in that way induce other investors to purchase or sell those securities.

„Article 278a.

The stock exchange and stock exchange intermediaries are obliged to, on the basis of information accessible to them, to notify the Commission of cases for which they reasonably suspect to constitute market manipulation practices and other forms of market abuse.

Article 278b.

The Commission shall adopt an act to prescribe procedures that can be deemed market manipulation practices and other forms of market abuse as well obligations of market participants aimed at their detection and prevention, within 90 days from the day of entry into force of this Law.

Article 279.

Each person, who suffered damage due to market manipulation practices, has right to require compensation from the person who caused the damage, in the proceeding before competent authority.

3. Commission-motivated trading

Article 280.

A stock exchange intermediary shall be prohibited to sell, or issue orders for selling, to buy or issue orders for buying securities, exclusively with intention of earning the commission collected for that service.

IX PROTECTION OF INVESTORS' INTERESTS AND TRANSPARENCY OF WORK

1. Ensuring the fulfilment of obligations arising from securities

Article 281.

- (1) The obligation of an issuer to pay dividends may not be provided by a bank guarantee, warranty or a similar forms of security instruments.
- (2) Any guarantee or ensuring 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 provided by a bank guarantee or with other mean for ensuring payment which must ensure the fulfilment of obligations from all securities of the same class.

Article 283.

(1) The obligations of an issuer to pay the principal and interest may be provided 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 court appointed expert.

2. Reporting to public and disclosing information

Article 284.

(1) An issuer whose securities are listed on the official stock exchange market in accordance with the provisions of this Law is obliged to publish:

- a) annual and semi-annual financial reports,
- b) audit reports,
- v) report on significant events and actions that affect the business of the issuer,
- g) a special audit report in accordance with the requirements of the Commission.

(2) Issuer under paragraph 1 this Article is obliged to submit to the Commission and the stock exchange:

- a) quarterly financial reports within 30 days from the last day of quarter,
- b) annual financial and business reports, including consolidated reports within 60 days after the expiry of fiscal year and
- v) audit report within five days from the day of receipt of that report.

(3) Issuer under paragraph 1 this Article is obliged to, in accordance with the provisions of law regulating the operations of companies, in the annual report on operations, provide a statement on compliance of the organization and operations with the code of conduct and explain any inconsistency with the company code of conduct if it occurred.

(4) The Commission shall adopt act which prescribes the content, manner and deadlines for disclosure and submission of reports referred to in paragraph 1 points v) and g) of this Article within 90 days from the date of the entry into force of this Law.

Article 285.

(1) An issuer whose securities are traded on the free market in accordance with the provisions of this Law is obliged to publish:

- a) annual financial reports,
- b) audit reports it they are obliged to perform auditing in accordance with the regulations of the Commission and
- v) report on significant events and actions that affect the business of the issuer.

(2) Issuer under paragraph 1 this Article is obliged to submit to the Commission:

a) annual financial and business reports, including consolidated reports within 60 days after the expiry of fiscal year and

b) audit report within five days from the day of receipt of that report.

(3) Depending on the amount of capital of the issuer, the number of shareholders and the ownership structure of the capital of the issuers, the Commission may prescribe the type, scope and content of reports that the issuer referred to in paragraph 1 this Article shall compile and publish.

(4) The stock exchange and other regulated public market are authorized to take over financial reports specified in Article 285 this Law, as well as reports from paragraph 1 of this Article, from the institution that is determined by the law for the collection and processing of financial reports and they are obliged to make them public.

Article 286.

(1) A stock exchange intermediary shall be obliged to submit to the Commission the following reports:

- a) financial reports and other reports on operations;
- b) audit reports;
- v) report on concluded transactions;
- g) reports on events that affect operations of the stock exchange intermediary;
- d) report on fulfilment of conditions;
- đ) other reports at the request or in accordance with the regulations of the Commission.

(2) The stock exchange intermediary is obliged to notify the Commission within three days of each change in the data provided 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 submission and publication of reports of stock exchange intermediaries.

Article 287.

