

LAW ON SECURITIES

I GENERAL PROVISIONS

Article 1

This Law shall regulate the issuance and trading of securities and participants in the trading of securities within the Federation of Bosnia and Herzegovina (hereinafter: Federation).

Article 2

For the purpose of this Law, a security is a document or an electronic record, which contains rights that may not be realized or transferred without this document or electronic record, such being:

- 1) company shares;
- 2) bonds;
- 3) certificates (issued for a period longer than one year);
- 4) other securities of long-term character;
- 5) an investment contract, upon which financial resources may be obtained from third parties;
- 6) other transferable document on investment;
- 7) other right determined as a security by regulations of the Securities Commission in the Federation of Bosnia and Herzegovina (hereinafter: Commission).

A derivative security is a security whose value depends on the value of other securities or securities related to it.

The content of a security is determined by the issuer, through a Resolution on the Issuance and it must be stated in the prospectus and it may be changed by resolution of a body of the issuer authorized to approve the issuance, in accordance with the law and regulations of the Commission.

Article 3

The provisions of this Law shall not apply to:

- 1) bank liabilities and other savings and credit organizations that arise from receiving deposits or other funds with determined maturity, and are not subject to trade in public markets;
- 2) drafts and checks;
- 3) insurance policies;
- 4) commercial papers (trade order, goods order, letter of credit, bill of lading, warehouse receipt), mortgage bond and other documents for payment.

Article 4

The activities of registration, safekeeping and maintaining the information on securities, as well as activities related to transfer of securities are conducted by an organization for securities registration activities (hereinafter: Registrar), in accordance with a special law.

Securities are issued in a dematerialized form as electronic records.

Article 5

Domestic securities issued in the materialized form before this law came into force and the foreign securities shall be deposited and shall appear in legal trading only in the form of electronic records with the Registrar.

Article 6

A security must contain the following:

- 1) the designation of the type and class of the security;
- 2) the commercial name and address of the domicile of the legal entity that issued the security (hereinafter: issuer) and its designation with the register of issuers with the Commission;
- 3) the nominal value;
- 4) information on the purchaser of the security (hereinafter: owner of the security) containing the following: the commercial name and address of the domicile of a legal entity or the name and surname and the identification number of the citizen or the account number of the security owner with the Registrar, for a foreign natural person;
- 5) the obligations of the issuer and the rights and obligations of the security owner as well as the method of their exercising;
- 6) the place and date of security issuance;
- 7) other information determined by the regulations of the Commission and
- 8) the names of persons authorized to represent the issuer.

Article 7

The issuer may be an enterprise, bank, funds management company, investment fund, mutual fund, pension fund, and insurance company organized as a joint stock company or a limited liability company.

The issuer is responsible to ensure the exercising of rights attached to the security.

The Resolution on the Issuance of securities may not limit the right of any person to purchase securities, if this right is not limited by law, nor give preference to any purchaser.

An exception to paragraph 3 of this Article, is that the Resolution on the Issuance of new shares may determine that the owners of outstanding shares of the same issuer have the pre-emptive right to new issuance of shares up to the amount that ensures the same participation in the total number of shares of the same issuer they had on the day of passing the Resolution on the new issuance.

The issuer, members of the Supervisory Board and Management are responsible individually for the accuracy and completeness of the information provided to the Registrar.

Article 8

The owner of a security has an account with the Registrar, which issues a statement to the owner of the account.

A statement must contain:

- 1) the commercial name and address of the domicile of a legal entity or the name and surname and the identification number of the citizen or the account number of the security owner with the Registrar for a foreign natural person;
- 2) the commercial name, domicile and address of the issuer;
- 3) the designation of the type and class of the security;
- 4) the nominal value and the number of securities of the same class and
- 5) authentication by the Registrar.

A statement includes all securities that the owner of securities has on his/her account with the Registrar.

An owner of securities and authorized persons of the Registrar have the right to review the account.

Article 9

An owner of a securities account who holds securities in his/her account on behalf of and for the account of third persons, is required to state that explicitly in the application for entry in the Registrar. Upon the request of the Commission, an issuer or the owner of securities of the same class [the owner]¹ is required to identify the [third persons] security owner.

Article 10

Ownership of a security is acquired on the day of closing a legal transaction through which the ownership of the security is transferred.

Article 11

A purchaser is required to report the transfer of ownership of a security at the latest seven days from the day of closing a legal transaction from Article 10 of this Law.

The transfer of ownership of dematerialized securities is conducted by the Registrar through entry in the account of the new owner of the security and in addition through entry of the change in the issuer's register of shares. [with the Commission]

¹ Material in brackets indicates additions to the Law made to clarify the translation into English.

Article 12

An affiliated person pursuant to the provisions of this Law is considered to be every person who has one of the following characteristics, positions or capacities in relation to another physical or legal entity:

- 1) is in kinship either closely or distantly;
- 2) is a member of the Supervisory Board, Management, Auditing Board or another body appointed by the Shareholder Meeting or Supervisory Board of a legal entity, as well as every authorized person in a legal entity appointed by or with confirmation of appointment by the Supervisory Board;
- 3) who controls another legal entity;
- 4) who is controlled by another legal entity;
- 5) who represents another person;
- 6) who is represented by another person;
- 7) who together with another person is controlled by a third person;
- 8) who holds at least 10% of shares with attached voting rights of another legal entity.

