

**LAW
ON FUNDS MANAGEMENT COMPANIES
AND INVESTMENT FUNDS**

I GENERAL PROVISIONS

Article 1

This Law regulates the conditions and method of founding and operating Funds Management Companies (hereinafter: the Company) and of Mutual and Investment Funds (hereinafter: the Fund), as well as Privatization Investment Funds Management Companies (hereinafter: the Privatization Company) and of funds that are founded and operated as intermediaries in the realization of citizens' claims in the privatization process (hereinafter: the Privatization Fund).

Article 2

Companies and Funds are founded for the purpose of collecting financial assets and collective investment, based on the principles of minimizing and dispersion of risk as well as professional management of a Fund and they may not perform any other activities.

Article 3

A Company and a Fund perform the activities of collective investment through professional intermediaries, in compliance with the Law and other regulations which regulate the issuance and trade of securities.

Article 4

A Fund may not issue bonds.
A Fund may not grant loans from its assets.

Article 5

The laws regulating the establishment, operations and termination of an enterprise. are applied to the Company and the Fund, unless otherwise determined by this Law.

II COMPANY

1. Definition

Article 6

A Company is an enterprise whose exclusive activity is to manage the Funds.
A Company is founded and operated as a Joint Stock Company or a Limited Liability Company.

Provisions of the law that regulate the founding, operations and termination of enterprises are applied to the composition, appointment/election, competencies as well as method of decision making and work of the bodies of the Company, unless otherwise determined by this Law and by the regulations of the Securities Commission in the Federation of Bosnia and Herzegovina (hereinafter: Commission).

Article 7

A Company is entered in the registry with the Commission.

2. Founding

Article 8

The company may be founded by domestic or foreign natural or legal entities.

Domestic legal entities and persons related thereto pursuant to the provisions of this Law, whose equity is 50% or more state/socially-owned may not be founders nor may they acquire the shares of the Company.

A foreign natural person or legal entity may, directly or indirectly, own more than 10% of the shares or holdings of the Company, based on the approval of the Commission.

The commercial name of the Company must contain the words: “The Funds Management Company.”

Article 9

Members of the Company’s management must possess adequate qualifications, professional knowledge and experience in the area of finance.

The Commission may prescribe the conditions and criteria to be met by persons from paragraph 1 of this Article, the method of verification of their qualifications and the obligation for the registration of these persons with the Commission.

Article 10

The license for founding the Company, upon the request of the founder[s], is issued by the Commission.

Along with the request for obtaining the license the following is submitted:

- 1) the Founding Charter, with the documents on founders identification;
- 2) evidence of payment of the equity; or
- 3) evidence of fulfillment of the requirements from Article 9 of this Law.

Article 11

The Commission is required to decide on the request from Article 10 of this Law within 30 days from the day the request is received.

The Commission is required to give the reasons that the request was rejected.

If the Commission does not pass the resolution upon request, within the period from paragraph 1 of this Article, it will be considered that the establishment of the Company is approved.

Based on the Commission's resolution or within 7 days from the occurrence of circumstances from paragraph 3 of this Article, the Company is entered in the registry with the Commission.

3. Equity and Shares

Article 12

The amount of equity of the Company that manages a single Fund is, at least, 1,000,000 (one million) Convertible Marks (KM).

When founding the Company the amount of equity from paragraph 1 of this Article must be paid entirely in cash.

Article 13

A Company is required to increase the equity from Article 12 of this Law by 250,000 (two-hundred fifty-thousand) KM for each additional Fund that it will manage.

The increase of the equity from paragraph 1 of this Article must be paid entirely in cash before each new Mutual Fund is formed or prior to the conclusion of the Management Contract with each new Investment Fund.

Article 14

A Company organized in the form of a Joint Stock Company is founded through subscription and payment of all shares by the founder[s].

Shares of the Company are registered shares and they are transferable.

III MANAGEMENT OF THE FUND

1. Management License

Article 15

A Company is required to obtain a license from the Commission for the management of the Fund (hereinafter: the License) before each Mutual Fund is founded and prior to conclusion of the Management Contract for each Investment Fund.

Article 16

The Commission issues the License upon a written request of the Company, which contains the commercial name and domicile of the Company with the

information on the founders and the Fund for whose founding the License is requested.

Along with the request from paragraph 1 of this Article, the Company must enclose:

- 1) excerpt from the Commission's registry for the Company;
- 2) the By-laws of the Company;
- 3) evidences of technical equipment of the Company; or
- 4) the contract with the organization that performs the activities of registration, safekeeping and maintenance of information on securities and securities transfer which is determined by a special law (hereinafter: the Registrar), that regulates the performance of the above-mentioned activities on behalf of the Investment Fund for whose founding the License is required;
- 5) the contract with the bank, through which, the payments for investment coupons of the Mutual Fund or shares of the Investment Fund for whose founding License is required, and the liabilities towards the owners of the investment coupons or shares will be executed (hereinafter: the Depository);
- 6) other documentation and evidences determined by the regulations of the Commission.

Article 17

The Commission is required to decide upon the request of the Company from Article 16 of this Law within 30 days from the day the request was received.

Article 18

The Commission may revoke the License if it establishes that the Company violated the provisions of this Law and the regulations of the Commission which regulate the following:

- 1) investment limits;
- 2) prohibition of securities trading between the Company and the Fund and persons related to them;
- 3) obligation of registering securities transactions by affiliated persons in a Company and a Fund, pursuant to provisions of the Law regulating the issuance and trade of securities.

Article 19

In cases from Article 18 of this Law, the Commission shall issue a written resolution to initiate the procedure to revoke the License and appoint a temporary administrator for each Fund managed by the Company.

The resolution from paragraph 1 of this Article must contain the reasons for initiating the procedure to revoke the License as well as evidence on which the reasons of the Commission have been established. Article 20

A Company may submit an appeal to the Commission against the resolution from Article 19 of this Law, within 15 days from the day the resolution was received.

Along with the appeal from paragraph 1 of this Article, the Company is required to enclose evidence proving the statements contained in the appeal .

Article 21

The Commission may suspend the procedure to revoke the License, provided that the reasons for revoking the License ceased to exist or they were eliminated after initiating the procedure or if the Company's appeal was sustained by the Commission.

Article 22

The Commission is required to pass the resolution on suspension or revocation of the License within 15 days either from the day when the appeal was received or after the Company's objection deadline from Article 20 of this Law expires provided the Company did not submit an appeal .

The resolution [administrative proceeding] from paragraph 1 of this Article is final.

The resolution from paragraph 1 of this Article may be contested in the administrative dispute procedure at the Supreme Court of the Federation of Bosnia and Herzegovina.

Article 23

The resolution on revocation of the License must contain:

- 1) the commercial name and the domicile of the Company, date of issuance and number of the License;
- 2) the commercial name and the domicile of the Fund for which License is revoked;
- 3) the reasons for revocation of the License and evidences on which the reasons thereof are based;
- 4) the appointment of a temporary administrator of the Fund and an order to the Depository related to the management of the Fund's assets.