(1) The stock exchange shall notify the Commission on:

- a) filed application for membership and admission to membership, issued trading licenses, exclusion of a member from performance of activities on the stock exchange/termination of membership on the stock exchange as well exclusion of a broker/termination of a broker's right to perform activities on the stock exchange;
- b) filed requests for admission to the official stock exchange market, admission of securities and removal of securities;
- v) trading on the stock exchange and reported block transactions;
- g) any change to data given in the application for the issuance of a license.

(2) The stock exchange shall submit to the Commission:

- a) stare prices list;
- b) financial and audit reports;
- v) other reports at the request of the Commission.

(3) The stock exchange shall publish:

- a) Rules of the stock exchange and other acts,
- b) list of persons composing the governing bodies of the stock exchange,
- v) list of members of the stock exchange with names of authorized brokers,

- g) list of securities admitted to the stock exchange market,
 - d) share prices list,
 - đ) other reports in accordance with the regulations of the Commission.
- (4) The Commission shall prescribe the content, form, manner of publication and submission of 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 to obligations of the stock exchange shall apply as appropriate to obligations of other regulated public market regarding reporting to the Commission and disclosure of data.
- (2) The Commission shall prescribe the content, form, manner of publication and submission of data referred to in paragraph 1 of this Article.

Article 289.

- (1) Professional organization shall submit to the Commission:
- a) rules, regulations, usages and standards of professional organization;
 - b) list of members;
 - v) information on measures taken against members, officers and personnel of a professional organization;
 - g) other data at the request of the Commission.
- (2) Professional organization shall submit to the Commission and publish other information on its operations, in scope and in manner determined by the regulations of the Commission.

Article 290.

- (1) The Registry is obliged to notify an issuer and the Commission, in writing, and to make public data on acquisition of shares in the following cases:
- a) if a person obtain 5% or more voting shares of an issuer or right attached to such shares;
 - b) if a person's holding of any class of share of an issuer, with a voting right, increases up to the level dividable by 5 over 5% of that class of shares;
 - v) if a person's holding 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;
 - v) name of the issuer;
 - g) number of shares of the issuer;
 - d) number of shares and relative proportion of shares which belong to the owner in relation to their total number.

X PENALTY CLAUSES

1. Criminal acts

1.1. Unauthorized usage and disclosure of inside information

Article 291.

(1) Whosoever, through authorized or unauthorized disposal of inside information that is not known to the public and relate to one or more issuers of securities or to securities, which would, if it were known to public, affect 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 with headquarter in the Republic Srpska regardless of where they are traded, with an aim of acquiring a material gain for himself or for another party or to cause damage to a another party,
- b) knowing the privileged nature of such information, without authorization communicates such information, gives it or in other way makes them accessible to another person,
- v) knowing the privileged nature of such information, uses information to give an advice to another person on the purchase or sale of securities traded on the territory of the Republic Srpska or on securities issued by issuers with a headquarter in the Republic Srpska, regardless of where they are traded, with an aim of acquiring material gain for himself or for another party or to cause damage to another party,

shall be subject to a fine or imprisonment up to one year.

(2) If the material gain acquired or damage caused to another party through the criminal offence referred to in paragraph 1 of this Article exceeds the amount of 1.500,00 BAM, the offender shall be subject to a fine or imprisonment up to two years.

1.2. Manipulation of prices and dissemination 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 acquire material gain for himself or for another party or causes damage to another party:

- a) concludes or executes a contract on the sale of securities in order to give an appearance that a deal has been concluded although parties do not want its execution,
- b) gives an order to purchase or sell a security on a stock exchange or on other regulated public market knowing that the order to purchase or sell that security has been given or will be given by other party at a price and in number that is the same or approximately the same, or if he himself gives the order and contra-order,
- v) disseminates 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 acquired or damage caused to another party through the criminal offence referred to in paragraph 1 of this Article exceeds the amount of 1.500,00 BAM, the offender shall be subject to a fine or imprisonment up to two years.

1.3. Providing 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 publishing 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 providing false data and false presentation of material facts in a prospectus shall be subject to a fine or imprisonment up to two years.

