

Explanation: ~~A~~: text removed form the  
Law A: text added to the Law A: Transitional  
provisions of last amendments

## **LAW ON PRIVATISATION INVESTMENT FUNDS AND PRIVATISATION FUND COMPANIES**

### **I – GENERAL PROVISIONS**

#### **Article 1**

This Law prescribes the conditions for founding Privatization Investment Fund Management Companies (hereinafter: Company) and Privatization Investment Funds (hereinafter: Fund) and regulates the method of their business operations.

#### **Article 2**

A Company is established exclusively for the purpose of founding and managing a Fund.

A Company is established after passing the Founding Act and fulfilling of other conditions determined by this Law, regulations of the Securities Commission (hereinafter: Commission) and other enactment of the Company.

A Company is a legal entity.

#### **Article 3**

A Fund is established for the purpose of collecting vouchers and their exchange for shares in accordance with the provisions of the Law on Privatization of state capital in Enterprises and this Law.

#### **Article 4**

Approval of the Commission is required for the establishment of a Company and a Fund, as well as for the subsequent division, merger or affiliation of Companies or Fund.

The Commission provides approval for the founding act and other enactment of a Company or Fund, as well as for all subsequent changes and amendments of these documents.

Documents listed in paragraph 2 of this Article shall be considered adopted only upon approval by the Commission, and shall come into effect on the eighth day after their publication defined by the Statute.

#### **Article 5**

Provisions of the Law on Enterprises are applied to the establishment and business operations of a Company or a Fund, unless differently determined by this Law.

#### **Protection of title use**

#### **Article 6**

Legal entities using in their commercial name words “Privatization Investment Fund Company” or “Privatization Investment Fund” cannot be registered in the Court Register unless established in accordance with this Law, nor can they participate in legal operations or use in their commercial name words “Privatization Investment Fund Company” or “Privatization Investment Fund”.

## **II – PRIVATISATION INVESTMENT FUND MANAGEMENT COMPANY**

### **Legal status**

#### **Article 7**

Company is a legal entity that is founded and operating as a joint stock company.

Company may only issue shares that are registered / personal shares.

The commercial name of the Company must contain words: Privatization Investment Fund Management Company.

~~Company can found and manage only one privatization fund.~~

Company can found only one fund, which it manages in accordance with the Law and fund management contract.

~~Exceptionally, Company can manage one more fund in case that management license had been revoked from the Company that originally managed that fund.~~

Company can manage several funds in case that management license had been revoked from other fund, or cancellation of the fund management contract and other cases of termination of Company’s operations, in accordance with the law.

#### **Article 8**

Company can be founded by domestic and foreign physical and legal entities.

Following entities cannot be shareholders of the Company:

1. Governmental bodies and organizations,
2. Legal entities with 50% or more of state-owned capital and their related entities, pursuant to the provisions of the law on enterprises.

Foreign physical and legal entities may own more than 10% of Company’s shares only with the prior consent issued by the Commission.

Company’s shareholder is obliged to notify the Company of any acquisition or divestitures of Company’s shares, latest within five days after the registration in the Central registry of securities.

Company is obliged to inform the Commission of any change of shareholders and their participation in ownership, latest within five days upon receipt of notification described in the above paragraph of this Article.

### **Conditions for founding the Company**

#### **Article 9**

Aside from the conditions set for founding a joint stock company determined by the Law on enterprises, conditions for founding a Company are:

- ~~1. Minimum amount of participation in money of the registered capital of 250.000 (two hundred fifty thousand) convertible marks;~~
- ~~2. At least two employees who possess authorizations for conduct of investment manager's activities in accordance with the Law on securities;~~
3. Founding license that is issued by the Commission.
  1. Minimum amount of registered capital of 500.000 (five hundred thousands) convertible marks, which must be fully paid in cash, or in case that Company manages more than one fund, minimum amount of registered capital is increased by 150.000 (one hundred fifty thousand) convertible marks for each new fund, and must be fully paid in cash,
  2. One employee with investment managers license, in accordance with the Law on securities, for any ten issuers in fund's portfolio in which fund has 10% or more voting shares or whose securities represent more than 1% of value of fund's assets.

#### **Article 9a**

~~In case that Company manages two funds, minimum amount of monetary participation in registered capital is 400.000 KM, and it compulsorily has at least four employees licensed for investment manager's activities, in accordance with the Law on securities.~~

#### **Article 10**

Along with a request for acquiring a founding license, the founders of the Company shall submit:

1. The founding act (Articles of Incorporation);
2. The Statute;
3. Bank's confirmation, i.e. confirmation issued by other authorized payment operations bearer, that the registered capital pursuant to Article 9 item 1 is paid up;
4. Personal data of individuals with special authorities and responsibilities;
5. Proof that measures banning the conduct of activities that are fully or partially the object of company's business operations have not been ordered against persons pursuant to the Item 4 of this paragraph, and that they have not been convicted for dealings that would make them unworthy of dealings from the Company's scope of work;
6. Proof that the Company will employ at least two investment managers, hired for indefinite period of time;
7. Other requirements prescribed by the Commission.

#### **Article 11**

The minimum amount of monetary participation in Company's registered capital must be fully paid in cash before the establishment of the Company.

The basis for calculation of profit tax of a founder is decreased by the amount of assets invested in the purchase of shares in first business year when Company is founded and in two subsequent business years.

Minimum amount of Company's equity capital, i.e. the level of net capital that the Company must maintain, cannot be lower than amount determined by the Article 9 Item 1 of this Law.

### **Article 12**

The Commission is obliged to pass a resolution on a request pursuant to article 10 of this Law in a period of 30 days from the date the request is received.

If the Commission fails to pass a resolution in the period pursuant to paragraph 1 of this Article, it will be considered that the Company fulfills founding requirements.

If the Commission rejects a request pursuant to the Article 10 of this Law, it is obliged to state the reasons for doing so.

Commission's resolution pursuant to the Paragraph 1 of this Article is final.

### **Bodies of the Company**

#### **Article 12a**

Bodies of the Company are: the general shareholder meeting, managing board, supervisory board and director.

Director, members of the managing and supervisory board must have university level of education, three years of working experience in their profession and must meet other requirements determined by this Law and Commission's rules.

At least one member of the Company's managing board must be investment manager.

Company's managing board has at least one third of members who are independent.

Independent member of the managing board is an individual who is not employed in the Company, an individual not associated to the company, i.e. fund, pursuant to the Article 12b, paragraph 1, items 1, 3, 5 and 6 of this Law.

Director of the Company must be an investment manager holding Commission's license for investment manager's securities dealings.

Commission issues approval for the election of Company's director, members of managing and supervisory board, and maintains a register of these individuals. Decision on election of Company's director, members of the managing and supervisory board comes into effect upon approval issued by the Commission.