Article 24

The Commission is required to deliver the resolution from Article 23 of this Law to the Company, Depository, Registrar, temporary administrator and Supervisory Board of the Investment Fund, within eight days from the day it was passed.

A Company is required to announce the resolution from paragraph 1 of this Article, in at least one domestic daily newspaper, within eight days from the day the resolution was received.

2. Record Keeping of Financial Information

Article 25

A Company is responsible for recording assets, liabilities, income and expenditures of the Fund separately from assets, liabilities, income and expenditures of the Company.

A Company that manages several Funds, is required to ensure the separate recording of the assets, liabilities, income and expenditures of each individual Fund.

3. Limits of Investing and Borrowing

Article 26

A Company, members of the Supervisory Board, members of the Company's management and the Director of the Fund managed by the Company, may not directly or indirectly, be the owners of shares or holdings of:

- 1) other Companies;
- 2) the Registrar;
- 3) the Depository;
- 4) professional intermediary that performs activities for the account of the Company or the Fund managed by the Company; or
- 5) shareholders of the Company.

Article 27

A Company may not, directly or indirectly, be the owner of Investment Coupons of the Mutual Fund managed by the Company.

When finalizing the Management Contract with each Investment Fund, the Company is required to purchase Fund shares in the amount of 10% of the equity of the Company.

While managing the Investment Fund, the Company may not sell shares from paragraph 2 of this Article.

A Company may not acquire new shares of the Investment Fund that it manages.

Article 28

For the purpose of maintaining the liquidity of the Mutual Fund that it manages, the Company may enter into loans for the account of the Mutual Fund, in the amount of 10% of the Fund asset value on the day when the loan is approved up to the six-month maturity period.

A Company may not take loans from paragraph 1 of this Article from its shareholders.

An Investment Fund may take loans if it is explicitly specified in the License.

Article 29

In order to prevent conflicts of interest, the Company's shareholders, members of the Management, employees and natural persons that perform activities based on the contract with the Company, are required to report to the Company any purchase or sale of securities of the issuers from Article 26 of this Law and Investment Coupons of the Mutual Fund managed by the Company, including the date of purchase or sale, number and price of purchased or sold securities.

Article 30

A Company is required to enter the information from Article 29 into a separate registry, that must contain:

- 1) first name and surname of the person from Article 29 of this Law and his/her relation with the Company;
- 2) date of purchase or sale;
- 3) number and price of purchased or sold securities;
- 4) date of receipt of the purchase/sale report(notification).

A Company is required to present the registry from paragraph 1 of this Article to persons who are authorized to supervise the Company's operations and of other persons who have a legal interest, in accordance with regulations of the Commission.

The Company is required to maintain the information from paragraph 1 of this Article in the registry and keep it for five years from the day when the capacity of persons from Article 29 ceased to exist.

4. Depository

Article 31

The Company is required to enter into a contract with the Depository, in accordance with the regulations of the Commission.

The Contract from paragraph 1 of this Article is approved by the Supervisory Board of the Investment Fund on behalf of the Investment Fund.

Article 32

The Contract from Article 31 of this Law must regulate:

- 1) safekeeping of the Fund's assets;
- 2) receipt of payments from the sale, and disbursements for the redemption of the Mutual Fund Investment Coupons;
- 3) receipt of payments for the Investment Fund shares;
- 4) determination of the net asset value of the Fund and of the Mutual Fund Investment Coupons;
- 5) execution of the Company's orders;
- 6) accountability of the Depository for conducting the sale and redemption of the Mutual Fund Investment Coupons, and issuance of the Investment Fund shares in accordance with the Law, regulations of the Commission and rules of the management of the Mutual Fund or the Management Contract of the Investment Fund;
- 7) informing the Company on all operations related to the Fund's assets;

- 8) distribution of the Investment Fund dividends; and
- 9) collection of securities gains in the Fund's assets.

The Depository is authorized to collect the accounts receivable of the owners of the Mutual Fund Investment Coupons.

A Company may, by virtue of a contract, authorize the Depository to perform other administrative and technical activities related to the management of the Fund.

The Depository is required to reject the execution of the Company's order that it considers not to be in compliance with the Law, regulations of the Commission and the By-laws of the Investment Fund or rules of the management of the Mutual Fund.

Article 33

The Depository is responsible to conduct all activities specified by the Contract with the due diligence of a prudent businessman .

The Depository is accountable to the Company, owners of the Mutual Fund Investment Coupons and shareholders of the Investment Fund for losses incurred due to failure or improper fulfillment of the obligations arising from the contract finalized with the Company.

A Company is entitled to, on behalf of all owners of the Mutual Fund Investment Coupons and shareholders of the Investment Fund, file a lawsuit for indemnity, in accordance with paragraph 2 of this Article.

If the Company does not file the lawsuit from paragraph 3 of this Article within 30 days from the day of receipt of the request from the owner/s of the Mutual Fund Investment Coupons or from the Investment Fund shareholders, the lawsuit may be filed by the owner of the Mutual Fund Investment Coupons or the Investment Fund shareholder who suffered the loss.

Article 34

The Depository is required to enter into a contract for performing the payment operations with the organization which performs payment operations relative to the operations of the Fund.

Article 35

The Company and the Depository act independently, in a way which ensures the maximum benefits to the owners of the Mutual Fund Investment Coupons and the Investment Fund shareholders.

IV MUTUAL FUND

1. Definition

Article 36

The Mutual Fund is an open - end fund, which is not a legal entity.

The Mutual Fund is assets comprised of transferable securities.

The Mutual Fund is divided into equal units.

The Mutual Fund issues the Investment Coupons, that are the certificates of ownership over the units in the Mutual Fund.

2. Investment Coupon

Article 37

The Investment Coupon is issued and exist in the form of the electronic record at the Registrar and must contain:

- 1) the commercial name and domicile of the Company and commercial name of the Mutual Fund;
- 2) the serial number of the Investment Coupon;
- 3) the total number of units in the Mutual Fund;
- 4) the number of units that the Investment Coupon represents;;
- 5) the first name and surname or commercial name and address of the domicile of the Investment Coupon's owner;
- 6) the designation on non-transferability of the Investment Coupon;
- 7) the obligations of the issuer and rights of the owner of the Investment Coupon;
- 8) the place and date of purchase; or
- 9) the names of accountable persons of the Company.

Article 38

By purchasing the Investment Coupon, the natural person or legal entity becomes an owner of a proportionate part of the Mutual Fund.

Payment for the Investment Coupon is made exclusively in cash.

The Investment Coupon represents one or more units in the Mutual Fund.

The Investment Coupon is registered and intransferable in legal transactions inter vivos.

Article 39

The Investment Coupon contains the following rights:

- 1) proportionate participation in the net asset value of the Mutual Fund;
- 2) disbursement and redemption of the Investment Coupon at any time ;
- 3) withdrawal from the Mutual Fund by redemption of the Investment Coupon.

Article 40

The value of an unit in the Mutual Fund is determined by the ratio of the net asset value to the total number of units outstanding.