(2) If the offender acquired the material gain for himself or for another party 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 offender shall be subject to a fine or imprisonment up to three years.

1.4. Non allowable admission of securities

Article 294.

~~Deleted~~

1.5. Non allowable trading in securities

Article 295.

(1) Whosoever is unauthorized to act as intermediate in the purchase or sale of securities shall be subject to a fine or imprisonment up to one-year.

(2) If the offender acquired the material gain for himself or for another party 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 intermediaries for the purpose of execution of the criminal offence referred to in paragraph 1 of this Article shall be subject to a fine or imprisonment up to five years.

2. Misdemeanours

Article 296.

(1) A legal entity shall be punished for misdemeanour by the fine of 10,000 to 50,000 BAM:

1) an issuer, if it fails to submit an application for entry of data into the Registry of Issuers within the prescribed period (Article 7 paragraph 3),

2) an issuer, if it fails to submit to the Central Registry an application for registration of securities within the prescribed period (Article 8 paragraph 2),

3) an issuer, if it publishes a preliminary prospectus or prospectus prior to having it approved by the Commission (Article 11 paragraph 4),

4) an issuer, if it fails to publish a prospectus or the public invitation in the manner and within the deadline prescribed by the Article 33 of this Law,

5) an issuer, if during the public offering, it changes its Statute or other acts that determine the rights of owners of securities described in the prospectus (Article 34 paragraph 1),

6) an issuer, if it fails to notify 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, if it fails to publish the modification of the prospectus within deadline referred to in the Article 34, paragraph 3 of this Law,

8) an issuer, if it fails to submit the modified prospectus to all the investors who executed subscription of securities during the public offering along with information that they have right to cancel the subscription (Article 34, paragraph 4),

9) an issuer, if it fails to complete refund in accordance with the Article 34, paragraph 6 of this Law,

10) an issuer, if 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),

11) an issuer, if 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),

12) an issuer, if it fails to submit promotional material to the Commission in accordance with the Article 35, paragraph 4 of this Law,

13) an issuer, if it 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, if they offer or enable the subscription of securities and receive payments for securities after the expiry of the deadline for subscription and payment (Article 39, paragraph 5),

15) an issuer, if it fails to submit to the Commission the report after closing date of the public offering, in accordance with Article 41, paragraph 1 of this Law,

16) a bank and local governments, if they fail to 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, if it fail to publish data after the entry in the Registry of issuers in accordance with the Article 41, paragraph 4 of this Law,

18) the Registry, if it fails to notify the stock exchange or other regulated public market of the registration of securities (Article 43, paragraph 2),

19) a foreign issuer, if it issues securities in the Republic Srpska contrary to provisions of Article 59 of this Law,

20) an issuer, if when issuing securities outside the Republic Srpska, it fail to comply in accordance with Article 59 of this Law,

21) an issuer, if it disposes of securities issued and acquired in accordance with Article 60, paragraph 1 points a) to d) of this Law, contrary to Article 60, paragraph 2 of this Law,

22) an issuer, if it fails to publish the prospectus for admission of securities on the stock exchange or another regulated public market within deadline referred to in Article 60 paragraph 3 of this Law,

23) an issuer, if it fails to notify the Commission about the issuance of securities referred to in Article 60 paragraph 1 in the manner and within deadline prescribed in Article 60 paragraph 4 of this Law,

~~24) an issuer, if it issues securities contrary to provisions of the Article 61, paragraph 1 of this Law, deleted~~

~~25) an issuer, if it carries out the issuance referred to in Article 61 of this Law more than once during a calendar year (Article 61, paragraph 2), deleted~~

26) a stock exchange intermediary, if it performs activities with securities without the license of the Commission (Article 64, paragraph 1),

27) if it acquires, increases or decreases a holding of the share capital or of voting rights of the broker-dealer company contrary to Article 66 paragraph 3 of this Law,

28) if contrary to Article 72 paragraph 1 of this Law, it directly or indirectly, owns shares of more than one broker-dealer company,