#### **Conflict of interest and limitations**

#### **Associated/related individuals, conflict of interest and limitations**

#### **Article 12b**

Company and fund's associated/related individuals are:

1. Company's shareholders,
2. Members of the managing and supervisory board, director and employees of the Company, members of fund's supervisory board and director of the fund,
3. Spouses and relatives of individuals as defined in items 1 and 2 of this paragraph – direct relatives to the third degree of relationship, and collateral relatives to the second degree of relationship,
4. Legal entities in which Company and/or individuals as described in items 1, 2 and 3 of this paragraph, individually or jointly, directly or indirectly, have 25% or higher share in capital,
5. Individuals who have 25% or higher share in capital of the legal entity that is Company's shareholder,
6. Individuals providing services for the Company, i.e. fund, on a contractual basis.

Fund's assets and fund asset management must not be used for acquisition of direct or indirect benefits of associated/related individuals pursuant to the paragraph 1 of this Article.

Company is obliged to adopt an enactment regulating internal rules and operating procedures, which apply to communication method, approval of transactions, exercise of voting and other rights deriving from securities in fund's portfolio, guarding of business secret, prevention of conflict of interest, misuse of internal information, manipulations and transactions with associated/related individuals.

Application and control of implementation of the document pursuant to the paragraph 3 of this Article is responsibility of the Company's managing board, which at least once per year submits the report on document's implementation to the fund's supervisory board.

Company is obliged to submit the document pursuant to the paragraph 3 of this Article to the Commission latest within seven days after its adoption.

### **Article 13**

~~In order to prevent a conflict of interest of physical entities who are shareholders of the Company, members of the management, supervisory board, employees and persons who conduct affairs on the basis of a contract with the Company, are obliged to report to the Company every purchase or sale of shares and the taken number of purchased or sold shares, the date of purchase or sale and the price at which the transactions were conducted.~~

In order to prevent conflict of interest, individuals pursuant to the Article 12b paragraph 1 of this Law are obliged to report to the Company, latest within five days of occurrence, any acquisition and divestiture of securities, including data on amount, price and date of transaction, as well as data on acquisition or divestiture of share/participation in legal entities pursuant to the Article 12b paragraph 1, items 4 and 5.

A Company is obliged to enter all reports pursuant to the paragraph 1 of this Article into a separate register that is kept for at least five years.

The Register comprises:

1. Name and surname of individuals pursuant to paragraph 1 of this Article;
2. Association/relation between individuals pursuant to paragraph 1 of this Article and the Company, i.e. fund;
3. Date of acquisition and sale;
4. Number of acquired and sold shares;
5. Date of receipt of the report on acquisition and sale.

~~A Company is obliged to make available for inspection the register pursuant to the paragraph 2 of this Article to parties authorized for the supervision of business operations of the Company and to other parties that have a legal interest.~~

Company is obliged to apply the method pursuant to the paragraph 1 of this Article to the record keeping on acquisition and divestiture of securities on its own behalf and for its own account.

### **Article 13a**

Company and entities described in Article 12b paragraph 1, items 1, 2, 3, 4 and 5 of this Law cannot, directly or indirectly, jointly or individual, own shares of issuer in which fund has 10% or higher share/participation in capital.

### **Article 14**

Company cannot directly or indirectly be owner of shares:

1. of other companies;
2. of custodian, with the exception of shares of the RS Central registry of securities;
3. of an authorized participant in securities market conducting activities for the account of the Company and Fund managed by the Company;
4. of its founders.

### **Article 14a**

One entity and its associated/related entities cannot acquire more than ~~5%~~ 10 % of Fund's shares.

Exemption from the above paragraph is case in which Company acquires Fund's shares based on collection of the management commission and compensation of Fund's founding and operating costs (separate assets).

Entity acquiring Fund's shares in percentage higher than limitation set in paragraph 1 of this Article, does not acquire voting rights based on shares acquired in amount above the limitation.

### **Article 14b**

Entities pursuant to the Article 12b paragraph 1, items 1, 2 and 3 of this Law cannot be:

1. Members of managing and supervisory board, director or employee of another Company and Fund,
2. Members of management and supervisory board, or employees of Fund's custodian and vice versa, unless appointed custodian is the Central registry of securities,

3. Members of management and supervisory board of the firm registered for dealings in securities, i.e. banks authorized for broker's activities conducting intermediary services for the account of Fund managed by the Company, and vice versa.

Entities pursuant to the Article 12b paragraph 1, item 2 of this Law cannot be employed in the firm registered for dealings in securities, i.e. organizational part of the bank designated for dealings in securities.

#### **Article 14c**

Company and entities pursuant to the Article 12b paragraph 1, items 1, 2, 3, 4 and 5 of this Law cannot directly or indirectly, in its own name and for personal account, or that of third party:

1. Receive from any source any type of remuneration for intermediation in Fund's operations or operations of legal entities in which Fund has 10% or higher percentage of share/participation in capital,
2. Receive any type of remuneration from persons conducting intermediary activities in acquisition and sale of securities or other assets of the Fund, Fund's custodian or legal entities in which Fund has voting shares,
3. Sign a contract with the legal entity in which Fund has 10% or higher percentage of share/participation in capital, unless such contract is previously approved by the supervisory board of the Fund,
4. Acquire and sell securities and other assets from portfolio of the Fund or legal entities in which Fund has 10% or higher percentage of share/participation in capital, with the exception of acquisition and sale of securities on the stock exchange or other regulated public market,
5. Use acquisition and sale of securities from Fund's portfolio or use Fund management for attainment of personal benefits.

Entities listed in Article 12b paragraph 1, items 1, 2 and 3 of this Law cannot enter into contract with the Fund, unless that contract is previously approved by the Fund's supervisory board.

#### **Article 15**

~~Company can acquire Fund's shares only on the basis of payment of commission for management and compensation for Fund management costs.~~

~~Company cannot sell shares pursuant to paragraph 1 of this Article while managing Fund.~~

Company can acquire Fund's shares only on the basis of collecting a payment for:

- management commission,
- compensation for Fund's founding and operating costs (separate assets).

Fund issues shares for payment of management commission and compensation of Fund's founding and operating costs, based on resolution adopted by the Fund's general shareholder meeting, following the proposal placed by the Company's managing board.

Resolution regarding issue pursuant to paragraph 2 of this Article is to be approved by the Commission.

Company can sell shares pursuant to paragraph 1 of this Article only with prior consent granted by the Commission, and after period of one year after Fund's registration.

Company does not exercise voting rights on the basis of Fund's shares acquired in accordance with the provisions of this Law.

### **Article 16**

~~Annual amount of a commission for managing a Fund can come at most up to 2% of average annual net value of Fund's assets.~~

Annual amount of a management commission is 1% of the average weighted market value of all Fund shares in the accounting year.

In addition to provisions pursuant to paragraph 1 of this Article, Management Company is also entitled to receive commission in amount of:

1. 15% of sum total of dividends and interest on securities, net non-realized and net-realized capital gains, resulting from transactions executed on stock exchange or from purchase of securities in issues, in period starting from 1<sup>st</sup> of January 2005 until the date of Fund's transformation;
2. 2% spread of average weighted market value of all Fund shares in last 90 days in the year of transformation and average weighted market value of all Fund shares in first 90 days in the year 2005, which in case of liquidation of the Fund, Company can receive exclusively in shares of the Fund.

Dividend and interest are determined as difference between the amount of dividends and interest realized during the period pursuant to paragraph 2, item 1 of this Article and the amount that would be realized on the basis of securities balance at the beginning of period pursuant to paragraph 2 item 1 of this Article.