II ISSUANCE OF SECURITIES

Article 13

An issuance of the securities is conducted through a public offering or a private placement.

A public offering of securities is a sale based on a public invitation to subscribe for securities.

Pursuant to this Law, the following is not considered to be a public offering of securities:

- 1) an offer only to persons whose regular activities involve them in purchasing, holding, managing or disposing of investments, independently or together with other persons;
- 2) an offer to current shareholders of the issuer based on a pre-emptive right;
- 3) issued on the basis of splitting-up, conversion and denominations of securities;
- 4) issued on the basis of dividend payments;
- 5) or other special circumstances determined by the Commission.

A private placement is a sale of securities to a prior determined purchaser or a group of not more than 40 purchasers.

The issuance of securities through a public offering is conducted on the basis of the prior approval of the Commission.

A previous approval of the Commission is not required for the issuance and trade of securities in a manner and for cases which are not considered as a public offering pursuant to the provisions of this Law.

Article 14

An issuance of securities must include:

- 1) the passing of the Resolution on the Issuance;
- 2) approval of the Commission;
- 3) the closing of a contract between the issuer and the Registrar;
- 4) the closing of a contract between the issuer and the bank that regulates the execution of obligations towards the owner of the security (hereinafter: Depository);
- 5) the opening of a temporary account for depositing payments based on the purchase of securities;
- 6) publication of the prospectus and the public invitation for subscription and payment of securities;
- 7) publication of the results of the public offering of securities; or
- 8) the entry of securities in the register of issuers with the Commission and in the purchaser's account with the Registrar.

Article 15

The Resolution on the Issuance of securities must contain:

- 1) the commercial name and address of the domicile and the designation of the issuer in the register of issuers with the Commission;
- 2) the name of the body that passed the Resolution;
- 3) the date of passing of the Resolution;
- 4) designation as to the type and class of security;
- 5) the ordinal number of the issuance and the total number of securities of the same class that were issued;
- 6) the number and nominal value of securities;
- 7) rights attached to the security;
- 8) the method of sale of securities;
- 9) the time for the start of and completion of, as well as the list of places for the subscription and payment of securities;
- 10) designation as to the retained right of the issuer to the discontinuation of subscription and payment of securities prior to the expiration of the determined deadline;
- 11) the first name and surname and function of persons authorized by the issuer to conduct the issue of securities;
- 12) other information in accordance with the law and regulations of the Commission.

A founding charter of a joint stock company also represents the resolution on the first issue of shares.

Article 16

The issuer of securities or the founders at the time of founding a joint stock company (hereinafter: submitter of request) submits to the Commission a request for the approval of an issue of securities.

Along with the request from paragraph 1 of this Article, the following is submitted:

- 1) the Resolution on the Issuance;
- 2) the By-laws or a draft of the By-laws of a joint stock company that is being formed;
- 3) the document evidencing the registration of the submitter in the register of issuers with the Commission;
- 4) a proposal of the security prospectus;
- 5) evidence of the payment of the fee for the approval of the security issuance.

In addition to the attachments from paragraph 2 of this Article, banks and other financial organizations are required to deliver to the Commission a written opinion of the body authorized for the supervision of their activities, in accordance with a special law.

Article 17

The submitter of the request is required to prepare a security prospectus that must contain accurate and complete information on the issuer and the rights attached to the security, in accordance with the law and regulations of the Commission.

The prospectus is approved by the Commission prior to its publication.

Article 18

The prospectus must contain information regarding:

- 1) the security;
- 2) the legal status and the ownership structure of the issuer;
- 3) the issuer's activities;
- 4) the business operations, assets, indebtedness, profit or loss of the issuer; or
- 5) the responsible persons of the issuer.

The prospectus must also contain a statement on investment policy and information on risk and risk factors.

Article 19

Information regarding a security from Article 18 paragraph 1 item 1 of this Law is:

- 1) the designation as to the type, total number of securities and the rights attached to such securities;
- 2) the place, method, and time of subscription and payment of the securities;
- 3) the commercial name and address of the domicile of the underwriter, if the issue is underwritten;
- 4) the commercial name and address of the domicile of the guarantor, if the issue has or contains a guarantee;
- 5) the pre-emptive right, eligible persons and the scope of such right, if such right is included;
- 6) limitations on purchase, the scope of the limitations and persons to whom these limitations apply, if such limitations are included;
- 7) limitations on trading;

- 8) the commercial name and address of the Depository;
- 9) the price or the pricing method of securities.

Article 20

Information regarding the legal status and ownership structure of the issuer from Article 18 paragraph 1 item 2 of this Law is:

- 1) the commercial name and address of the domicile, the legal form and the date of founding;
- 2) the amount of capital, the type, class and number of outstanding shares;
- 3) the number and type of convertible securities;
- 4) cross ownership with other legal entities; or
- 5) a list of shareholders that hold more than 5% of the total number of shares with attached voting rights.

When founding a joint stock company, information from paragraph 1 of this Article is provided for the founders of a joint stock company.

Article 21

Information regarding the activities of an issuer from Article 18 paragraph 1 item 3 of this Law is:

- 1) the description of activities;
- 2) an assessment of the dependency on licenses and contracts significant for business operations;
- 3) a review of major investments that are in process;
- 4) legal disputes that could influence business operations;
- 5) a list of legal entities whose securities may be exchanged for securities that are the subject of the prospectus, if such rights are provided for in the resolution from Article 15 of this Law.