29) a stock exchange intermediary, if contrary to Article 72 paragraph 2 of this Law, it directly or indirectly, owns shares of another broker-dealer company,

30) a broker-dealer company, if it fails to submit to the Commission information on each change in its ownership structure within the deadline referred to in the Article 72, paragraph 4 of this Law,

31) if it establishes a company to perform activities with securities or makes an entry of a new business activities in the court register without a license from the Commission (Article 74, paragraph 1),

32) a stock exchange intermediary, if it executes status changes of merging by overtaking, merging or division without a license from the Commission (Article 80 paragraph 1),

33) a stock exchange intermediary, if it fails to notify in advance the Commission of changes of the head office or of the head office address (Article 80 paragraph 2),

34) a stock exchange intermediary, if it fails to comply with Article 81 of this Law prior to the entry of the status change of merging,

35) a stock exchange intermediary, if when establishing a branch office or a special legal entity outside of 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, if it establishes a branch office to conduct activities with securities without a license from the Commission (Article 83),

37) a stock exchange intermediary which has a license issued in the Federation of Bosnia and Herzegovina and in Brcko District as well as a stock exchange intermediary whose head office is in countries with which the Republic Srpska has signed an agreement on special relationships and parallel connections, if it acts contrary to Article 84 paragraph 3 of this Law,

38) a stock exchange intermediary, if it conducts activities with securities after revocation or after the license to conduct activities with securities ceases to be in effect (Article 90, paragraph 3),

39) a bank, if it fails to carry out freezing of the account of a stock exchange intermediary according to the order of the Commission (Article 90, paragraph 5),

40) a stock exchange intermediary who puts its own interest ahead of interest of a client or who, in performing activities with securities acts contrary to the interests of a client (Article 100),

41) a stock exchange intermediary who by providing false information regarding the price of securities to investors, disseminating false information in order to change the price of securities and handling securities without the written order of a client jeopardizes stability of the market, which is contrary to Article 101 of this Law,

42) if it fails to notify the stock exchange intermediary of each acquisition or alienation of securities in accordance with the Article 102, paragraph 2 of this Law,

43) a stock exchange intermediary, if it does not keep a special register in accordance with the Article 102, paragraph 3 of this Law,

44) a stock exchange intermediary, if it fails to acts in accordance with the Article 103 of this Law,

45) a stock exchange intermediary, if it fails to adjust its liquid funds and liabilities and exposure to risk in the prescribed manner (Article 105),

46) a stock exchange intermediary, if it publishes advertisement in the manner contrary to the Article 106, paragraphs 2 and 3 of this Law,

47) a stock exchange intermediary, if it fail to expose the rules of business conduct and act on fees in a visible and accessible place to a client (Article 107, paragraphs 5),

48) a stock exchange intermediary, if it does not charge for its services in accordance with the tariffs (Article 108),

49) a stock exchange intermediary, if it appoints members of management and of the body that carries out supervision and a director without approval of the Commission (Article 109),

50) a stock exchange intermediary, if in its operations, acts contrary to the Article 111 of this Law,

51) a stock exchange intermediary, if it fails to conclude with a client a written contract, fails to get a client acquainted with rules of business conduct, and does not give it to him/her to view it (Article 112, paragraphs 1 and 2),

52) a stock exchange intermediary, if it fails to inform a client about changes to the Rules of business conduct (Article 112, paragraph 3),

53) a stock exchange intermediary, if it fails to open an account of a client (Article 113),

54) a stock exchange intermediary, if it fails to comply in accordance with the Article 115 of this Law,

55) a stock exchange intermediary, if it receives orders of clients contrary to the Article 117 of this Law,

56) a stock exchange intermediary, if it refuses an order contrary to the Article 119 of this Law,

57) a stock exchange intermediary, if it fails to keep the order book in accordance with the Article 120 of this Law,

58) a stock exchange intermediary, if it fails to executes orders of a client in accordance with Articles 121 and 122 of this Law,