Unrealized capital gains, i.e. losses, are determined for the difference between numbers of securities at the end and at the beginning of period pursuant to paragraph 2, item 1 of this Article, for securities which at the date of final accounts meet marketability requirements set in Commission's Rules. If, in that period, number of particular securities was increased, the amount of unrealized capital gain, i.e. loss, is determined as difference between market value of additional number of securities at the end of period and purchasing value of those securities. If in that period, number of particular securities was decreased, the amount of unrealized capital gains, i.e. loss, is determined as difference between value at sale and market value at the end of period, for number of securities reduced during the period.

Realized capital gains, i.e. losses, are determined for number of securities bought and sold during period pursuant to paragraph 2, item 1 of this Article.

Final amount of commission pursuant to paragraph 2, item 1 of this Article is determined on date of Fund's transformation, and is calculated in advance at annual level, in the way that net effects from paragraphs 3, 4 and 5 of this Article, regarding that business year, are determined on the day of calculation.



If Company acquires shares of the Fund in accordance to the provisions of this Law on the basis of collection of management commission and compensation for Fund's founding and operating costs, in the amount of separate funds, number of shares that are issued is calculated by dividing that amount with nominal values of Fund shares.

#### **Article 17**

Assets, liabilities, income and expenditures of a Fund that is managed by the Company will be recorded separately from the assets, liabilities, income and expenditures of a Company and custodian.

#### **Article 18**

A Company is obliged to conduct its activities in the manner of a prudent entrepreneur, in accordance with the regulations of the Commission and enactment of a company, exclusively in the interest of the shareholders of the Fund.

Shareholders of a Company, members of the Managing and Supervisory Board, all employees of Company and all other legal and physical entities conducting permanent or temporary activities for the Company, are obliged to keep as a business secret all information on the Company and Fund's business operations.

A separate act of a Company defines the information considered as a business secret.

Exceptional to the provisions of paragraph 3 of this Article, information representing a business secret can be disclosed to the Commission, Central registry and other controlling bodies that on the basis of special authorities conduct the control and supervision of business operation of a Company.

Company is obliged to conduct all transactions in Fund's assets under best available conditions.

Internal information in sense of this Law is any information on Company or Fund's operations that is not publicly disclosed or is not available to shareholders of Fund, possession of which can be exploited by individuals pursuant to the Article 12b of this Law for gain of personal or third party benefits, on account of Fund or its shareholders.

Misuse of internal information pursuant to paragraph 6 of this Article is appropriately subject to provisions of the Law on securities, regarding ban of use of internal information and compensations for damage.

#### **Revocation of Company's founding license**

#### **Article 19**

~~The Commission passes a resolution on the initiation of a procedure for the revocation of a license pursuant to article 10 of this Law in the case that the Company does not act in accordance with the provisions of this Law and the regulations of the Commission.~~

Commission may revoke Company's license:

1. when Company conducts activities and securities dealings not licensed by the Commission,

2. if the license for founding a Company and license for founding and management of Fund was granted on the basis of untrue data,
3. if Company ceases to meet requirements prescribed for granting of license for founding of a Company and license for founding and management of a Fund;
4. if Company breaches limitations regarding investment, conflict of interest, ban on manipulations, use of internal information and guarding of business secret,
5. if, in period of time defined by Commission's resolution, a Company fails to act in accordance with order for elimination of revealed legal irregularities, i.e. irregularities in other similar cases when Company is not acting in the best interest of Fund shareholders, as compliant with this Law, Law on securities, Commission's Rules, Fund's enactment and Fund management contract.

#### **Article 20**

Simultaneously by passing the decision pursuant to paragraph 19 of this Law, the Commission appoints a temporary administrator for the Fund that is managed by the Company.

Decision pursuant to paragraph 1 of this Article contains:

1. detailed description of the reasons for the initiation of the procedure for revocation of the license;
2. the list of documents and evidence on basis of which the Commission determined the reasons for initiating the procedure for revocation of the license;
3. explanation to the decision on revocation of the license.

#### **Article 21**

A Company can latest within a period of 15 days from the day of receipt of the decision submit an appeal to the Commission.

Along with the appeal a Company submits to the Commission documents and evidence that confirm the statements from the appeal.

#### **Article 22**

The Commission may discontinue a procedure for the revocation of a license in the case that:

1. Reasons for the revocation have ceased or been eliminated;
2. Commission accepts the appeal of the Company as authentic.

#### **Article 23**

The Commission passes the resolution on revocation of the license in a period of ~~15~~ 30 days from the day of initiating the procedure for revocation of the license.

Commission's resolution pursuant to paragraph 1 of this Article is final.

A company can initiate an administrative dispute against the resolution pursuant to paragraph 1 of this Article.

Resolution on revocation of license for founding a company automatically means that license for ~~founding and~~ management of the Fund ceases to be effective.

Company is not entitled to collect management commission for the year in course of which the proceedings for revocation of the Company's founding license were initiated, and is obliged to effect return of management commission paid up for that business year, latest within 30 days from the finality date of Resolution on revocation of license.

In the event of revocation of Company's license, Commission places a proposal for initiation of liquidation procedure.

#### **Article 23a**

In the event of revocation of Company's founding license, management of the Fund previously managed by that Company is transferred to Fund's custodian.

Custodian shall perform management function for the Fund until new management contract is signed with another Company or until initiation of liquidation procedure for the Fund.

Fund management by the custodian entails finalization of commenced activities and conduct of activities failure of which would inflict damage or losses for the Fund.

#### **Article 23b**

Commission shall disclose information on revocation of Company's management license to the general public, Fund and Fund's custodian, as well as to all other Management Companies.

Information set in previous paragraph is at the same time a call to other management companies to file their proposals for Fund management activities to the Commission, latest within the period of 30 days.

In its proposal, Company shall state conditions under which it is prepared to take over Fund management, submitting at the same time a draft management contract.

#### **Article 23c**

Within the period of ten days after receipt of last timely proposal, Commission shall instruct Fund's custodian to convene Fund's general shareholder meeting which will decide on election of a new Company.

Fund's custodian is obliged to submit to the Commission the invitation for Fund's general shareholder meeting.

#### **Article 23d**

General shareholder meeting of the Fund decides on election of another Company which will manage the Fund and issues approval for management contract.

Commission shall approve the Resolution on election of Management Company that will manage a Fund and shall approve its management contract.

Company pursuant to paragraph 1 of this Article shall file with the Commission a request for Fund management license.

With the aforesaid request, Company shall enclose the general shareholder meeting's resolution and fund management contract, as well as the evidence on fulfilling requirements for fund management.

#### **Article 23e**

In case that no fund management company submits an application to take over fund management, or if applicants do not satisfy criteria determined by this Law, or if Fund's general shareholder meeting fails to adopt resolution on election of new management company, Commission initiates Fund's liquidation procedure, as stipulated by the law.

### **III – PRIVATISATION INVESTEMENT FUNDS**

#### **Article 24**

A privatization investment fund is a joint stock company that on the basis of an approval from the Commission, is founded and managed by a company explicitly through the collection of vouchers and their exchange for shares of an enterprise issued in the procedure for the mass privatization of vouchers in accordance with the provisions of the Law on the Privatization of Enterprises, this Law and the regulations of the Commission.