When founding a joint stock company, the prospectus shall include information from paragraph 1 item 1, 2 and 5 of this Article.

Article 22

Information on the business operations of an issuer from Article 18 paragraph 1 item 4 of this Law is:

- 1) the balance sheet and income statement along with reports on a completed audit for the last three business years;
- 2) the amount, method of forming and use of the reserve fund during the last three business years;
- 3) the amount and structure of taxes, contributions, fees and other liabilities paid during the last three business years;
- 4) reports on the prior issuance of securities; or
- 5) the commercial name of the legal entity and the name and surname of the natural person that completed the audit of the financial statements.

Article 23

Information on the responsible persons of the issuer from Article 18 paragraph 1 item 5 of this Law must include the names and surnames and professional qualifications of the President and members of the Supervisory Board and the Director.

The prospectus must include a statement signed by the authorized persons from paragraph 1 of this Article that states:

“We state that this prospectus includes a complete and accurate presentation of the assets and liabilities, the profit or loss of the issuer and the rights attached to a security.”

The issuer, members of the Supervisory Board and Management of the issuer as well as persons who prepared the information and provided a professional opinion or verification as to accuracy and completeness will be responsible for the accuracy and completeness of the information contained in the prospectus

Article 24

The statement on investment policy from Article 18 paragraph 2 of this Law must include information on the intention of the issuer in regard to the goals and method of use of capital that will be obtained through the sale of securities.

The Commission determines the form and content of the statement on investment policy for each security issuance.

Article 25

If, prior to the expiration of the deadline for the subscription and payment of securities, new circumstances arise or it is determined that the information provided in the prospectus is not complete and accurate, the submitter of the request is required to publish an annex to the prospectus with amendments or corrections to the information, in the method determined for prospectus publication.

Article 26

The publication of an abridged prospectus is approved for the following cases:

- 1) the issuance of shares based on dividend payments;
- 2) the issuance of new securities in the event of merging, splitting-up, conversion and denomination [decrease in nominal value];
- 3) a private placement of securities; or
- 4) the issuance of securities in the total value of up to 100,000 KM.

The Commission shall regulate the content of the abridged prospectus.

Article 27

If, along with a request for the approval of a security issuance, documentation in accordance with Article 16 of this Law is not submitted, the Commission shall immediately deliver a written conclusion on its deficiencies to the submitter of the request who is required to remove such deficiencies within 15 days.

Article 28

Within 30 days from the receipt of a request, the Commission shall pass a ruling on the approval or rejection of the request for issuance of securities.

The Commission may extend the deadline from paragraph 1 of this Article with the consent of the submitter of the request.

The ruling from paragraph 1 of this Article is final.

Article 29

The Commission shall reject a request for the issuance of securities when:

- 1) it assesses that the issuer is not capable of fulfilling the obligations based on the security;
- 2) documents and information are not in accordance with the law or they are incomplete and inaccurate;
- 3) the submitter of a request does not remove the deficiencies in accordance with the conclusion from Article 27 of this Law;

1. Public offering

Article 30

By virtue of a ruling on the approval of an issuance of securities through a public offering, a submitter of a request is required to publish the public invitation for the subscription and payment of securities in the "Official Gazette of the Federation of BiH" and in at least one domestic daily newspaper.

A public offering from paragraph 1 of this Article must contain:

- 1) the Resolution on the Issuance;
- 2) information on the place, deadline and method of subscription and payment;
- or
- 3) information on the place where a prospectus can be obtained.

Article 31

A submitter of a request is required to publish a security prospectus along with the public invitation from Article 30 of this Law, or a free of charge brochure that is available in the Federation.

Article 32

A public offering of securities may be completed before the expiration of deadline for subscription and payment when the total number of securities is subscribed before the expiration of the publicized deadline or if the submitter of a request has made a resolution to discontinue the subscription and payment of securities in accordance with the provision of the Article 15 item 10 of this Law.

A submitter of a request is required to deliver the resolution on the discontinuation of subscription and payment of securities to the Commission and to publish it in accordance with the provision from the Article 30 item 1 of this Law

within 8 days from the day of making the resolution but not later than 3 months from the day of the ruling of the Commission on the approval of the issuance.

A resolution from item 2 of this Article must contain the method and the deadline for the return of payments which may not be longer than 10 days.

Article 33

A Depository is required to deliver a written report on the number of subscribed and paid for securities to the Commission and the submitter of a request, not later than 10 days after expiration of the deadline for subscription and payment.

The number of subscribed and paid for securities may be less but may not exceed the number determined by the Resolution on the Issuance.

Article 34

On the basis of the Depository's report, the Commission shall pass a ruling, determining that the public offering was successful along with the total number and amount of sold securities, or declare the public offering unsuccessful.

The Commission is required to deliver a ruling from paragraph 1 of this Article to a submitter of a request and to the Registrar, not later than 8 days after receiving the Depository's report.

On the basis of the Commission's ruling from paragraph 1 of this Article, a submitter of a request is required to publish a report on the total amount and number of subscribed and paid for securities, whereas in the case of an unsuccessful issuance also information on the method and deadline for the return of completed payments in accordance with the provision of the Article 30 paragraph 1 of this Law, not later than 8 days after receiving the Commission's ruling.

Article 35

Unsold securities and securities offered at public offering, which was declared as unsuccessful, shall have neither legal status nor be legal transactions.