59) a stock exchange intermediary, if it fails to notify a client of the execution of orders in the manner and within the deadline referred to in the Article 123 of this Law,

60) a stock exchange intermediary, if it handles client's funds contrary to the Article 124 of this Law,

61) a stock exchange intermediary, if it fails to undertake all necessary actions to meet financial obligations arising from transactions with securities and to transfer securities in accordance with the Law, regulations of the Commission and of the Registry (Article 125),

62) a stock exchange intermediary, if it borrows securities contrary to the Article 126 of this Law,

63) a stock exchange intermediary, if it fails to keep the securities of a client in accordance with the Article 127, paragraph 6 and 7 of this Law,

64) a bank or a broker-dealer company, if it performs custodian activities without an authorization of the Commission (Article 128, paragraph 2),

65) a custodian bank or a broker-dealer company, if it performs custodian activities contrary to the Article 129, paragraph 2 of this Law,

66) a custodian bank or a broker-dealer company, if it handles securities in the custodian account without orders of clients (Article 130, paragraph 2),

67) a custodian bank or a broker-dealer company, if it proceeds with a client's funds contrary to the Article 130, paragraph 4 of this Law,

68) a custodian bank or a broker-dealer company, if it fails to keep a special record and order book in accordance with the Article 131, paragraphs 1 and 2 of this Law,

69) a custodian bank or a broker-dealer company, if it fails to provide the Commission with an insight into the order book and other documentation without delay or fails to notify a client of any deal concluded in accordance with his/her order (Article 131, paragraphs 3 and 4),

70) a custodian bank or a broker-dealer company, if it fails to provide, at the request of the Commission, information referred to in the Article 133 of this Law,

71) a stock exchange intermediary, if it fails to submit to the Commission and fails to publish annual financial and other reports in accordance with the Article 134 of this Law,

72) a stock exchange intermediary, if it fails to comply in accordance with Articles 134a and 134v of this Law,

73) a stock exchange intermediary, if it treats, as professional investors, a clients who does not fulfil conditions referred to in Article 134g paragraph 2 and 3 of this Law,

74) a stock exchange intermediary, if it fails to take appropriate action in accordance with Article 134d paragraph 2 of this Law,

75) a stock exchange intermediary, if it fails to conclude a contract with the retail client, in writing, by which it regulates their mutual rights and obligations (Article 134e paragraph 1),

76) a stock exchange intermediary, if it fails to adopt and apply internal acts in accordance with Articles 134ž paragraph 1 of this Law),

77) a stock exchange intermediary, if it fails to take appropriate measures in accordance with Articles 134ž paragraph 3 of this Law,

78) a stock exchange intermediary, if it fails to comply in accordance with Articles 134z and 134i of this Law,

79) authorized participants on the securities market which establish a professional organization providing that they did not obtain prior consent of the Commission on the contract on establishment, or a professional organization which apply the Statute and other general acts for which it did not obtain prior consent of the Commission (Article 135, paragraph 3 of this Law),

80) a professional organization, if it uses profits realized on the basis of provision of services to members and third parties contrary to the Article 139 of this Law,

81) 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),

82) a stock exchange, if it fails to ensure the same conditions referred to in the Article 146 of this Law to all participants in trading,

83) a stock exchange executes, if it executes status changes without consent of the Commission (Article 150, paragraph 3 of this Law),

84) if it was not established as a stock exchange in accordance with this Law, and uses title "The Stock Exchange" in legal operations (Article 151, paragraph 2 of this Law),

85) a stock exchange, if it applies the Statute, the Rules of the Stock Exchange and other general acts referred to in Article 155, paragraph 1 and Article 156 of this Law for which the Commission did not give consent,

86) a stock exchange, if it selects members of management board and of the body that carries out supervision or appoints the director without consent of the Commission (Article 157, paragraph 6),

87) a stock exchange, if it admits to membership of the stock exchange, a stock exchange intermediary which fails to fulfil conditions for membership referred to in the Article 161 of this Law,

88) a member of a stock exchange, if it fails to notify immediately the stock exchange, in writing, of changes referred to in Article 162 of this Law,