The value of an Investment Coupon is determined by the number and a net value of the Mutual Fund unit that the Investment Coupon represents .

The method of calculation of the daily net asset value and average annual net asset value is determined by the Commission's regulations.

Article 41

The request for the redemption of the Investment Coupon is submitted to the Company through the Depository, on a special form in compliance with the rules on the management of the Mutual Fund.

The Company is required to redeem the Investment Coupon in cash, according to the value on the day of redemption reduced by the costs of redemption, within five working days following the day of receipt of the request from paragraph 1 of this Article.

The Company makes payment based on the redemption of the Investment Coupons in accordance with the order of receipt of requests from paragraph 1 of this Article.

Article 42

The natural person or legal entity may not, directly or indirectly, be an owner of more than 5% of the total number of units outstanding in the Mutual Fund.

The Registrar is required to inform the Company on a monthly basis on the acquisition of units in excess of the limit from paragraph 1 of this Article.

The Company is required to redeem the Investment Coupons in excess of the limit from paragraph 1 of this Article, within 30 days from the day of receipt of Registrar's notification on the acquisition of share exceeding the limit.

3. Establishment of the Mutual Fund

Article 43

The Company establishes the Mutual Fund by adopting the rules on management of the Mutual Fund and by concluding the contract with the Registrar and Depository.

The Mutual Fund is established through the sale of Investment Coupons in the amount of at least 1,000,000 (one million) KM.

Article 44

The Company may issue Investment Coupons based on the possession of the License for Management of the Mutual Fund.

The License is issued by the Commission, based on the written request made by the Company which contains the commercial name and domicile of the Company, with information on founders and information on the Mutual Fund for which the License is required.

Along with the Request from paragraph 1 of this Article, the Company is required to enclose:

- 1) the excerpt from the Commission's registry for the Company;
- 2) the By-laws of the Company;
- 3) the evidence on technical equipment of the Company; or
- 4) the contract with the Registrar;
- 5) the contract with the Depository;
- 6) the rules on management of the Mutual Fund;

- 7) the Investment Coupon Prospectus; and
- 8) the other documents and evidence determined by the regulations of the Commission.

Article 45

The rules on management of the Mutual Fund must contain:

- 1) the commercial name and domicile of the Company and of the Mutual Fund;
- 2) the commercial name and domicile of the Registrar and Depository;
- 3) the method and place of sale and payment for Investment Coupons;
- 4) the goals of the Mutual Fund investment policy;
- 5) the method of determination of the net value of the Mutual Fund unit;
- 6) the method of public announcement and notification of the Investment Coupons owners on the operations of the Mutual Fund;
- 7) the procedure for the redemption of Investment Coupons;
- 8) type, amount and method of the calculation of commission and fees that are paid to the Company;
- 9) the procedure for amending the rules on the Mutual Fund management; and
- 10) the procedure for the Mutual Fund liquidation.

Article 46

Rules and their amendments are approved by the Commission.

Rules must be available free of charge at all places that are specified for the sale of Investment Coupons.

Rules from paragraph 1 of this Article are accepted by payment for the Mutual Fund Investment Coupon.[coupon holder]

Article 47

The Commission is required to pass a resolution upon a request from Article 44 of this Law, within 30 days from the day the request is received.

If the Commission does not pass a resolution on the request of a Company for issuing the License for the issuance of Investment Coupons within the period from paragraph 1 of this Article, the license will be considered granted.

Article 48

The Company is required to announce the public invitation to buy [initial subscription to sell] Investment Coupons, not later than eight days from the day when the License is received.

The public invitation from paragraph 1 of this Article must contain:

- 1) the commercial name and domicile of the Company and Mutual Fund;
- 2) the commercial name and domicile of the Registrar and Depository;
- 3) the excerpt from the rules on the management of the Mutual Fund;
- 4) the method and place of sale and payment for the Investment Coupons;
- 5) the rights attached to the Investment Coupon; and

- 6) the procedure for the redemption of Investment Coupons.

4. Management of the Mutual Fund

Article 49

The Company manages the Mutual Fund on its own behalf and for the account of the owners of Investment Coupons.

The Company must not purchase for its own account securities that are purchased for the account of the Mutual Fund and must not sell to the Mutual Fund securities that are purchased for the account of the Company.

Article 50

The Company may, related to management of the Mutual Fund, authorize other legal entities to act only as a Depository or an intermediary in trading securities.

Article 51

The Company is required to follow information on the issuers of securities in the Mutual Fund portfolio.

The Company is required to keep at least 5% of the Mutual Fund assets in cash and securities with a maturity date less than six months.

Article 52

The Company is liable for any loss suffered by the owners of an Investment Coupon due to the conduct of the Company that is in contravention of the provisions of Article 51 of this Law and due to the sale of securities from the Mutual Fund portfolio to the buyer whose insolvency was known or should have been known to the Company.

The rules on the management of the Mutual Fund may not restrict the liability of the Company from paragraph 1 of this Article.

Article 53

The Company has the right to a management fee for managing the Mutual Fund and compensation for the costs of the sale and the redemption of the Investment Coupons.

The annual amount of the management fee from paragraph 1 of this Article may not be higher than 2% of the average annual net asset value of the Mutual Fund.

The amount of compensation from paragraph 1 of this Article may not be higher than 3% of the average annual net asset value of the Mutual Fund.

Article 54

The Company has the right to be reimbursed by the Mutual Fund for the following costs:

- 1) the services of the Registrar;
- 2) the services of the Depository;
- 3) the purchase and sale of securities for the account of the Mutual Fund;
- 4) the market research and publishing the prospectus and the public invitation for the sale of Investment Coupons;
- 5) other costs that are individually determined by the rules on the management of the Mutual Fund, in accordance with the rules of the Commission;

Except for the costs specified in paragraph 1 of this Article, the Company has the right to compensation for the costs related to the interest on loans that are taken for the account of the Mutual Fund.

Article 55

The Company may, by contract, transfer the management of the Mutual Fund to another Company, based on the written agreement of 70% of unitholders in the Mutual Fund and with the approval of the Commission.

Article 56

The Company is required to inform, in writing, the unitholders of the Mutual Fund on the essential elements of the contract for the transfer of management, including their rights related to the transfer.

The unitholder that does not make a written statement opposing the contract for the transfer of management within 15 days from the day when the notification from paragraph 1 of this Article was received, will be considered to have agreed to the contract for the transfer of the management of the Mutual Fund to another Company.

Article 57

The Company is required to transfer the management of the Mutual Fund to another Company, upon the written request of owners of a minimum of 50% of unitholders of the Mutual Fund.

Article 58

The Company is required to submit to the Commission, a request for the approval of the transfer of the management to the other Company.

Provisions of this Law that are related to the procedure for the issuance of the License for the management of the Mutual Fund will apply to the approval for the management transfer.

5. Investment Limits

Article 59

The Company may, for the account of the Mutual Fund, purchase long-term and short-term securities of domestic and foreign issuers that are traded on the Stock Exchange or other regulated public markets.

The ratio of the participation of the securities listed on the Stock Exchange to securities that are traded on other regulated public markets in the Mutual Fund portfolio is prescribed by the Commission.