2. Private placement

Article 36

The issuance of securities through a private placement is conducted in accordance with provisions of Article 14 items 1, 3, 4, 5 and 8 of this Law.

An issuer is required to report a private placement to the Commission not later than 15 days prior to the subscription of securities.

An issuer is required to deliver a report on the completion of a private placement to the Commission not later than 8 days after the subscription of securities has been made.

Article 37

In the event of an unsuccessful private placement, or its discontinuation, an issuer is required to inform the Commission, not later than 8 days after the expiration of the deadline for subscription and payment or from the day of passing the resolution on the discontinuation of the subscription and payment for securities.

3. Issuance of Bonds of the Federation, Cantons, and Municipalities.

Article 38

An issuance of bonds of the Federation and Cantons is conducted pursuant to the Law and the issuance of municipality bonds pursuant to a resolution of the Municipal Council.

The laws and resolutions from the paragraph 1 of this Article are passed for each issuance of bonds separately in accordance with the regulations of the Commission.

III SECURITIES TRADING

Article 39

The trade of securities, pursuant to the provisions of this Law, is:

- 1) the purchase, sale and pledging of securities;
- 2) the conversion and denomination of securities; or
- 3) merging and splitting-up of shares.

Securities registered with the Commission may be traded.

Article 40

The purchase, sale and pledging of securities is conducted on the basis of a written contract.

Article 41

A contract on the pledging of securities has legal consequences with the entry of limitations on the disposal of the securities with the Registrar.

Limitations on the disposal of pledged securities shall be entered into the certificate from Article 8 of this Law.

Upon the termination of a contract from paragraph 1 of this Article, the cessation of limitation on the disposal of securities shall be entered in the Registrar.

Article 42

The purchase of securities through a direct offer of the purchaser, delivered in written form to the owners of securities is considered as a tender offer pursuant to the provisions of this Law.

A tender offer is reported to the Commission and before such, any offering, purchase or negotiation on purchase on the basis of tender offer as well as the advertising of a tender offer is prohibited.

The Commission shall determine the conditions of bidding, publicizing and realization of a tender offer.

Article 43

After delivering a tender offer to the owners of securities, a bidder is required to disclose the tender offer.

The tender offer must contain:

- 1) the name and surname or the commercial name and address of domicile or domicile of the bidder;
- 2) period of validation of tender offer, that may not be shorter than 30 days;
- 3) the commercial name and the domicile of the securities issuer for which the purchase and offer was provided;
- 4) the type and number of securities and the price offered for them;
- 5) the method of tender offer acceptance and revoking of a tender offer acceptance;
- 6) the commercial name and domicile of the bidder's Depository;
- 7) the deadline and the method of fulfilling obligations of the tender offer bidder;
- 8) the commercial name and the domicile of a bank or other legal entity that guarantees the fulfillment of obligations of the bidder;
- 9) other conditions determined by the Law and regulations of the Commission.

A bidder may, in accordance with the Law, make changes to a tender offer but none that change essential elements of the tender offer which is delivered to the owners of securities. A bidder is required to report to the Commission on such changes.

1. Conversion and Denomination of Securities, Merging and Splitting-up of Shares

Article 44

The conversion and denomination of securities as well as the merging and splitting-up of shares is conducted on the basis of the resolution of an issuer and approval of the Commission.

Article 45

Conversion is the withdrawal of all securities of the same class and their replacement with new securities of another class.

Article 46

Denomination is the withdrawal of all securities of the same nominal value and their replacement with the same number of new securities of the same class with a proportionally reduced nominal value.

Article 47

Merging of shares is the issuance of new shares for the purpose of replacement of outstanding shares with a single new share of the same class with a higher nominal value, or for the purpose of replacement of more no nominal shares for the single new no nominal share of the same class with the higher interest.

A shareholder who/which does not possess enough shares so as to replace them in the process of merger for a round number of new shares, is entitled to purchase the missing amount, at the price of new shares being issued for the purpose of merging, within 3 months of the disclosure of the merging of shares.

Article 48

The splitting-up of shares is the issuance of new shares for the purpose of replacement of a single outstanding share for more new shares of the same class with a smaller nominal value.

Article 49

Conversion and denomination of securities as well as merging and splitting-up of shares is conducted in accordance with the regulations of the Commission.

The issuer bears the costs of conversion and denomination of securities as well as merging and splitting-up of shares.

Article 50

The issuer is required to inform all the owners of securities on conversion and denomination of securities as well as merging and splitting-up of shares, within 8 days from the passing of the resolution.

The deadline for replacement of securities on the basis of conversion, denomination, merging and splitting-up is 30 to 90 days from the passing of the issuer's resolution.

The issuer is required to disclose conversion and denomination of securities as well as merging and splitting-up of shares in accordance with Article 30 paragraph 1 of this Law.

Article 51

An issuer's equity and reserve fund may not be changed by conversion and denomination of securities or by merging and splitting-up of shares.

An issuer may not make payment for securities that were withdrawn in the process of conversion, denomination, merging and splitting-up.

Conversion and denomination of securities or merging and splitting-up of shares may not be conducted upon the initiation of a bankruptcy procedure or upon the liquidation of an issuer.

By conversion and denomination as well as merging and splitting-up of shares, the rights of shareholders may not be reduced except for the case of merging of no nominal shares.