89) a stock exchange, if it trades in securities, gives advice with regard to securities or investments in securities, or gives its opinion on favourable or unfavourable aspects of purchasing and selling of securities (Article 163 paragraph 1),

90) a stock exchange, if it fails to comply in accordance with Article 163 paragraph 2 of this Law,

91) a stock exchange, if it fails to organize trading on the stock exchange in the manner prescribed in Article 164 paragraphs 2 and 3 of this Law,

92) a public company, if it fails to submit an application to the stock exchange for admission of securities to the official stock exchange market and fails to prepare a prospectus in accordance with Article 167 paragraphs 1 and 2 of this Law,

93) a stock exchange, if it admits to the official stock exchange market securities which fail to fulfil conditions referred to in this Law and regulations of the stock exchange or if it fails to remove from the official stock exchange market the securities in accordance with Article 171 paragraph 1 of this Law,

94) a stock exchange, if it fails to comply in accordance with the Article 174, paragraph 6 of this Law,

95) a stock exchange, if it fails to notify the Commission in accordance with the Article 179 of this Law,

96) a stock exchange, if it fails to inform employees and members of bodies of the stock exchange about their obligations in respect of professional secrecy in accordance with the Article 181, paragraph 2 of this Law,

97) a stock exchange, if it fails to submit to the Commission a report on the acquisitions or disposal of securities held by the members of the management board and of the body that carries out supervision, the director and employees of the stock exchange in accordance with the Article 182 of this Law,

98) if it makes conversion of open to closed joint stock company and withdraws securities from the stock exchange or other regulated public market without the consent of the Commission (Article 187a paragraph 3 of this Law),

99) if a joint stock company fails to notify the stock exchange or other regulated public market, of the entry into a court register of decision on withdrawal from the stock exchange or other regulated public market in accordance with the Article 187a paragraph 5 of this Law,

100) an other regulated public market, if it fails to publish the data and fails to submit data in accordance with the Article 187 of this Law,

101) the Registry, if it 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),

102) the Registry, if it applies general acts for which the Commission did not give approval (Article 197, paragraph 2 of this Law),

103) the Registry, if it selects members of management board and of the body that carries out supervision or appoints the director of the Registry without consent of the Commission (Article 201 paragraph 7 of this Law),

104) the Registry, if it trades in securities or gives advice with regard to securities or investments in securities, or gives opinion on favourable or unfavourable aspects of purchasing and selling of securities (Article 208 paragraph 1),

105) the Registry, if it acquires shares referred to in Article 208 paragraph 3 points g) and d) of this Law without approval of the Commission,

106) the Registry, if it fails to dispose of shares acquired in accordance with Article 208 paragraph 3 points g) and d) within a year (Article 208 paragraph 5),

107) the Registry, if it fails to create a guarantee fund (Article 217, paragraph 1),

108) the Registry, if it uses assets of the guarantee fund contrary to the Article 217, paragraphs 3 and 4 of this Law,

109) the Registry, if it fails to carry out simultaneously on the principle of „delivery versus payment“ the transfer securities and money, on the basis of clearing and settlement of transactions performed on the stock exchange and other regulated public market and fails to do it in prescribed deadline (Article 218 paragraphs 2 and 3),

110) the Registry, if it fails to ensure keeping of data in the manner referred to in Article 231 of this Law,

111) the Registry, if it fails to make available data kept in the Registry in the manner prescribed by the Article 238 of this Law,

112) the Registry, if it fails to carry out the reporting obligation in accordance with the Article 239, paragraphs 1 and 2 of this Law,

113) an issuer, if it fails to inform the Registry on changes of data kept in the Registry, in accordance with the Article 239, paragraph 3 of this Law,

114) the Registry, if it fails to inform employees and members of the Registry bodies about their obligations in respect to preserving professional secrecy in accordance with Article 240, paragraph 2 of this Law,

115) the Registry, if it fails to submit to the Commission a report on acquisition and alienation of securities of the members of the management and of the body that carries out supervision, the director and employees of the Registry in accordance with Article 241 of this Law,