Article 60

The Company may, for the account of the Mutual Fund, purchase securities of foreign issuers that are traded on the Stock Exchange in the Federation of Bosnia and Herzegovina (hereinafter: Federation).

Securities from paragraph 1 of this Article may not make up more than 10% of the Mutual Fund portfolio.

Article 61

Securities of a single issuer may not make up more than 5% of the Mutual Fund portfolio.

Securities of a single issuer and of persons related to it pursuant to provisions of Article 102, paragraph 3 of this Law, may not make up more than 10% of the Mutual Fund portfolio.

The Mutual Fund may not hold in its portfolio more than 10% of all securities of an issuer.

Mutual Funds that are managed by the same Company may not hold jointly more than 50% of the total amount of securities outstanding issued by an issuer.

Article 62

Bonds of Bosnia and Herzegovina, the Federation, cantons, cities and municipalities may jointly make up, at most, 50% of the Mutual Fund portfolio.

Bonds from paragraph 1 of this Article of a single issuance may make up, at most, 25% of the Mutual Fund portfolio.

Article 63

The Company may not, for the account of the Mutual Fund, purchase the securities whose issuer is:

- 1) a Fund;
- 2) a Company;
- 3) a Registrar;
- 4) a Depository;
- 5) a professional intermediary that performs activities for the Company that manages the Mutual Fund; or
- 6) a legal entity that, directly or indirectly, holds more than 10% of shares or units of the Company that manages the Mutual Fund.

6. Liquidation

Article 64

The procedure of liquidation of the Mutual Fund is initiated in the following cases:

- 1) when the Company's License is revoked;
- 2) when bankruptcy or liquidation procedure have been initiated for the Company;
- 3) when the average annual net asset value of the Mutual Fund for the two consecutive business years is less than 1,000,000 (one million) KM;
- 4) in other cases determined by the rules on the management of the Mutual Funds, in accordance with the law and regulations of the Commission.

The unitholder in the Mutual Fund and his/her creditor may not individually request payments from the Mutual Fund assets or its liquidation.

Article 65

In a case from Article 64 paragraph 1 Item 1 and 2 of this Law, the Commission may, in lieu of initiating the liquidation procedure, pass a resolution on the transfer of the management of the Mutual Fund to another Company willing to take over the management.

In a case from paragraph 1 of this Article, the Commission determines a [custodian] bank that will conduct all activities related to the Mutual Fund assets.

Article 66

The resolution on initiating the liquidation procedure in cases from Article 64, paragraph 1, Item 1 and 2 of this Law is passed by the Commission, unless within 60 days the transfer of management of the Mutual Fund to another Company is effected.

The resolution on initiating the liquidation procedure in cases from Article 64, paragraph 1, Item 3 and 4 of this Law is passed by the Company.

The Company is required to announce the resolution from paragraphs 1 and 2 of this Article in at least one domestic daily newspaper and to notify in writing the unitholder of the Mutual Fund on the resolution, within eight days from the day when the resolution was passed.

Article 67

Redemption of the Investment Coupons may not be made from the day of the resolution from Article 64 was announced.

Article 68

After the announcement of the resolution from Article 64 of this Law, the Company is required to convert into cash the assets of the Fund in a manner by which the interests of the unitholders are best protected .

Assets from paragraph 1 of this Article are used in the following order for:

- 1) redemption of Investment Coupons;
- 2) compensation of costs to the Company;

- 3) liquidation costs compensation, in compliance with the rules on the management of the Mutual Fund, the Law and the regulations of the Commission.

The Company is not entitled to charge any commission for management of the Mutual Fund for the year when the liquidation procedure is initiated.

The Company is not entitled to be compensated for the costs of redemption of the Investment Coupons in the Mutual Fund liquidation procedure.

V INVESTMENT FUND

1. Definition

Article 69

The Investment Fund is a Joint Stock Company whose exclusive activity is pooling financial assets and investing in transferable securities as well as any other investment for the purpose of making a profit.

2. Founding

Article 70

A Company is the sole founder of an Investment Fund.

A Company enters into a Management Contract for the Investment Fund with the Supervisory Board of the Investment Fund.

Article 71

The Investment Fund is founded through subscription of shares based on a public offering.

Public offering of the Investment Fund shares is effected on the basis of a License for the founding of the Investment Fund (hereinafter: License).

Article 72

The License is issued by the Commission upon the written request of the Company, which must contain the commercial name and domicile of the Company, including information on founders, commercial name and domicile of the Investment Fund and the full names of members of the first Supervisory Board of the Investment Fund for whose founding the License is required.

Along with the request from paragraph 1 of this Article, the Company must enclose:

- 1) the excerpt from the Commission's registry for the Company;
- 2) the By-laws of the Company;
- 3) the evidence on technical equipment of the Company;
- 4) the Management Contract of the Investment Fund;
- 5) the contract finalized with the Registrar;
- 6) the contract finalized with the Depository;

- 7) the By-laws of the Investment Fund;
- 8) the prospectus for the public offering of the Investment Fund shares;
- 9) the resolution on the appointment of the first Supervisory Board of the Investment Fund, with biographies and evidence of the professional experience of members;

- 10) other documentation and evidence determined by the regulations of the Commission.

Article 73

The Commission is required to pass the resolution on the request from Article 72 of this Law, within 90 days from the day when the request was received.

Article 74

At the time of founding the Investment Fund, the Company is required to publicly announce the prospectus for the Investment Fund shares, in accordance with the Law and regulations of the Commission.

Article 75

A Company has the right to be reimbursed for the costs of founding the Investment Fund, by including into the price of shares the amount determined by the regulations of the Commission up to 2% of the Investment Fund equity.

3. Equity

Article 76

The equity of the Investment Fund amounts to at least 4,000,000 (four million) KM.

After the Investment Fund has been founded, the equity may be increased through the issuance of new shares based on the License of the Commission.

The purpose of an investment is to make a profit.

Article 77

Shares of the Investment Fund must be paid entirely in cash, before being entered into the registry with the Commission.

All shares of the Investment Fund are of the same class.

The Investment Fund may not acquire its own shares.

Shares of the Investment Fund must be listed on the Stock Exchange in accordance with the Law on Securities.

Article 78

A natural person or legal entity may not, directly or indirectly, be the owner of more than 5% of shares of the same Investment Fund.

The Registrar is required to, on a monthly-basis, inform the Company of the acquisition of shares exceeding the limit from paragraph 1 of this Article.

A person that acquired Investment Fund shares that exceed the limit from paragraph 1 of this Article, has no right to participate in profit and may not exercise other rights attached to shares, exceeding the limit from paragraph 1 of this Article.

4. By-laws and Bodies of the Investment Fund

Article 79

The Investment Fund has By-laws.

Besides the issues that are regulated by the Law which governs the founding, operations and termination of an enterprise, the By-laws of the Investment Fund must regulate the investment policy of the Investment Fund.

Article 80

The Investment Fund has a Supervisory Board.

The Supervisory Board represents the Investment Fund in its relations with the Company.