Bodies of a Fund are General meeting of shareholders, supervisory board and director.

#### **Article 24a**

Fund's supervisory board is composed of at least five members.

Following individuals cannot be elected for membership in supervisory board of for Fund's director:

1. shareholders of management company, members of Company's managing and supervisory board, Company's director, Company's procurators and employees in the Company,
2. individuals who are owners, members of managing and supervisory board, director or employees in the legal entity which is Company's shareholder,
3. individuals who are members of managing and supervisory board, director or employees in legal entity in which Company has 25% or higher participation in capital,
4. spouse and relatives of individuals pursuant to item 1 of this Article – direct relatives to the third degree of relationship, and collateral relatives to the second degree of relationship.

Members of supervisory board and director of Fund must have university level of education, five years of working experience in their profession and must satisfy other requirements determined by this Law and Commission's Rules.

Members of supervisory board and director of Fund are elected, i.e. appointed, through public vacancy notice, which must be published in at least one daily newspaper that is available in the whole territory of Republic of Srpska.

Director of Fund is appointed and removed from office by Fund's supervisory board.

Director of Fund represents a Fund in dealings with the Company.

Commission issues approval for appointment of Fund's director and members of supervisory board, and maintains a register of these individuals. Resolution on appointment of these individuals comes into effect upon receipt of Commission's approval.

## **Founding and commencement of Fund's operations**

### **Article 25**

Procedure for founding a fund includes the following:

1. signing a contract with a bank on payment of separate funds for founding and business operations of a fund (hereinafter: separate funds) in the amount of at least 500.000 (five hundred thousands) convertible marks;
2. submitting a request to the Privatization Directorate for participation in the voucher privatization;
3. publishing a prospectus, method of voucher collection by subscription and payment of shares of the Fund and exchange of vouchers for shares issued in the privatization procedure;
4. evaluation of a total value of collected shares;
5. adoption of Fund's Statute;
6. election of Fund's bodies;
7. allocation of Fund's shares;
8. compilation of a report on founding the Fund;
9. submitting of a request to the Commission for license to found and manage a Fund, with enclosed report on founding a Fund.

### **Article 26**

A company may sign a contract, pursuant to article 25, paragraph 1 item 1, only with the bank that is authorized to perform business activities with foreign countries.

A Company and the bank, pursuant to Paragraph 1 of this Article, are obliged to provide Commission with a full insight in necessary business operation documents effected through the accounts of separate funds.

## **Request for participation in the voucher privatization**

### **Article 27**

A Company submits a request for participation in the voucher privatization to the Privatization Directorate, enclosing also:

1. a prospectus of the Fund;
2. draft Statute of the Fund, apart from provisions regulating the amount of the monetary part of the registered capital, number and nominal value of shares of the Fund;

3. extract from the court register from showing visibly that the Company satisfies requirements pursuant to the Article 9 of this Law:
4. a draft of the statement on the subscription of shares (subscription notice);
5. other documents prescribed by the Privatization Directorate.

### **Article 28**

A prospectus pursuant to the Article 27, item 1 of this Law contains the following:

1. Company's data:

- firm title and head office address,
- date of founding and registration in the court register,
- names and positions of members of Company's management,
- amount of fixed assets of the Company,
- data on Company's founders,

2. Fund's data:

- firm and Head Office of the firm,
- duration of a fund,
- detailed plan for collection the vouchers,
- method of subscription, payment and distribution of shares of a Fund and method of evaluating their value,
- deadline for return of vouchers in the case of unsuccessful founding,
- procedure of adoption and publication of the Statute of a Fund,
- procedure of convening the Founding Assembly of a Fund,
- data on custodian,
- data on the bank in which separate funds are paid,
- Fund's investment goals,
- investment policy,
- investment risks associated with Fund,
- place where the information on business operation of a Fund are available,
- data on the amount of fund management commission,
- data on founding costs as well as Fund's business operating costs, with the review of individual costs,
- financial plan for utilization of separate funds throughout the duration of a Fund,
- procedure on which the company gains shares of a Fund as payment of fund management commission and coverage of Fund's business operation costs.

3. Other data required by the Commission.

### **Collection of vouchers, subscription and payment of shares of a Fund**

### **Article 29**

A Company cannot publish a prospectus before receiving a license pursuant to the Article 27 of this Law, for the participation in the voucher privatization.

The period for collection of vouchers cannot be longer than 45 days, starting from the day of publishing the prospectus.

### **Article 30**

A Company can collect vouchers only for the purpose of founding a fund.

Shares of a Fund can be paid in exclusively with vouchers.

A Company cannot exchange vouchers for shares of enterprise in the course of privatization, until Company collects adequate number of vouchers in accordance with article 34 of this Law.

### **Article 31**

The subscription and payment of shares of a Fund is conducted with the signing of a statement on the subscription of shares of a Fund and transference of vouchers.

### **Article 32**

A statement on the subscription of shares (subscription notices) pursuant to the previous Article must compulsorily contain:

1. the name and surname, address and identification number of the owner of the voucher;
2. fundamental information on the Company, on publishing the prospectus and on the Fund;
3. statement of the owner of the voucher on the subscription and payment of shares of a Fund under the conditions determined in the prospectus;
4. number of delivered vouchers;
5. seal and signature of an authorized person of the Company or institution where the subscription and payment of shares of the Fund is conducted;

The Directorate for Privatization can also prescribe other elements of a subscription notice.

### **Article 33**

The Privatization Directorate determines and discloses through the public media the number of vouchers collected by every company that participated in the voucher privatization.

### **Article 34**

RS Government will prescribe a minimum amount of vouchers that Company needs to collect in order to found a fund.

### **Article 35**

A Company that fails to collect minimal number of vouchers stipulated by Article 34 of this Law, is obliged to transfer vouchers to the owners on their accounts, within the period of seven days from the day advertisement of Privatization Directorate is published.

## **Use of separate funds**

### **Article 36**

Separate funds pursuant to Article 25, paragraph 1, item 1 of this Law, as well as return interest on unused part of funds are used exclusively for financing of founding and operating costs of a Fund, in accordance with financial plan determined by prospectus.

~~A Company may increase, with additional payment, a fund pursuant to paragraph 1 of this Article only from resources that are not classified as property of a Fund, based on previous approval of the Commission.~~

In addition to approved separate funds pursuant to the Article 25 paragraph 1 item 1, Company is entitled to one-off compensation of founding costs in amount of 0,5% of the average annual net value of Fund's assets, in maximum amount of 250.000 KM.

### **Article 37**

A Company may withdraw separate funds from the account after expired duration of a Fund, only on the basis of Commission's approval of final calculation of Fund's management costs.

A Company that fails to collect minimal amount of vouchers pursuant to the Article 34 of this Law may dispose with residue of separate funds after proceeding in accordance with article 35 of this Law.

## **Evaluation of the value of registered capital**

### **Article 38**

The registered capital of a Fund equals estimated value of all collected shares in the course of collection and exchange of vouchers.