116) a stock exchange and stock exchange intermediaries, if they fail to notify the Commission of cases referred to in Article 278a of this Law,

117) if it, in the manner and within deadline determined by the Commission, fails to submit information and documents that the Commission requires from them, carrying out its authorizations and responsibilities (Article 261),

118) an issuer, if it fails to publish information in accordance with the Article 284, paragraph 1 of this Law,

119) an issuer, if it fails to produce, publish and submit reports in accordance with the Article 285 of this Law,

120) a stock exchange intermediary, if it fails to submit to the Commission reports and the data in accordance with the Article 286 of this Law,

121) a stock exchange, if it fails to notify the Commission within prescribed deadlines, fails to submit to prescribed data and fails to carry out publishing in accordance with the Article 287 of this Law,

122) other regulated public market, if it acts contrary to the Article 288 of this Law,

- 123) professional organization, if it acts contrary to the Article 289 of this Law,
- 124) the Registry, if it acts contrary to the Article 290 of this Law.

(2) The responsible person of a legal entity shall be punished for misdemeanour referred to in paragraph 1 of this Article by the fine of 1,000 to 5,000 BAM.

Article 297.

Natural person shall be punished by the fine of 500 to 1,500 BAM if:

- 1) he/she acquires, increases or decreases a holding of the share capital or of voting rights of the broker-dealer company contrary to Article 66 paragraph 3 of this Law,
- 2) he/she acquires shares contrary to Article 72 paragraph 1 of this Law,
- 3) he/she is employed by or is a member of the management board or of the body that carries out supervision of more than one stock exchange intermediary (Article 72, paragraph 3 of this Law),
- 4) he/she renounces an order for purchase or sale of securities which was accepted by that broker-dealer company (Article 91, paragraph 1),
- 5) he/she performs activities of a broker, an investment advisor and an investment manager without a license of the Commission (Article 93, paragraph 5),
- 6) in performing activities with securities he/she does not take care of the client's interests and does not act with due professional care (Article 100),
- 7) he/she fails to report to the stock exchange intermediary each acquisition or alienation of securities in accordance with Article 102 paragraph 2 of this Law,
- 8) he/she uses, discloses or allow third parties use of 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 activities with securities for the clients (Article 104 paragraph 1),
- 9) he/she publishes advertisements whose subject is an offer to conduct activities with securities, and is not a stock exchange intermediary (Article 106 paragraph 1),
- 10) he/she fails to report each acquisition or alienation of securities in accordance with Articles 181, 240, 269 and 270 of this Law,
- 11) he/she acts contrary to provisions which relate to obligations of professional secrecy referred to in Articles 181 and 240 of this Law,
- 12) he/she violates provisions of Articles 183, 242 and 248 of this Law,
- 14) in the manner and within deadline determined by the Commission, he/she fails to submit all information and documents that the Commission requires from them, carrying out its authorizations and responsibilities (Article 261),
- 15) at the request of the Commission, he/she fails to submit required data and documents (Article 273, paragraph 3),
- 16) within the prescribed deadline, he/she fails to submit to the issuer, to the Commission and to the stock exchange or other regulated public market, notification on conducted transactions of that issuer (Article 274, paragraph 1),
- 17) 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.

- (1) Misdemeanour proceedings relating misdemeanours referred to in this Law shall not be instituted nor conducted once a three-year period has elapsed since the day when the misdemeanour was committed.
- (2) Statute of limitation shall be interrupted by any action of the competent authority for the process undertaken to prosecute the offender.
- (3) With each interruption statute of limitations starts to run again, but regardless of interruptions, statute of limitations, in any case occurs after the lapse of six years from the date the offense was committed.
- (4) Misdemeanour referred to in Article 296 and 297 of the Law are financial offenses.

4. Security measures

Article 299.