The Supervisory Board consists of at least three members who must have tertiary education in Economics or Law sciences and several years of relevant professional experience.

The persons who are members of bodies or employees of the Company, Registrar or Depository may not be elected to the Supervisory Board.

The first Supervisory Board, with a term of office until the first session of the Investment Fund Shareholder Meeting, is appointed by the Company.

Article 81

The Investment Fund has a Director.

The Director represents the Investment Fund except on those issues for which the Supervisory Board is responsible.

The Director is appointed and dismissed by the Investment Fund Supervisory Board.

5. Rights and Obligations of The Company with Regard to Management of The Investment Fund

Article 82

The Investment Fund is managed by the Company by virtue of the Management Contract whereby it takes the responsibility to conduct all activities of managing the Investment Fund assets on behalf of and for the account of the Investment Fund.

A Company is required to manage the Fund in the interest of the Investment Fund shareholders, and in accordance with the highest professional standards.

A Company may, in managing the Investment Fund, authorize other legal entities to act only as Depositories or intermediaries in securities trading, in accordance with the Law and regulations of the Commission.

Article 83

A Company must not purchase for its own account the securities that were purchased for the account of the Investment Fund, nor may it sell to the Investment Fund securities that were purchased for its own account.

Article 84

The investment policy of the Investment Fund is determined by the Management Contract and by the annual program which, upon the Company's proposal, is adopted by the Investment Fund Supervisory Board.

The Company is responsible for any loss incurred by the Investment Fund shareholders if it does not implement the investment policy in compliance with the Management Contract and with the annual program.

The Company's responsibility from paragraph 2 of this Article may not be restricted by the Management Contract .

Article 85

The Company is required to keep track of information on the issuers of securities in the portfolio of the Investment Fund.

The Company is responsible for losses of Investment Fund shareholders incurred due to the omission of the obligation from paragraph 1 of this Article and because of the sale of securities from the portfolio of the Investment Fund to the buyer whose insolvency was or should have been known to the Company.

Responsibility of the Company from paragraph 2 of this Article may not be restricted by the Management Contract .

Article 86

The Company has to inform shareholders of the Investment Fund at least every six months on the purchase and sale of securities conducted on behalf of and for the account of the Investment Fund and the realized revenues.

The Company is required, upon the request of the Investment Fund Supervisory Board, to report on the conditions in the capital market necessary for estimating the success of investment.

Article 87

The Company is responsible for ensuring the business operations of the Investment Fund, management and functioning of the bodies of the Investment Fund and especially:

- 1) preparation of the proposal for the appointment of the Director of Investment Fund;

- 2) announcement of the value of the shares of the Investment Fund, in accordance with the regulations of the Commission;
- 3) safekeeping and maintaining of the business books and the reports of the Investment Fund;
- 4) providing the appropriate premises and staff necessary for the business operations of the Investment Fund;
- 5) administrative services necessary for the functioning of the Shareholder Meeting and the Supervisory Board of the Investment Fund; or
- 6) other conditions necessary for the successful business operations of the Investment Fund and functioning of its bodies.

Article 88

The annual and quarterly average net asset value of the Investment Fund is calculated by the Depository.

The method and mandatory deadlines for the determination of the net asset value of the Investment Fund are determined by the Commission.

Article 89

The Company prepares a proposal for the distribution of profit and executes the Shareholder Meeting resolution of the Investment Fund in that regard.

Article 90

The Company is required, upon the request of the Supervisory Board of Investment Fund, to deliver a report on the purchase and sale of securities by persons that have access to inside information, with information from Article 30 of this Law.

Article 91

The Company is entitled to a fee for managing the Investment Fund.

The annual amount of the fee is determined by the Management Contract and it may not be higher than 2% of the annual average net asset value of the Investment Fund.

Article 92

The Company is entitled to compensation for the costs of managing the Investment Fund, determined by the By-laws of the Investment Fund in accordance with the regulations of the Commission, which relate to:

- 1) services of the Registrar;
- 2) services of the Depository;
- 3) the purchase and sale of securities for the account of the Investment Fund;
- 4) market research and the publishing of the prospectus and the public invitation for sale of shares of the Investment Fund;
- 5) other costs individually determined by the By-laws of the Investment Fund, in accordance with regulations of the Commission.

The total amount of the compensation of the Company may not be greater than 3% of the average annual net asset value of the Investment Fund.

Article 93

The restriction from Article 92, paragraph 2 of this Law does not include expenses for taxes and interest on loans taken for the account of the Investment Fund with the prior approval of the Supervisory Board of the Investment Fund.

6. Termination of the Management Contract

Article 94

The Management Contract of the Investment Fund will cease to exist upon cancellation, mutual agreement on termination and by the force of law.

The Company may not terminate the Investment Fund Management Contract unilaterally.

Article 95

The Supervisory Board of the Investment Fund, upon the written request of owner[s] of at least 30% of shares of the Investment Fund, has the right to terminate the Management Contract unilaterally.

The Supervisory Board of the Investment Fund, upon the request of the owner of at least 50% shares of the Investment Fund, is required to terminate unilaterally the Management Contract .

In a case from paragraph 1 or 2 of this Article, the Supervisory Board of the Investment Fund is required to ask the Commission's approval for finalizing the Management Contract with another Company.

Cancellation of the contract becomes valid on the day when the Commission issues the permission, upon request of the Investment Fund, for finalizing the Management Contract with another Company.

Article 96

The Management Contract may be terminated by mutual agreement.

Termination of the contract by mutual agreement becomes legally valid on the day the Commission issues permission to finalize the Management Contract with another Company.

Article 97

The Management Contract ceases to exist by force of law when the Company's License has been revoked or when a bankruptcy or liquidation procedure have been initiated against the Company.

Article 98

By the resolution of the initiation to revoke the License of the Company, the Commission, at the same time, appoints a temporary administrator of the Investment Fund managed by the Company and issues the order to the Depository to conduct actions related to the management of the Fund's assets.

The Company whose License has been revoked, is required to transfer to the Depository all operations related to the management of the assets of the Investment Fund, within eight days from the day of receipt of the Commission's resolution revoking the License.

Article 99

The Supervisory Board of the Investment Fund, in a case from Article 95 of this Law, is required to submit to the Commission a request for the finalizing of a contract with another Company within 30 days from the day the Company's License has been revoked or the Commission shall initiate the liquidation procedure for Investment Fund.

7. Investment Limits

Article 100

The Investment Fund may invest in long-term and short-term securities of domestic and foreign issuers which are listed on the Stock Exchange or which are traded on other regulated public markets in the Federation.

The ratio of securities listed on the Stock Exchange and securities traded on other regulated public markets in the portfolio of the Investment Fund is regulated by the Commission.

Article 101

The Investment Fund may purchase securities of foreign issuers which are listed on the Stock Exchange in the Federation.

Securities from paragraph 1 of this Article may not comprise more than 10% of total assets of the Investment Fund.

Article 102

Securities of one issuer may not comprise more than 5% of assets of the Investment Fund.