The Privatization Directorate closely defines method for evaluation of the value pursuant to paragraph 1 of this Article.

Methodology for estimation of net value of Fund's assets and calculation of the management commission is determined by the Commission's Rules.

### **Article 39**

After the amount of registered capital is determined in accordance with Article 38 of this Law, a Company adopts the Statute of the Fund and appoints the bodies of the Fund.

The Statute of the Fund must be in accordance with the determined draft pursuant to the Article 27 of this Law.

### **Article 40**

A Company distributes the shares of a Fund so that every shareholder receives the number of shares in proportion to the number of vouchers that the shareholder invested in relation to the total number of collected vouchers.

Nominal value of Fund's shares need not be dividable by ten (10).



Fund cannot acquire its own shares.

## **License for founding and managing a Fund**

### **Article 41**

Within a period of 7 days after determining the level of registered capital, a Company submits to the Commission a request for the license for founding and managing a fund.

With the request from paragraph 1 of this Article, Company encloses:

1. report on procedure of founding a Fund,
2. abstract from court register on registration of the Company into court register,
3. the Statute of the Company,
4. Fund management contract,
5. contract signed with the Central registry of securities,
6. contract signed with the custodian,
7. the Statute of the Fund,
8. resolution on election of bodies of the Fund,
9. other documentation determined by the regulations of the Commission

A report, pursuant to paragraph 1 item 1 of this Article, must contain all information on the subscription and payment of shares of the Fund, their distribution, collected shares in the procedure of exchanging the vouchers for shares, as well as other information and supplements prescribed by the Commission.

### **Article 42**

The Commission issues an approval to the Company for the founding and managing a Fund if the requests and supplements, the subscription and payment of shares of a fund, the collection of shares and the evaluation of their total value, the Statute and the distribution of shares of a Fund, are determined by the provisions of this Law and regulations of Privatization Directorate and the Commission.

## **Registration in court register**

### **Article 43**

Within the period of seven days from the day the license is obtained for founding and managing a Fund, the Company publishes the Statute of a Fund, and founding report, in the same manner as a prospectus.

### **Article 44**

With the application for the fund's registration in the court register, the Company is also obliged to enclose the founding license and fund management license.

## **Terms for quotation of Fund's shares**

General meeting of Fund's shareholders

### **Article 44a**

Company is obliged to convene Fund's first general shareholder meeting latest within the period of six months after the date of Fund's registration in court register.

#### **Article 44b**

General shareholder meeting of the Fund is convened by the Company's managing board.

Convening notice for the Fund's general shareholder meeting must be publicly disclosed in at least one daily newspaper that is available in the whole territory of Republic of Srpska, at least on two separate occasions. First publication of convening notice must be at least 21 day prior to the date of general shareholder meeting, and last publication of convening notice must be issued at least seven days prior to the date of Fund's general shareholder meeting.

~~The convening notice for the Fund's general shareholder meeting defines the time and venue for the next meeting, in case that general shareholder meeting cannot be held due to the lack of quorum.~~

Invitation/convening notice for the Fund's general shareholder meeting contains the agenda, venue, date and time of Fund's general shareholder meeting, information on quorum required for the general shareholder meeting and repeated meeting, as well as the information on where and how materials for the meeting can be obtained.

#### **Article 44c**

General meeting of Fund's shareholders can adopt decisions if present or represented shareholders have more than 50% of the total number of votes, including also votes of shareholders who opted to vote in absence / in written.

If the general meeting of Fund's shareholders could not have been held due to the lack of quorum pursuant to paragraph 1 of this Article, Company's managing board is obliged to issue convening notice for repeated general shareholder meeting, earliest in seven and latest in 15 days after the original date of Fund's general shareholder meeting, in the manner and with contents prescribed by the Article 44b of this Law.

Repeated general meeting of Fund's shareholders can validly decide if present or represented shareholders have 20% or more of the total number of votes, including also votes of shareholders who opted to vote in absence / in written.

If upon expiry of 60 minutes after the time set for commencement of repeated general shareholder meeting of a Fund the quorum required for decision-making pursuant to the previous paragraph of this Article is not met, meeting may pass decisions regardless number of present or represented shareholders, inclusive of votes of shareholders who opted to vote in written/in absence.

Cancellation of fund management contract, status changes, transformation and liquidation of a Fund are decided on by Fund's general shareholder meeting, by over-50% majority of votes of all present or represented shareholders, inclusive of votes of shareholders who opted to vote in written/in absence, provided the quorum pursuant to the paragraph 1, i.e. paragraph 3 of this Article is ensured.

Other issues that are within its competence, the general shareholder meeting decides on by over-50% majority of present or represented shareholders, inclusive of votes of shareholders who opted to vote in written/in absence.

#### **Article 45**

The Company is obliged to quote shares of a Fund on the stock exchange and other regulated public market.

#### **Article 46**

The Commission shall prescribe the conditions for quotation of Fund's shares on the stock exchange and other regulated public market.

#### **Limitations for managing the assets of a Fund**

#### **Article 47**

Company cannot manage shares from a fund's portfolio until the shares of a Fund are listed on the stock exchange or other regulated public market.

A Fund may borrow exclusively by taking short-term loans, upon receiving approval by supervisory board of a Fund, in the amount not exceeding 5% of the average net asset value of a Fund for six months preceding the date of the resolution on borrowing.

A Fund cannot take loans or credits from the Company or legal entities that own, directly or indirectly, 10% and higher participation in Company's capital or from legal entities in which Company, directly or indirectly, owns 10% and higher participation in capital, nor can it borrow in order to pay any liabilities to the Company.

A Fund's liabilities based on borrowings pursuant to the paragraph 1 of this Article are settled prior to the liabilities to the Company.

A Fund's assets may be pledged, upon receiving approval by supervisory board of a Fund, as a collateral for the credit pursuant to the paragraph 1 of this Article at most up to 3% of the average net asset value of a Fund for last six months preceding that date of the resolution on borrowing. A Fund's assets cannot be burdened in any other way.

A Fund may not give loans.

#### **Article 48**

A Fund may directly or indirectly invest at most 10% of collected vouchers or assets of a fund into purchase of shares of one legal entity or its related legal entities pursuant to the Law on Enterprises.

~~A Fund may directly or indirectly possess at most 20% of shares of one legal entity or its related entities pursuant to the provisions of the Law on Enterprises.~~

#### **Article 48a**

A Fund cannot invest in securities of following issuers: 1.

Company or Company's shareholder,

2. legal entity holding 25% or higher participation in capital of legal entity which is a shareholder of a Company,
3. Fund's custodian or legal entity in which Fund's custodian holds 25% or higher participation in capital or legal entity holding 25% or higher participation in capital of Fund's custodian,
4. securities firm, i.e. bank authorized for broker dealings, conducting intermediary activities for the account of a Company and a Fund managed by a Company,
5. legal entity in which entities pursuant to the Article 12b paragraph 1, items 1, 2, 3, 4 and 5 of this Law, directly or indirectly, individually or jointly, own 10% and higher participation in capital.

Limitations pursuant to the paragraph 1 of this Article do not apply to securities quoted on stock exchange.