- (1) Against 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, the security measure of revocation of license to perform activities with securities for a period of up to one year may be imposed.
- (2) When 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 when the misdemeanour committed has resulted in material or immaterial damage to a stock exchange intermediary, or material damage to clients or to third parties, the mandatory security measure of revocation of license to perform activities with securities for the period of one year will be imposed in misdemeanour procedure.
- (3) Against a stock exchange intermediary who has committed a misdemeanour referred to in Article 296 of this Law the security measure of revocation of the license to perform activities with securities for a period of up to one year may be imposed.
- (4) When 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 when the misdemeanour committed has resulted in material or immaterial damage to clients or third parties, the mandatory security measure of revocation of license to perform activities with securities for the period of one year will be imposed in misdemeanour procedure.

XI TRANSITIONAL AND FINAL PROVISIONS

Article 300.

- (1) Provisions of Articles 13 to 41 of this Law shall not apply to shares issued in the privatization process of state capital in companies and banks and in the process of re-organization of a debtor in bankruptcy proceeding.

(2) Following implementation of privatization process of state capital in companies and banks, shares referred to in paragraph 1 of this Article shall be considered shares issued through public offer and shall be subject to compliance with provisions of this Law.

(3) If a joint stock company that has more than 50 shareholders is entered in the court register subsequent to the issuance of shares in the process of re-organization of a debtor in bankruptcy proceeding, provisions of this Law shall apply to that joint stock company.

Article 301.

The Commission shall be obliged to align and adopt, within the period of six months from the day of entry into force of this Law, 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 Procedure for Issuance of Securities;
- v) Regulation on Conditions and Procedure for Issuance of License to a Company to Perform Activities with Securities;
- g) Regulation on Acquiring the Vocation and Licensing of Brokers, Investment Managers and Investment Advisors;
- d) Regulation on Trading of Securities;
- đ) Regulation on Operations of a Stock Exchange Intermediary;
- e) Regulation on capital adequacy, risk exposure, special reserves and liquidity of a broker-dealer company;
- ž) Regulation on Supervision of Participants on the Securities Market;
- z) Regulation on Reporting and Disclosure of Information by Issuers of Securities Subject to Public Trade;
- i) Regulation on Reporting and Disclosure of Information on Performing Activities with Securities;
- j) Regulation on Performance of Custodian Activities;
- k) Regulation on Electronic Exchange of Business Messages;
- l) Statute of the Securities Commission;
- lj) Rules of procedures of the Securities Commission of the Republic Srpska;
- m) Code of Ethics of the Securities Commission;
- n) Decisions of fees.

Article 302.

(1) The Central Registry of Securities joint stock company Banja Luka shall be considered to have a license for performing activities under Article 189 paragraph 1 of this Law.

(2) Banja Luka Stock Exchange joint stock company Banja Luka and the Central Registry of Securities joint stock company Banja Luka are obliged to, within nine months from the day of entry into force of this Law, align their business operation with provisions of this Law and deliver their aligned general acts to the Commission for approval.

(3) If legal entities referred to in paragraph 2 of this Article fail to align their business operation with provisions of this Law and fail to submit aligned general acts to the Commission for approval, their licence for performing activities shall cease to be valid after the expiry of the specified period.

(4) The Central Registry must attain the amount of capital in accordance with the Article 195 of this Law, within three years from the day of entry into force of this Law .

Article 303.

(1) Stock exchange intermediaries are obliged to, within nine months from the day of entry into force of this Law, align their business operation with the provisions of this Law and submit their general acts to the Commission for approval.

(2) If a stock exchange intermediary fails to align its business operation with provisions of this Law and fails to submit general acts for approval within specified period, the licence to perform activities shall cease to be valid.

Article 304.

Upon entry into force of this Law, the Law on Securities – consolidated 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 in force.

Article 305.

The procedures instigated prior to entry into force of this Law shall be completed pursuant to provisions of the Law on Securities – consolidated text (“The Official Gazette of the Republic Srpska, No 04/02).

Article 306.

This Law shall enter into force on the eighth day from the day of publication in “The Official Gazette of the Republic Srpska”.

Number: 01-1140/06

August 31, 2006

Banja Luka

President of the National Assembly
MA Igor Radojičić, m.p.