The Investment Fund may have at most 10% of total assets in securities of one issuer and its related legal entities.

Related persons pursuant to paragraph 2 of this Article are those legal entities between which one of the following relationships exist:

- 1) one legal entity is the owner of a majority of shares of another legal entity;
- 2) each legal entity is a shareholder of the other legal entity;
- 3) they are related by contract; or
- 4) the same person is the owner of a majority of shares of both legal entities.

Article 103

The Investment Fund may not acquire, directly or indirectly, more than 10% of outstanding securities issued by a single issuer.

Investment Funds managed by the same Company may not have jointly, directly or indirectly, more than 50% of outstanding securities issued by the same issuer.

Article 104

Bonds of Bosnia and Herzegovina, Federation, Cantons, Cities and Municipalities may jointly make up at most 50% in assets of the Investment Funds.

Bonds from paragraph 1 of this Article of a single issuance may make up at most 25% of the assets of the Investment Fund.

Article 105

The Investment Fund may not invest in securities whose issuers are:

- 1) a Fund;
- 2) a Company;
- 3) a Registrar;
- 4) a Depository;
- 5) a professional intermediary who conduct operations for the Company that is managing the Investment Fund; or
- 6) a legal entity which, directly or indirectly, holds more than 10% of shares or holdings of the Company managing that Investment Fund.

8. Liquidation of the Investment Fund

Article 106

When a liquidation procedure for the Investment Fund has been initiated, the Company is required to start converting the assets of the Investment Fund into cash, within eight days from the day of initiating the procedure.

The Company is required to prepare a report which contains the value of assets of the Investment Fund, the amount of money collected through sale of assets and the amount of claims of the Company for commission and compensation for costs, within eight days from completion of converting into cash the assets of the Investment Fund.

The Company is required to transfer to the account of the Investment Fund the amount of assets converted into cash of the Investment Fund, reduced by the amount of commission and expenses, within three days from the day the report from paragraph 2 of this Article was made.

Article 107

When the Investment Fund is not able to completely fulfill its obligations for loans and taxes, the Company is liable for these obligations.

Liabilities of the Investment Fund from paragraph 1 of this Article are settled before the liabilities of the Investment Fund to the Company for commission and expenses .

The Company can not charge interest on the claims from paragraph 2 of this Article.

VI DISCLOSURE OF INFORMATION

Article 108

The Company is required to disclose the following information which related to its business operations and the business operations of Mutual and Investment Fund which it manages:

- 1) the prospectus of the Fund, in accordance with the regulations of the Commission;
- 2) a quarterly and annual report on the Fund's operations;
- 3) the report on events which significantly influence business operations of the Fund;
- 4) the report on the Fund's asset structure; or
- 5) the value of Investment Coupons of the Mutual Fund and shares of the Investment Fund.

Article 109

The quarterly report on the business operations of the Fund must contain information on:

- 1) members of the Supervisory Board and Management of the Company, and on their participation in the equity of the Company;
- 2) persons who own more than 5% of shares or holdings of the Company with voting rights;
- 3) persons related to the Company pursuant to the provision of Article 102, paragraph 3 of this Law;
- 4) resolutions of the Shareholder Meeting of the Investment Fund held in the quarter for which the report is submitted;
- 5) balance sheet and income statement of the Investment Fund at the end of quarter;
- 6) usage of capital of the Investment Fund acquired through the public offering of shares;
- 7) facts which influenced the decrease or increase in assets of the Investment Fund by more than 10% as compared with the last quarter for which a report was submitted;
- 8) facts which influenced the decrease or increase in the profit or loss of the Investment Fund by more than 10% as compared with the last quarter for which a report was submitted;
- 9) transactions in assets greater than 10% of total assets of the Investment Fund on the day of their execution;
- 10) issuance of securities conducted during the reporting period, with the designation of the type and class of securities; and
- 11) dividends and interests on securities.

The quarterly report is approved by the Supervisory Board of the Company and the Investment Fund and is delivered to the shareholders upon their request, charging them for actual printing and delivery costs.

Article 110

The Company is required to prepare the annual report of the Company and each Fund which it manages, in accordance with the law and regulations of the Commission.

The Company is required to deliver to the Commission and publish in at least one domestic daily newspapers, not later than four months after completion of a business year, and deliver to the shareholders or owners of holdings of the Company

and Fund upon their request, the annual report of the Company and the Fund, along with the audit report.

Article 111

Events which significantly influence the financial performance of the Company and Fund which it manages are:

- 1) reorganization of the Company and persons related to it;
- 2) resolution on the issuance and every commenced, terminated or completed issuance of securities of the Company and the Fund;
- 3) payments of financial liabilities to owners of the securities of the Company and the Fund;
- 4) resolution on the convening of the Shareholder Meeting of the Company or Investment Fund;
- 5) replacement of the Depository or auditor;
- 6) a single increase or decrease in the assets of the Company or Fund by more than 10%; or
- 7) a single transaction in an amount greater than 10% of value of the total assets of the Company or Fund.

The Company is required to submit a written report on every event from paragraph 1 of this Article to the Commission and publish in at least one domestic daily newspapers not later than eight days from the day the event took place.

Article 112

For every public offering of Investment Coupons of the Mutual Fund or shares of the Investment Fund, the Company is required to prepare a prospectus of Investment Coupons of the Mutual Fund or the shares of the Investment Fund in accordance with the regulations of the Commission.

The prospectus is published with the Commissions' approval.

License issued by the Commission for the establishment of the Mutual Fund or for the founding of an Investment Fund includes the approval of the prospectus.

On the basis of Commissions' approval, the Company is required to deliver the prospectus to the members of the Stock Exchange before publishing.

Article 113

The Company is required to print the prospectus and make it available to all interested parties at places for subscription of Investment Coupons of the Mutual Fund or shares of the Investment Fund.

The Company is required to publish the prospectus in at least one domestic daily newspapers, at the latest 30 days before commencement of the subscription and payment for Investment Coupons or shares.

The Company may not invite investment in the Fund and publish public promotion of the Fund before getting approval from Article 112 of this Law.

Article 114

The term “public promotion” means issuing publications or some other method of communicating with the public through newspapers, radio, television, telephone, electronic mail, notice boards, brochures, marketing materials or regular mail.

A public promotion must contain:

- 1) the commercial name and address of the domicile of the Company and Fund whose securities are being offered;
- 2) the list of places where prospectus may be obtained free of charge;
- 3) an indication that the past business operations of the Company and Fund do not guarantee future results and that the investment includes risk;
- 4) the commercial name of the professional intermediary or full name of other person responsible for the accuracy and completeness of information stated in the public promotion; and
- 5) other information determined by the regulations of the Commission.

Article 115

A public promotion must not contain:

- 1) incomplete and inaccurate information on the Company or Fund or securities which are offered for purchase and sale or the conditions thereof;
- 2) forecasts and guarantees regarding increase in value and yield on securities;
- 3) public guarantee or information on the guarantee compared with other securities; or
- 4) information on the disadvantages of professional intermediaries which participate in similar activities in securities trading or on the disadvantages of issuers of similar securities.