#### **Article 49**

~~A Fund is obliged to bring into accord the structure of its assets with the provisions of the previous Article of this Law within a period of two years from the day of registration in the court register.~~

~~Fund's assets may be invested in long term and short term transferable securities and money deposits.~~

~~Fund's assets must not be invested in real estate/property.~~

A Fund may invest exclusively in:

1. securities listed on stock exchange or other regulated public markets in Bosnia and Herzegovina,
2. securities quoted in official quotation on stock exchange or other regulated public markets in member states of European Union or OECD, up to 25% of the value of Fund's assets,
3. securities quoted in official quotation on other stock exchanges outside states listed in item 2 of this paragraph, up to 5% of the value of Fund's assets, provided it is envisaged by the prospectus of Statute of a Fund.
4. money deposits in banks with certified membership in deposit insurance program of Bosnia and Herzegovina fulfilling other requirements determined by Commission's rules.

A Fund may without limitations invest in bonds issued or guaranteed for by the Republic of Srpska or Bosnia and Herzegovina.

Up to 25% of Fund's monetary assets may be invested in deposits with one bank.

A Fund may directly or indirectly own maximum of 3% of shares of another Fund based in the Republic of Srpska.

Maximum of 10% of value of Fund's assets may be invested in shares of all funds pursuant to the paragraph 4 of this Article.

#### **Article 50**

A Company manages a Fund on basis of management contract, respecting the principles of safety, profitability, liquidity and risk dispersion.

General shareholder meeting issues its approval for the management contract.

The Commission shall issue an approval for the management contract pursuant to the paragraph 1 of this Article, as well as for all subsequent changes and amendments to the contract.

A Company bears full responsibility for activities and decisions related to fund management, and is liable with its entire assets to a Fund and Fund's shareholders for any losses and damage incurred due to failure in or wrongful completion of legal obligations, Commission's regulations, management contract or due to decisions made carelessly or with intent to inflict a damage. Company's liability cannot be limited by the management contract.

In order to ensure collection of payments due to the Company on the basis of responsibility for losses and damage incurred in respect to Fund's founding and management, a Fund has right of pledge on Fund's shares, which were acquired by the Company on the basis of management commission and compensation for Fund's founding and management costs, in accordance with provisions of this Law, up to the amount of damage claim.

Detailed conditions for founding of Company and Fund, their relationships, manner of their operations and fund management, as well as conditions for initiation, duration and revocation of pledge are regulated by the Commission's rules.

#### **Article 50a**

A Company is obliged to convene a general shareholder meeting of a Fund, latest within five months after the end of business year, for which it prepares and submits for adoption:

1. Fund's annual program of investment goals and investment policy,
2. Fund's annual business report, with audited financial report containing also evaluation of Fund's business results, status and structure of portfolio and realization of investment goals and policy from the annual program.

Company's director and chairperson of its managing board shall sign documents pursuant to paragraph 1 of this Article.

Fund's supervisory board shall give its opinion on documents pursuant to paragraph 1 of this Article for the Fund's general shareholder meeting.

Upon request of Fund's shareholders, a Company is obliged to provide documents pursuant to paragraph 1 of this Article free of charge, in Company's seat or personally delivered.

#### **Article 51**

A Company is entitled to receive compensation for Fund's founding and management costs, as well as other costs incurred in connection with the fund management in accordance with the Article 15 of this Law.

### **Article 51a**

In addition to management commission and compensation for Fund's founding and management costs (separate funds) pursuant to the Article 15, 16 and 36 of this Law, Fund's assets may be debited exclusively for financing of:

- services of Fund's custodian,
- services of the Central Registry of securities, related to Fund's registration in registry of issuers and maintenance of Fund's shareholder ledger,
- payment operation costs, transaction tax and bank commissions, related to the disposal with Fund's assets,
- services of stock exchange or other regulated public market; costs, commissions and fees related to purchase and sale of securities from Fund's portfolio,
- costs of convening and holding of general shareholder meeting,
- costs incurred in course of public offer on takeover of shares by the Fund,
- costs of regular audit of Fund's financial statements, and
- Fund director's salary and fees for members of Fund's supervisory board, in accordance with general shareholder meeting's decision and a contract,
- taxes payable by a Fund and other costs in accordance with regulations.

All other costs, i.e. expenses incurred in relation to fund management represent Company's costs.

### **Article 52**

The Commission prescribes elements of the management contract pursuant to the Article 50 of this Law.

### **Article 53**

The Commission conducts supervision of business operations of a Fund and its management company.

The Commission is entitled, without any limitation, to inspect business books and other documentation of the Company that relate to the business operations of a Company and of a Fund.

### **Article 53a**

If illegal activities or misdemeanors are revealed during supervision of Company's operations, the Commission shall pronounce an order imposing elimination of determined illegal activities or misdemeanors within the appropriate period of time, and may enforce one or several measures:

1. issue a reprimand,
2. issue a public reprimand,

3. revoke the approval of elected director, member of managing and supervisory board of a Company, director and member of supervisory board of a Fund and issue and order for election of new individual for that position,

4. issue an order for temporary ban for utilization of assets on monetary accounts and of other Company's assets during the Company's license revocation process,

5. issue an order for temporary ban for utilization of Fund's assets during the Company's license revocation process,

6. revoke Company's founding license and fund management license,

7. undertake other actions in accordance with this Law, Law on Securities and Commission's rules.

Provisions of the law on Securities shall be appropriately applied to the supervision of Company and Fund's operations.

#### **Article 54**

A Company is obliged to inform the Commission, shareholders and public on financial activities and all data that are significant for actions and business operations of a Fund and a Company, in a manner and within deadlines determined by Commissions regulations.

A Company is obliged to submit Fund's financial statements, i.e. Company's financial statements to the Commission latest within 10 days after the lapse of period for submission of annual financial statements pursuant to the accounting regulations, and independent auditor's report latest within 10 days after the general shareholder meeting of a Fund, i.e. Company.

#### **Termination of management contract and transformation of a Fund**

##### **Article 54a**

Management contract can be terminated by cancellation by the Company, i.e. Fund and by consensual termination.

The Commission, in its rules, may stipulate detailed conditions and procedure for termination of management contract.

The management contract shall be terminated by the force of law when Company's founding license and fund management license is revoked from the Company or when Company's bankruptcy or liquidation procedure is initiated.

In event of initiation of Company's liquidation or bankruptcy, provisions pursuant to the Article 23a – 23d of this Law shall be appropriately applied.

##### **Article 54b**

A Fund may cancel management contract if Company failed to achieve planned business results, Fund's investment goals and policy stipulated in the prospectus, the Statute of a Fund and annual program of investment goals and Fund policy.

Fund's supervisory board is obliged to cancel fund management contract on the basis of decision adopted by the Fund's general shareholder meeting.

The Commission shall approve the cancellation of the management contract by the Fund, provided that Fund's general shareholder meeting earlier elected another fund management company and approved the fund management contract.

In event pursuant to this Article, the Fund's supervisory board may convene Fund's general shareholder meeting.

Article 32. Article 55 is changed and reads:

A Company may cancel fund management contract only on the basis of Commission's approval.

Management contract may be consensually terminated only on the basis of Commission's approval.