2. The Stock Exchange and Other Regulated Public Markets

Article 52

The trade of securities is conducted on the Stock Exchange and other regulated public markets that are established for the purpose of creating the conditions for matching the demand and offer of securities in accordance with the Law.

2.1. Stock Exchange

Article 53

The Stock Exchange is a place for matching the demand and offer of securities as well as securities trading in accordance with previously determined rules (hereinafter: Stock Exchange).

A Stock Exchange is established through a contract in accordance with the law, by legal entities registered with the Commission for intermediation activities in the trade of securities (hereinafter: professional intermediaries).

Article 54

A Stock Exchange performs the following activities:

- 1) organizes matching the demand and offer of securities;
- 2) provides information on the offer, demand, market price and other information related to securities;
- 3) fixes and discloses quotations of securities.

The Stock Exchange may conduct other activities for which it is authorized by the Commission.

Operations of a Stock Exchange are regulated by the rules of the Stock Exchange (hereinafter: Rules).

Article 55

A Stock Exchange must have the staff, premises and equipment in order to ensure that all participants of the Stock Exchange may:

- 1) simultaneously, equally and under the same conditions make and accept offers for purchasing and selling securities;
- 2) have simultaneous and equal access to information on securities in trading; or
- 3) sell and purchase securities under equal conditions.

Article 56

A Stock Exchange may be general or specialized.

A general Stock Exchange organizes the trade of all types of securities.

A specialized Stock Exchange organizes the trade of certain types of securities determined by its By-laws and Rules.

Article 57

The Stock Exchange is not allowed to:

- 1) purchase and sell securities except in the event when one of the participants in trading on the Stock Exchange does not fulfill the agreed sale or purchase of a security;
- 2) provide advice on the purchasing and selling of certain securities;
- 3) present opinions on the advantages of purchasing or selling certain securities.

Article 58

Trading of securities on a Stock Exchange may be conducted only by the professional intermediaries who are members of the Stock Exchange.

A Stock Exchange must admit to its membership a professional intermediary who meets the conditions of membership within 6 months after an application has been received.

Membership on a Stock Exchange will cease through:

- 1) voluntary withdrawal;
- 2) revocation of a professional intermediary's license;
- 3) expulsion, under a resolution of the Supervisory Board of the Stock Exchange due to the non-fulfillment of duties prescribed by the By-laws and the Rules; or
- 4) liquidation of a member.

The By-laws and Rules regulate the procedure for the admission and cessation of stock exchange membership.

Article 59

A Stock Exchange is authorized and required to ensure public information on Stock Exchange trading of securities.

A Stock Exchange shall simultaneously and equally inform all its members about the time and place of securities transactions, quotation and results of securities transactions as well as other information in accordance with the law and regulations of the Commission.

A Stock Exchange is authorized to make a public announcement on the advantages of securities listing and trading on the Stock Exchange.

2.1.1. Quotation of Securities on a Stock Exchange

Article 60

Conditions of the quotation are prescribed by the Stock Exchange in accordance with this Law and Rules.

Unlimited transferable securities that are paid in full may be listed.

Article 61

A request for quotation is submitted by an issuer, directly or through a professional intermediary.

A request from paragraph 1 of this Article must encompass all securities of the same class.

A primary issuance may be conducted on the Stock Exchange only pursuant to the approval of the Commission.

Article 62

Shares fulfilling the following conditions may be listed on the Stock Exchange:

- 1) an issuer is a joint stock company registered with the Commission;
- 2) the equity plus the reserve fund of an issuer, including profit or loss from the preceding business year, is not lower than an amount prescribed by the Commission;
- 3) an issuer has filed with the Commission balance sheet and income statement with an audit report for the last three business years; or
- 4) at least 25% of the total amount of securities of the same class, for which a request for listing has been made, was sold through a public offering.

Article 63

A joint stock company's bonds may be listed on a Stock Exchange in a minimum amount prescribed by the Commission along with fulfilling the requirements of Article 62 items 1, 2 and 3 of this Law.

Convertible bonds and bonds with the right to purchase other securities may be listed, when, on the same Stock Exchange, are already listed the securities for which such bonds may be converted or purchased.

Article 64

There are no special conditions and restrictions for listing bonds of the Federation.

Article 65

Securities of an issuer whose domicile is outside the Federation may be listed on a Stock Exchange if they meet conditions established by this Law, regulations of

the Commission and the Rules as well as conditions determined by the regulations which are applied at the domicile [domicile]of the issuer.

Article 66

When listing securities, the Stock Exchange is required to publish all the information which form compulsory elements of the prospectus, in the method determined by this Law.

Article 67

Issuers of securities listed on the Stock Exchange are required to disclose semi-annual and annual reports on business operations with the content and in the method prescribed by the Commission's regulations.

Article 68

The trading of securities listed on the Stock Exchange, which have been conducted on other regulated public markets and registered on the Stock Exchange, shall be considered as trading conducted on the Stock Exchange.

Article 69

The Stock Exchange regulates the amounts and method of payment for:

- 1) membership fees;
- 2) fees for services provided to the members of the Stock Exchange and third parties;
- 3) contributions of Stock Exchange members into the Guarantee fund;
- 4) fines for infringement of provisions of the By-laws and Rules.

Article 70

The Stock Exchange is not authorized to prescribe fees for transactions conducted by professional intermediaries on order and for the account of principals.

2.1.2 Founding, Legal Status, and Stock Exchange Bodies

Article 71

A Stock Exchange is a joint stock company.