A person acting contrary to the provisions of paragraph 1 of this Article is required to compensate third parties for damages incurred by such actions.

Article 116

The publishing of information on a Company, Fund and securities that must be delivered to the Commission is not considered a public promotion.

The publishing of information on the completed issuance of securities or paid dividend is considered a public promotion.

If a public promotion includes information on the business operations of the Company or the Fund for the previous period, the Company is required to publish the method of determining information and period to which the information relates.

Professional intermediaries may publicly disclose information on securities and issuers only within the operations they conduct in securities trading.

Article 117

The Company is required to publish daily the value of its units in the Mutual Fund it manages, in a manner determined by the Commissions' regulation.

The Company is required to publish, in daily newspapers, the value of the shares of the Investment Fund it manages, calculated on the basis of the average quarterly net asset value of the Investment Fund, and the last quoted price of shares of the Investment Fund on the Stock Exchange.

Article 118

Persons that are members of the bodies or are employees of the Company, Fund, Registrar, Depository or professional intermediaries that conduct operations for the Company and Fund, are required to keep as a business secret all information pertaining to the intentions or business operations of the Company and the Fund, except for information which must be published and delivered to the Commission.

VII CONFLICT OF INTERESTS

Article 119

Member of the Supervisory Board and Management of the Company and the Fund may not at the same time be a member of the Supervisory Board or Management of another Company or Fund, professional intermediary or the Stock Exchange.

Article 120

Trading of securities between the following entities is prohibited:

- 1) the Company and the Fund;
- 2) the Company and legal entities which own, directly or indirectly, more than 10% of the shares or holdings of the Company;
- 3) the Investment Fund and legal entities which own, directly or indirectly, more than 10% of the shares or holdings of the Company managing that Fund; and
- 4) the Funds managed by the same Company.

Prohibitions from paragraph 1 of this Article do not refer to trading on the Stock Exchange.

Article 121

The Company is required to register, in accordance with Article 30 of this Law, any purchase and sale of Investment Coupons of the Mutual Fund and shares of the Investment Fund it manages, by the following persons:

- 1) members of the Supervisory Board and the Management and employees in the Company and persons that conduct activities for the Company on the basis of the contract;
- 2) members of the Supervisory Board of the Investment Fund it manages;
- 3) natural persons who own, directly or indirectly, more than 10% of the shares or holdings of the Company.

VIII SUPERVISING AND REPORTING

Article 122

Supervising [Regulating] the business operations of the Company and the Fund is conducted by the Commission.

The Commission is authorized to review the business books of the Fund and the Company.

Article 123

The Company is required to, in a manner and within deadlines determined by regulations of the Commission, report to the Commission on the financial performance, investments in other legal entities, shareholders and owners of holdings of the Company and the Fund and every occurrence of illiquidity of Funds managed by the Company.

Article 124

The Company is required to ensure the audit of business operations of Funds based upon annual financial statement in accordance with the law and other regulations.

IX PRIVATIZATION COMPANY AND PRIVATIZATION INVESTMENT FUND

Article 125

Provisions of this Law, with the exception of Articles 36 through 68, apply to a Privatization Company and Privatization Investment Fund, unless otherwise determined by particular provisions of this Law.

1. Privatization Company

Article 126

A Privatization Company is an enterprise formed for the purpose of managing Privatization Investment Funds.

Article 127

At the time of founding a Privatization Company, at least 50% of the equity must be paid in, and the rest up to the lowest amount of equity determined by Article 12 of this Law has to be paid in not later than two years from the day of registration of the Privatization Company in the Court Register.

The income tax base of the founder/s is reduced, for the first two business years after the foundation of the Privatization Company, for the amount of funds invested in the purchase of shares, when the Privatization Company is being formed.

Article 128

Bosnia and Herzegovina, the Federation, the Republika Srpska, Cantons, Cities and Municipalities may not be owners of shares and holdings of a Privatization Company.

Shareholders and owners of holdings of the Privatization Company may not be domestic legal entities whose equity is 50% or more state/socially-owned and persons related to them, pursuant to provision of Article 102 paragraph 3 of this Law.

Shareholders and owners of holdings from Paragraph 1 of this Article may not grant loans for founding the Privatization Company, nor may give guarantee for funds, with which the Privatization Company is founded.

Article 129

The Privatization Company may acquire shares of the Privatization Investment Fund only as part of the management fee or the compensation for costs of managing the Privatization Investment Fund.

Article 130

The Privatization Company finalizes with the Privatization Investment Fund a Management Contract on the basis of the License issued by the Commission, in accordance with provisions of this Law and regulations of the Commission.

The Commission will refuse to issue a License for the management of the new Privatization Investment Fund to the Privatization Company which already manages the Privatization Investment Funds whose total assets value is more than 20% of total assets value of all Privatization Investment Funds in the Federation.

2. Privatization Investment Fund

Article 131

A Privatization Investment Fund is founded for the purpose of the collection of certificates in the privatization process and their investment in shares or holdings of enterprises, in accordance with the Law on Privatization of Enterprises (“Official gazette of the Federation BiH”, number 27/97).

A Privatization Investment Fund is a closed-end fund.

Article 132

The equity of the Privatization Investment Fund must be at least 200,000,000 (two-hundred-million) KM.

Privatization Investment Fund shall, after its foundation, increase its equity by 5%, through the issue of new shares, with which it shall pay to the Privatization Company a part of the management fee and reimbursement of management costs.

Article 133

If the shares of Privatization Investment Fund were fully paid in before the announced deadline for the subscription and payment, the Privatization Company may, with the approval by the Commission, pass a resolution to increase the equity of the Privatization Investment Fund.

Article 134

Shares of Privatization Investment Fund are sold by the public offering of shares, in accordance with the law and regulations of the Commission, and they must be fully paid before Privatization Investment Fund registers with the Court Register.

Shares of Privatization Investment Fund may be paid in cash or by certificates from Article 131 of this Law.

The deadline for payment of shares in accordance with paragraph 1 of this Article may not be longer than three months from the day of the first announcement of the public invitation for subscription of shares.

Certificates from Article 131 of this Law, collected through the sale of its shares, the Privatization Fund may only use to purchase shares of enterprises in privatization process.

The Privatization Investment Fund is required to issue shares within 30 days after the expiration of date for entering into the Court Register.

Article 135

The Commission prescribes the conditions for the listing of shares of a Privatization Investment Fund on the Stock Exchange.

Article 136

The Privatization Company is entitled to compensation for the costs of founding the Privatization Investment Fund, up to the amount of 1.5% of equity of Privatization Investment Fund, which must be paid in shares of the Privatization Investment Fund.

CONFIRM THAT THIS MONEY IS NOT OBTAINED BY PUTTING IT INTO THE PRICE OF THE SHARES AS IS DONE WITH A NORMAL INVESTMENT FUND PURSUANT TO ARTICLE 75.

Article 137

The annual management fee of the Privatization Investment Fund may be up to 1% of average annual net asset value of the Privatization Investment Fund.