In event pursuant to the paragraphs 1 and 2 of this Article, Company is obliged to submit to the Commission a report on fund management.

The Commission shall approve the cancellation of management contract by the Company or consensual termination of the management contract, provided that Fund's general shareholder meeting elected another fund management company and approved the fund management contract.

#### **Article 55**

A Company may cancel management of a Fund only on the basis of Commission's approval.

With the cancellation pursuant to the paragraph 1 of this Article, a Company is obliged to submit to the Commission a report on fund management.

The Commission shall approve a cancellation pursuant to the paragraph 1 of this Article, only if another Company exists and is ready to take over fund management activities.

A Fund cannot cancel management activities to the Company.

#### **Article 56**

A Fund may exist at most five years from the day of registration in court register.

Upon expiry of the period pursuant to the previous paragraph, a Fund shall be transformed into a closed Fund, in accordance with a separate law.

#### **Article 57**

The Commission shall initiate a procedure for liquidation of a Fund within a period of 60 days from the day of expiry of period pursuant to the paragraph 1 of the previous Article.

Bankruptcy proceedings cannot be initiated against a Fund.

In the event of Fund's liquidation, a Company is equal with Fund's shareholders in the order of meeting its claims.



## **Custodian of a Fund**

### **Article 57a**

Services of Fund's custodian may be provided by a bank or by the Central Registry of securities that received Commissions license for custodian services.

The same entity cannot be, directly or indirectly, shareholder of a Fund and of a custodian, unless the Central Registry of securities provides custodian services.

A Company is obliged to sign a contract with Fund's custodian. The Commission shall issue an approval for such contract, as well as for all subsequent changes and amendments to the contract.

The Commission shall conduct surveillance of custodian's operations, and shall regulate by its regulations all compulsory elements of this contract, conditions and method for issue of license and conduct of custodian service for a Fund.

The Commission may revoke the license for conduct of custodian services if custodian fails to conduct its activities in accordance with the Law, Commission's regulations and contract on custodian services.

### **Article 57b**

Custodian shall provide following services for a Fund:

1. safekeeping of Fund's assets,
2. financial transactions related to purchase and sale of securities from Fund's portfolio and execution of other Fund's liabilities,
3. collection of income from Fund's assets and collection of other claims,
4. payment of dividends to Fund's shareholders,
5. calculation of Fund's net asset value, and
6. other services in accordance with regulations.

A Custodian may be contractually authorized to conduct other expert and administrative services for Fund's account.

Selection of a Fund's custodian shall be approved by Fund's supervisory board.

### **Article 57c**

A Custodian is obliged to refuse execution of Company's order that is not in accordance with the Law, Commission's regulations, Fund's enactment, fund management contract and custodian contract.

A Custodian shall conduct services for Fund's account with the diligence of good entrepreneur, exclusively in the best interest of Fund's shareholders.

A Custodian, members of managing or supervisory board, director and employees of Custodian must not misuse data and information gathered in performance of custodian services for acquisition of benefits in its business operations and securities trade, nor can they ensure that for third parties.

A Custodian is obliged to keep safe as a business secret all data and information gathered in performance of custodian services, unless in written authorized by Company or required by the law or regulations to reveal such data to public or authorized individuals.

A Custodian is liable to company, fund and fund's shareholders for all losses and damage incurred due to failure in or wrongful completion of liabilities envisaged by the law, Commission's regulations, custodian contract or due to decisions made by crude carelessness or with intent to inflict damage. Company's liability may not be limited by fund management contract.

#### IV – PENALTY PROVISIONS

##### Article 58

~~the amount of~~ ~~le marks to~~ ~~marks will be~~  
~~as penalty for legal i.e.~~ ~~ieh:~~  
1. ~~founds a Company, i.e. Fund or conducts division,~~ ~~or merger~~  
~~permission of the Commission (Article 4),~~  
~~the court registry or appears unauthoriz~~ ~~legal trade by using words~~  
~~„company" or „fund" in the~~  
~~.fails to report data that could prevent~~ ~~of~~ ~~ticle 13),~~  
~~or~~ ~~owner of shares contrary to~~  
~~sells shares, contrary to the~~  
~~calculates and collects annual~~ ~~value~~  
~~(Article 16), amount of~~  
7. ~~conducts~~  
~~contrary to~~  
~~a prospectus prior to approval of license pursuant to the~~ ~~27~~  
~~29),~~  
~~exchanges vouchers for shares contrary to~~ ~~procedure~~  
~~to transfer vouchers~~ ~~manner and within defined~~ ~~of~~  
~~(Article 35),~~  
11. ~~uses separate funds contrary to the~~  
~~separate funds~~ ~~approval~~  
~~shares contrary to the~~ ~~manner~~  
~~to quote~~ ~~shares on stock exchange or other regulated public markets~~  
~~Article 45),~~  
~~shares from~~ ~~to~~ ~~the stock exchange or~~  
~~other regulated public markets~~  
~~i.e.~~ ~~shares contrary to the~~  
48),

~~17. fails to adjust the structure of assets in prescribed manner and within the prescribed period of time (Article 49);~~

~~18. fails to report to the Commission, shareholders and public in accordance with prescribed conditions (Article 54);~~

~~19. cancels fund management without Commission's approval, i.e. fails to submit to the Commission a report on fund management (Article 55).~~

~~For violation pursuant to the paragraph 1 of this Article, responsible person in legal entity will be fined with pecuniary fine in amount of 1.000 to 10.000 convertible marks.~~

A pecuniary penalty ranging between 5.000 and 17.000 convertible marks shall be imposed on PIF management company if:

1. in addition to founding and fund management activities, it performs other activities (Article 2);
2. it effects division, merger or acquisition of a company, i.e. fund without Commission's approval (Article 4, paragraph 1);
3. it applies general enactment which has not been approved by the Commission (Article 4, paragraph 3);
4. it registers in the court registry or acts in legal trade without authorization, using in its title terms: "company", i.e. "fund" (Article 6);
5. it fails to inform the Commission on change of Company's shareholder within the prescribed period of time (Article 8, paragraph 4);
6. it uses and manages fund's assets contrary to provisions of Article 12b paragraph 2 of this Law;
7. within prescribed period of time, it fails to pass and submit to the Commission the enactment pursuant to Article 12b, paragraphs 3 and 4 of this Law;
8. it fails to maintain the register pursuant to the Article 13 of this Law;
9. it acts contrary to the provisions of Article 13a of this Law;
10. it is direct or indirect owner of shares contrary to the prescribed conditions (Article 14);
11. it acts contrary to the provision of the Article 14c of this Law;
12. it acquires or sells shares contrary to the prescribed conditions (Article 15);
13. it calculates and collects annual amount of the commission contrary to the Article 16 of the Law;
14. it fails to record assets, liabilities, income and expenditures of a Fund separate from assets, liabilities, income and expenditures of a Company (Article 17);
15. it conducts activities contrary to the prescribed conditions pursuant to the Article 18 of the Law,
16. it publishes prospectus prior to its approval (Article 27);