A Stock Exchange is founded by at least five professional intermediaries with the approval of the Commission.

A Stock Exchange is entered in the joint stock company Register with the Commission, in accordance with the law.

The equity of a Stock Exchange amounts to at least 200,000 KM and is divided in registered shares, with each share having the right of one vote.

Shareholders of the Stock Exchange with an equal number of shares, only may be members of the Stock Exchange.

Stock Exchange shares are not transferable except when a shareholder ceases to be a member of the Stock Exchange.

The Stock Exchange does not pay dividends and profit is used to improve operations of the Stock Exchange.

Article 72

The By-laws regulate the amount of the Guarantee fund of the Stock Exchange and the contributions of its members.

A Guarantee fund may be used for the payment of debts of the Stock Exchange members only in the case of the cessation of membership in the Stock Exchange, bankruptcy or liquidation of a member of the Stock Exchange.

In cases from paragraph 2 of this Article, the Stock Exchange is entitled to be separately reimbursed for the amount of claims from the member.

Article 73

The By-laws regulate the management and organization of the Stock Exchange.

The By-laws of the Stock Exchange and its Rules are approved by the Commission.

An annual report on the Stock Exchange operations is delivered to the Commission, shareholders and members of the Stock Exchange and is published in the "Official Gazette of the Federation of BiH"

Article 74

Bodies of the Stock Exchange are the Shareholder Meeting and the Supervisory Board.

All members of the Stock Exchange form the Shareholder Meeting.

The Shareholder Meeting shall appoint the Supervisory Board of the Stock Exchange.

A Supervisory Board appoints the Management of the Stock Exchange.

The Management directs the business operations, represents the Stock Exchange and is responsible for the legality of operations.

Article 75

At the Shareholder Meeting are adopted the By-laws, Rules and the annual financial plan of the Stock Exchange.

The annual financial plan determines the amount and purpose of funds to finance the Stock Exchange.

Article 76

Rules of the Stock Exchange regulate specifically:

- 1) conditions and method of listing securities in regular and secondary quotation and the cessation of quotation;

- 2) the method of closing, checking, confirming, executing and the registration of transactions on the Stock Exchange;
- 3) the settlement procedure for transactions on the Stock Exchange;
- 4) procedure for registration of transactions of securities listed on the Stock Exchange executed on other regulated public markets;
- 5) measures for preventing price manipulations;
- 6) Stock Exchange services in the trading of securities;
- 7) method of informing on the bid and ask prices, realized prices and the number of transactions of the members of the Stock Exchange;
- 8) services to legal entities who are not members of the Stock Exchange;
- 9) method of resolving disputes among members of the Stock Exchange;
- 10) the procedure for amending the Rules.

Article 77

The Supervisory Board of the Stock Exchange includes the Chairman and at least four members.

Appointed to the Supervisory Board shall be :

- 1) at least one employee of an issuer whose securities are listed on the Stock Exchange;
- 2) at least one shareholder or employee of a legal entity who is a shareholder of an issuer whose securities are listed on the Stock Exchange; or
- 3) at most one person employed by the Stock Exchange.

The majority of members of the Supervisory Board may not be made up of shareholders or employees of members of the Stock Exchange and legal entities directly or indirectly related to members of the Stock Exchange.

The Chairman and a member of the Supervisory Board and other bodies of the Stock Exchange may not be at the same time a member of the legislative, executive or judicial authorities of Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina, canton or a municipality, a member of the Supervisory Board or a Director of a legal entity with a majority of state owned capital.

Article 78

The Chairman and members of the Supervisory Board participate in work of the Shareholder Meeting of the Stock Exchange, without right to participate in decision-making.

Remuneration of the Chairman and members of the Supervisory Board is published in the annual report on Stock Exchange operations.

Article 79

Legal entities who possess over 10 % of securities issued by issuers that are members of the Stock Exchange are considered to be directly or indirectly related with members of the Stock Exchange, pursuant to the provisions of this Law.

The Chairman and members of the Stock Exchange and their close relatives may not individually possess over 5 % of securities issued by issuers that are members

of the Stock Exchange or related persons from paragraph 1 of this Article, and may not conduct activities contrary to the principle of protection of the investor.

Employees of the Stock Exchange may not hold securities that are issued by a professional intermediary.

Article 80

The Chairman and members of the Supervisory Board and other bodies of the Stock Exchange, Director and employees on the Stock Exchange, in the course of conducting their duties and six months after cessation of function or employment on the Stock Exchange must not:

- 1) inform other persons and make available documents containing inside information, they have access to, unless they are authorized by law, the By-laws, Rules, or other regulations of the Stock Exchange;
- 2) advise on purchasing and selling and provide their views on advantages of purchasing or selling certain securities.

The Management of a Stock Exchange is required to regularly inform persons from paragraph 1 of this Article on the type and content of inside information.

2.2 Other Regulated Public Markets

Article 81

Professional intermediaries may, on the basis of a contract, in accordance with the law, establish other regulated public markets, on which securities trading is conducted according to the pre-determined rules.

Other regulated public markets operate in accordance with the provisions of this Law.

Article 82

A request for the listing of securities on another regulated public market may be submitted by an issuer or a professional intermediary.

The Commission prescribes information that an issuer is required to disclose when listing securities on another regulated public market.

Article 83

Other regulated public markets are required to publish in domestic daily papers offers for purchasing and selling and information on concluded transactions, along with the number of executed transactions, and the number and prices of securities.