In the first five years of the business operations of Privatization Investment Fund, up to 20% of the fee from paragraph 1 of this Article is paid in shares of the Privatization Investment Fund, in accordance with the provision of Article 132 of this Law, through the annual issuance of the proportionate number of shares to the total amount of outstanding shares.

Article 138

The Privatization Company may not sell shares from Articles 136 and 137 of this Law while managing a Privatization Investment Fund and it is not entitled to voting rights attached to these shares.

In the case of cessation of the Management Contract, the Privatization Company is required to return, without compensation, the shares from Articles 136 and 137 of this Law, to the Privatization Investment Fund.

Article 139

The Privatization Investment Fund may, directly or indirectly, invest up to 20% of total value of collected certificates from Article 131 of this Law for the purchase of shares of one legal entity and legal entities related thereto, pursuant to Article 102 paragraph 3 of this Law.

Article 140

The Privatization Investment Fund may, directly or indirectly, own up to 30% of shares of one legal entity and the legal entities related thereto, pursuant to Article 102 paragraph 3 of this Law.

Article 141

The Privatization Investment Fund is required to conform in portfolio in accordance with the provisions of Article 140 of this Law within two years from the day of entry into the Court Register.

The Commission may, upon the expiration of the deadline from paragraph 1 of this Article, approve a single exchange of shares of enterprises in the portfolio of Privatization Investment Funds for the purpose of adjustment with the provision of Article 140 of this Law.

Article 142

The Privatization Investment Fund may sell shares from its portfolio, after issuing its own shares in accordance with the law and regulations of the Commission.

In the first two years of its business operations, a Privatization Investment Fund may sell shares from paragraph 1 of this Article at a price lower than 70% of nominal value only with the prior approval of the Commission.

Article 143

The provisions of Article 117 paragraph 2 of this Law are applied from the day the shares of the Privatization Investment Fund are listed on the Stock Exchange.

A Privatization Company is required to publish in a daily newspaper on a quarterly basis information on the purchase and sale of securities conducted for the

account of the Privatization Investment Fund with their respective prices, and book value of the Privatization Investment Fund.

Article 144

A Privatization Investment Fund is required to convert to an Investment Fund, in accordance with provisions of Articles 69 through 107 of this Law, within five years from the day this Law comes into force.

If Privatization Investment Fund fails to act in accordance with paragraph 1 of this Article, the Supervisory Board is required to convene the Shareholders Meeting of the Privatization Investment Fund within the next 60 days and to propose that Shareholder Meeting pass a resolution on the transformation into an enterprise or the liquidation of Privatization Investment Fund.

Article 145

If the Shareholder Meeting of the Privatization Investment Fund fails to pass a resolution, in accordance with Article 144 paragraph 2 of this Law, within the following 60 days the Commission will initiate the liquidation procedure for the Privatization Investment Fund.

X PENALTY PROVISIONS

Article 146

A fine in the amount of 5,000 to 50,000 KM for the following economic violation will be charged against:

- 1) the Company conducting activities contrary to Article 6 of this Law;
- 2) an Investment Fund founded contrary to the provisions of Articles 70 through 75 of this Law;
- 3) the Company does not record the assets of the Fund separately from the assets of the Company;
- 4) the Company redeems Investment Coupons of the Mutual Fund with deductions which are not explicitly prescribed by the By-laws or issues new ones before redeeming existing Investment Coupons;
- 5) an Investment Fund redeems or acquires its own shares;
- 6) the Company commences business operations before the fulfillment conditions from Articles 7 and 10 of this Law;
- 7) the Company fails to fulfill the conditions from Articles 26 through 28 of this Law;
- 8) the Company is the owner of Investment Coupons of the Mutual Fund it manages;
- 9) the Company transfers the shares of the Investment Fund it manages acquired in accordance with Article 27 paragraph 2 of this Law;
- 10) the Company sells at once to a single buyer more than 5% of units of the Mutual Fund;
- 11) the Company fails to redeem an Investment Coupon of the Mutual Fund upon written request of the owner;

- 12) the Company issues Investment Coupons of the Mutual Fund before obtaining the License from Article 44 of this Law;
- 13) the Company sells or buys securities contrary to the provisions from Articles 49 and 83 of this Law;
- 14) the Company acts contrary to the provisions of Article 53 of this Law;
- 15) the Company announces and applies amended rules without the approval of the Commission, contrary to the provisions of Article 43 of this Law;
- 16) the Company conducts the transfer of management to another Company contrary to the provisions of Articles 55 through 58 and Articles 94 and 95 of this Law;
- 17) an Investment Fund increases its equity contrary to the provisions of Article 76 paragraph 2 of this Law;
- 18) an Investment Fund issues preference shares contrary to the provisions of Article 77 of this Law;
- 19) an Investment Fund acquires its own shares contrary to the provisions of article 77 of this Law;
- 20) the Company unilaterally terminates the Management Contract of Investment Fund contrary to the provisions of Article 94 paragraph 2 of this Law;
- 21) an Investment Fund terminates the Management Contract contrary to the provisions of Article 95 of this Law;
- 22) the Company does not conduct actions from Article 98 paragraph 2 of this Law within the determined deadline;
- 23) the Company manages an Investment Fund contrary to the provisions of Articles 100 through 105 of this Law;
- 24) the Company fails to disclose information required by Article 108 of this Law;
- 25) the Company fails to publish the annual report in accordance with provisions of Article 110 of this Law;
- 26) the Company fails to prepare or publish a prospectus in accordance with the provisions of Articles 112 and 113 of this Law or does so contrary to those provisions;
- 27) the Company fails to disclose information from Article 117 of this Law;
- 28) the Privatization Company enters into a Management Contract for the Privatization Investment Fund contrary to the provisions of Article 130 of this Law;
- 29) the Privatization Investment Fund conducts activities contrary to Article 131 of this Law;
- 30) the Privatization Company acquires shares of the Privatization Investment Fund contrary to the provisions of Article 132 paragraph 2 and 137 paragraph 2 of this Law;
- 31) the Privatization Investment Fund acts contrary to the provisions of Articles 139 and 140 of this Law;
- 32) the Privatization Investment Fund sells assets contrary to the provisions of Article 142 of this Law;
- 33) the Privatization Investment Fund does not act in accordance with the provisions of Article 144 of this Law.

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

XI TRANSITIONAL AND CLOSING PROVISIONS

Article 147

The Commission will prescribe, not later than six months from the day this Law comes into force:

- 1) the conditions and criteria from Article 9 of this Law;
- 2) the obligatory elements of the contract from Article 31 of this Law;
- 3) the rules for publishing a register from Article 30 paragraph 2 of this Law;
- 4) the contents of the prospectus from Article 112 of this Law;
- 5) the method and deadlines for publishing reports from Articles 110 and 117 of this Law;
- 6) the method of calculating the value from Articles 40 and 88 of this Law;
- 7) the method of disclosure of information from Article 117 of this Law;
- 8) the conditions for listing of shares from Article 135 of this Law; and
- 9) the method of transformation from Article 144 of this Law.

Article 148

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

Article 149

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