17. it exchanges vouchers for shares contrary to the prescribed procedure pursuant to the Article 30 of the Law;
18. it fails to transfer vouchers in prescribed manner and within set period of time pursuant to the Article 35 of the Law;
19. it withdraws separate funds without Commission's approval (Article 37);
20. it allocates Fund's shares contrary to the provisions of the Article 40 of the Law;
21. it fails to convene Fund's general shareholder meeting in manner prescribed by Article 44a and 44b of the Law;
22. it disposes with Fund's shares prior to their quotation on stock exchange or other regulated public markets (Article 47 paragraph 1);
23. it borrows on behalf of Fund in manner contrary to the provisions of the Article 47 of the Law;
24. it invests vouchers of Fund's assets contrary to the prescribed conditions pursuant to the Article 48 of the Law;
25. it invests in securities contrary to the provisions of the Article 48a of the Law;
26. it invests Fund's assets contrary to the provisions of the Article 49 of the Law;
27. it fails to convene Fund's general shareholder meeting and if it fails to submit for adoption the prescribed documents (Article 50a);
28. it calculates and collects management commission and costs contrary to the provisions of the Article 51a of the Law;
29. it fails to report to the Commission, shareholders and public in accordance with prescribed requirements and if it fails to submit to the Commission financial statements and audit reports (Article 54);
30. it cancels or terminates fund management contract without Commission's approval or if it fails to submit to the Commission the report on fund management (Article 55).

A pecuniary penalty ranging between 3.000 and 15.000 convertible marks shall be imposed on Custodian if:

1. it conducts custodian services for a fund without Commission's license (Article 57a);
2. it conducts custodian services contrary to the provisions of the Articles 57b and 57c of the Law.

A pecuniary penalty ranging between 300 and 1.500 convertible marks shall be imposed on natural or legal entity if:

1. it founds a company, i.e. fund without Commission's license (Article 4 paragraph 1);
2. it uses fund's assets and fund management contrary to the provisions of Article 12b paragraph 2 of the Law;

3. it fails to report data in order to prevent conflict of interest pursuant to the Article 13 of the Law;
4. it acts contrary to the provisions of the Article 13a of the Law;
5. it acquires shares of a Fund contrary to the provisions of the Article 14a of the Law;
6. it acts contrary to the provision of the Article 14b of the Law;
7. it acts contrary to the provisions of the Article 14c of the Law;
8. without authorization, it discloses or makes available company or fund's data that are considered to be a business secret pursuant to the Article 18 paragraph 2 of the Law.

A pecuniary penalty ranging between 500 and 1.700 convertible marks shall be imposed upon the responsible person from the fund management company for the offence set out in paragraph 1 of this Article.

A pecuniary penalty ranging between 500 and 1.700 convertible marks shall be imposed upon the responsible person from the custodian for the offence set out in paragraph 2 of this Article.

A pecuniary penalty in amount of 1.000 convertible marks shall be imposed upon the responsible person in legal entity for the offence set out in paragraph 3 of this Article.

## **V – STATUTE OF LIMITATION**

### **Article 58a**

The misdemeanor proceedings for the offences provided for in this Law may not be initiated or processed after the lapse of period of five years following the date when the offence was committed.

## **V – TRANSITIONAL AND CLOSING PROVISIONS**

### **Article 59**

Regulations necessary for the implementation of this law shall be passed within the period of 90 days from the day on which this Law comes into force.

### **Article 60**

This Law shall enter into force on the eighth day of its publication in the Official Gazette of the Republic of Srpska.

As owner of shares issued by an enterprise in which a Company invested vouchers on behalf and for account of a Fund, a Fund is registered in the court register and Central Registry of Securities, on the basis of corrected notification on completed privatization with the list of shareholders, as addendum, which is issued by the Privatization Directorate, stating that A fund is owner of those shares.

The Privatization Directorate is obliged to submit notification and list of shareholders pursuant to the previous paragraph of this Article to the enterprise, a Company, Central Registry of Securities and the Securities Commission, latest within 30 days after this Law comes into force.

Based on notification and addendum pursuant to the paragraph 1 of this Article, enterprise in which Fund owns shares shall register a Fund as an owner in the court register within 15 days after receipt of the notification issued by the Privatization Directorate.

Enterprise submitting application for registration of amended data in the court register pursuant to the previous paragraph shall be exempt from paying a court tax.

Central Registry of Securities shall register free of charge all enterprises pursuant to he paragraph 1 of this Article that are registered as joint stock companies, as well as their shares owned by Fund, within 15 upon receipt of the notification.

Companies with registered capital lower that minimum prescribed amount of registered capital on the day on which this Law enters into force are obliged to harmonize the amount or registered capital with provisions of this Law and to register it in the court register, latest within six months after the date on which this Law enters into force.

Structure of the management and supervisory board of a Company and a Fund must be harmonized with provisions of this Law latest within six months after the date on which this Law enters into force.

Company is obliged to adopt and submit to the Commission the enactment pursuant to the Article 126 paragraph 3 of the Law, latest within 60 days after the date on which this Law enters into force.

General enactment of a Company and a Fund must be harmonized with provisions of this Law latest within three months after the date on which this Law enters into force.

Individual pursuant to the Article 12b paragraph 1, items 1, 2, 3, 4 and 5 of the Law owning shares contrary to the limits pursuant to the Article 13a of the Law on the date on which this Law enters into force is obliged to sell those shares latest within three months after the date on which this Law enters into force.

Should the individual pursuant to the Article 12b paragraph 1, items 1, 2, 3, 4 and 5 of the Law fail to fulfill obligation pursuant to the paragraph 1 of this Article within prescribed period of time, its shares shall not carry votes. Voting right deriving from the ownership of aforesaid shares shall be blocked on the ownership account maintained in the Central Registry of Securities, on the basis of Commission's decree.

Fund is obliged to harmonize the portfolio structure in accordance with the Articles 48 and 48a of the Law, latest within six months after the date on which this Law enter into force.

In the event that Fund fails to fulfill the obligation regarding harmonization of portfolio structure pursuant to the Article 48a of this Law within the prescribed period, its shares shall not carry votes. Voting right deriving from the ownership of aforesaid shares shall

be blocked on the ownership account maintained in the Central Registry of Securities, on the basis of Commission's decree.

A Company is committing an offence if it fails to act in accordance with the provisions of the Article 37 of this Law within prescribed period of time.

Provision of the Article 58 paragraph 1 of this Law shall apply to offences pursuant to the previous paragraph of this Article.

The Commission is obliged to harmonize its general enactment with this Law latest within six months after the date on which this Law enters into force.

Proceedings initiated prior to the enforcement of this Law shall be concluded in accordance with provisions of the Law on privatization investment funds and PIF management companies ("RS Official Gazette", No. 24/98 and 63/02).

Legislation Board of the RS National Assembly is authorized to determine a consolidated text of the Law on privatization investment funds and PIF management companies.

This Law shall enter into force on the eighth day of its publication in the Official Gazette of the Republic of Srpska.

President of the National Assembly

sgd., **Dragan Kalinic**

*This version of the consolidated text of the Law is unofficial and was prepared only for the purpose of more convenient reading of the Law. Banja Luka Stock Exchange bears no responsibility for possible damage that could be inflicted due to the incompleteness and incorrectness in this text of the Law.*