Other regulated public markets are required to deliver a report on concluded transactions to the Commission in accordance with the Commission's regulations.

IV INTERMEDIATION IN SECURITIES TRADING

Article 84

Operations of intermediation in securities trading are:

- 1) purchasing and selling of securities on one's own behalf and for the account of the principal;
- 2) purchasing and selling of securities on one's own behalf and for its own account;
- 3) operations supporting the market;
- 4) operations of fund management companies;
- 5) underwriting of issuance of securities;
- 6) investment advising;
- 7) activities of a depository;
- 8) settlement operations.

Purchasing and selling of securities on one's own behalf and for the account of the principal are brokerage operations.

Purchasing and selling of securities on its own behalf and on its own account are dealer operations.

Article 85

A professional intermediary conducts brokerage operations on the basis of a contract with a principal.

Obligatory elements of a contract from paragraph 1 of this Article are prescribed by the Commission.

A professional intermediary may transfer his/her authorities and liabilities arising from a contract to another professional intermediary if it is stipulated in a contract or is in the interest of a principal, with his/her prior consent.

Article 86

Obligations on the basis of brokerage operations have precedence over other operations of the same professional intermediary.

Obligations on the basis of brokerage operations for third parties have precedence over liabilities of the same professional intermediary on the basis of brokerage operations for related entities pursuant to the provisions of this Law.

Article 87

A professional intermediary is required to immediately communicate in writing to the principal of the brokerage operation, on the existence of a conflict of interest.

If a professional intermediary, when receiving an order does not inform a principal on the existence of a conflict of interests from paragraph 1 of this Article, he/she is required to indemnify [a principal for damage] that a principal suffered through the course of executing such order.

A professional intermediary is required to indemnify in full losses that the principal suffers due to the non-execution or inadequate execution of an order of the principal.

Claims against the principal which did not arise from brokerage operations may not be compensated out of the securities or other principal's assets which the professional intermediary holds.

If a bankruptcy procedure is initiated for a professional intermediary, a bankruptcy estate does not include the assets of the principal held by the professional intermediary.

Article 88

In executing brokerage operations, a professional intermediary is required to maintain a special Book where he/she enters orders and cancellation of orders (hereinafter: Book of Orders) which must contain:

- 1) date, hour and minute and the method of receiving the order;
- 2) commercial name and domicile of the principal with the name and surname of the authorized person that issued an order, or the name and surname and identification number of a citizen being a natural person as a principal;
- 3) designation of a security to which an order relates;
- 4) instructions for executing the order: price, price limit and time of the validity of the order;
- 5) designation as to retained right to cancel an order and the period of notice; or
- 6) date, time and method of execution of an order.

Corrections of entered data in the Book of Orders are not allowed.

The Commission may prescribe other obligatory elements of the Book of Orders.

Article 89

Market support operations are conducted by a professional intermediary within the framework of dealer operations, on the basis of a public announcement for purchasing and selling securities with the obligation to purchase or sell them at a disclosed price.

Public announcement from paragraph 1 of this Article must contain the price, the number of securities, and the period of validity of the announcement.

A professional intermediary must accept an offer for the purchase or sale of securities on the basis of a public announcement from paragraph 1 of this Article.

Market support operations are carried out in accordance with this Law and the regulations of the Commission that regulate dealer operations.

Article 90

The underwriting of the securities' issuance are the operations of purchasing of issuer's securities and taking a risk for their sale.

Within the framework of underwriting operations, a professional intermediary takes over securities from the issuer with an obligation to sell all of them or the highest possible number of securities.

A professional intermediary conducts underwriting operations on the basis of a contract with an issuer.

A contract on underwriting of an issuance may include the obligation of the underwriter to purchase securities that he was not able to sell to third parties.

An underwriter may, during the period of sale of securities for which issuance it underwrites, intervene on the secondary market in order to stabilize their prices.

Article 91

Investment advising operations are conducted by a natural person.

The Commission prescribes the conditions, issues licenses and keeps the register of licensed persons for conducting investment advising operations.

Article 92

A professional intermediary may provide services of investment advising if he/she employs at least two persons who have licenses for conducting these operations.

Article 93

A Depository conducts operations on the basis of a contract with an issuer and professional intermediary (hereinafter: Depositor).

Banks and other financial organizations are not allowed to conduct the following operations in securities trading:

- 1) purchasing and selling either on its own behalf or for other accounts, nor on behalf of others and for other accounts;
- 2) supervision and auditing of securities trading;
- 3) evaluation of securities and property in relation to securities except if they intend to approve a loan on the basis of securities as collateral for repayment of the loan.

Article 94

A Depository, on behalf of and for the account of a Depositor conducts:

- 1) subscription and collection of payments for securities;
- 2) monetary transactions on the basis of securities trading on the secondary market and dividend distribution;
- 3) payment of other obligations on the basis of securities.

By the contract from Article 93 of this Law, a Depositor may authorize a Depository to conduct other operations relating to securities, excluding operations of the Registrar and settlement in securities trading.

Article 95

A professional intermediary may, in accordance with this Law and regulations of the Commission, also conduct the following operations: stock exchange operations, operations on other regulated public markets, auditing of business operations, valuation of securities, consulting and information dissemination in securities trading.

Article 96

The minimum amount of the equity for a professional intermediary shall be prescribed by a regulation of the Commission.

A professional intermediary may only issue registered shares.

Article 97

Professional intermediaries, who do not individually meet the condition of equity for underwriting of securities, may form a consortium of professional intermediaries on the basis of approval of the Commission.

The approval from paragraph 1 of this Article shall be provided for each issuance of securities.

Article 98

A professional intermediary may not directly or indirectly possess shares of another professional intermediary.

A member of the Supervisory Board and Management and employees of a professional intermediary may not be at the same time a member of the Supervisory Board or Management or conduct operations with other professional intermediaries.

A professional intermediary is required to inform the Commission in writing on changes in the structure of the capital and of direct or indirect ownership relations with other legal entities, created upon receiving a license for conducting intermediary operations, in a period of eight days from the day of creation of such changes.

Article 99

A professional intermediary is required to keep monetary funds of the principal in a separate account with the Depository (hereinafter: Account of the principal).

Funds on the Account of a principal are not assets of a professional intermediary and are not a part of a bankruptcy or liquidation estate and may not be used to compensate claims of third parties toward a professional intermediary.

A professional intermediary is required to open a special account for the securities of a principal with the Registrar.

Article 100

A professional intermediary may conduct operations from Article 84 of this Law, if he/she employs at least one person with a license for conducting intermediary activities in securities trading.

Article 101

The Commission prescribes conditions, issues licenses and keeps the register of natural persons authorized to conduct intermediary activities in securities trading.

Article 102

A professional intermediary is required to deliver to the Commission:

- 1) semiannual and annual reports on business operations with auditor's report, within 30 days from the day of expiration of the period for the preparation of the reports;
- 2) information on changes of circumstances that affect the fulfillment of conditions for the conducting of intermediary activities in securities trading, at the latest 8 days from the day the changes occurred; or
- 3) information relating to limitations from Article 98 of this Law.

V SELF REGULATORY ORGANIZATIONS

Article 103

Professional intermediaries may establish their organizations, for the purpose of standardization and maintenance of standards of conducting activities in securities trading, protection of securities owners and other users of their services and efficient securities trading (hereinafter: Self Regulatory Organizations).

Article 104

A Self-Regulatory Organization may, for their members:

- 1) determine rules for conducting operations of professional intermediaries;
- 2) determine standards for conducting securities trading;
- 3) collect and disclose information and research results;
- 4) determine the type and level of professional qualification for employees with professional intermediaries, organize training and issue certificates on qualification.

Article 105

A Self-Regulatory Organizations may pass rules and standards for the business operations of their members that relate to:

- 1) qualifications of employees;

- 2) the prevention of manipulation of securities prices;
- 3) the content and form of documentation and reports;
- 4) minimum capital and technical conditions needed for conducting activities;
- 5) admittance, withdrawal and exclusion from a Self-Regulatory Organization;
- 6) sharing and the method of mutual payment of costs and commissions;
- 7) protection of service users interests including the procedures for submitting appeals or claims for compensation against members of a Self-Regulatory Organization;
- 8) obligations toward service users and other persons on the basis of losses caused by mistakes, negligence and illegal operations of members of Self-Regulatory Organizations, their Management or officials.
- 9) supervision of the application of rules and standards, establishment of supervisory bodies and the procedure for reporting on findings;
- 10) passing and application of measures for violation of the rules and standards.

Article 106

Rules and standards from Article 105 of this Law may not include:

- 1) discrimination against members of Self-Regulatory Organizations and their service users;
- 2) limitation on admittance or withdrawal of members if they fulfill the conditions;
- 3) limitations and prevention of competition among members;
- 4) issues that are not under the authority of a Self-Regulatory Organization or that are incompatible with its goals; or
- 5) inaccurate, incomplete and unintelligible provisions and information.

Article 107

Rules and standards pursuant to Article 105 and 106 of this Law are approved by the Commission.

Article 108

Self-Regulatory Organizations are financed out of contributions from members and the income from services provided to members and third persons and they use any profit for the development of their work.

VI PROTECTION OF INVESTORS

1. Disclosure of Information

Article 109

An issuer of securities issued through a public offering is required, pursuant to the regulations of the Commission, disclose information on such securities and its financial operations in:

- 1) the semiannual and annual report on its business operations;
- 2) the report on events that significantly affect the financial operations of an issuer;
- 3) the prospectus of every new issued security; or
- 4) the report of the results of every new public offering of securities.

Article 110

A semiannual report on business operations of an issuer must contain information concerning:

- 1) members of the Supervisory Board and Management and number of shares of an issuer that they own;
- 2) shareholders that possess more than 5% of the shares with attached voting rights;
- 3) legal entities in which the issuer possesses more than 10% of shares;
- 4) branch offices and representative offices;
- 5) the Shareholder Meeting of the issuer for the period for which the report is submitted;
- 6) the balance sheet and income statement at the end of such period;
- 7) the use of capital acquired with the previous issue of securities through a public offering;
- 8) the increase or decrease in the assets of the issuer greater than 10% in relation to the amount from the previous report, with facts that influenced such change;
- 9) the decrease or increase of net profit or loss of the issuer greater than 10% in relation to the statement from the previous report, with facts that affected such change;
- 10) transactions in assets greater than 10% of the value of the total assets of the issuer on the day of the transaction;
- 11) any securities issuance conducted during the reporting period with the designation of the type and class of the securities; or
- 12) dividends and interests on securities.

The semiannual report is approved by the Supervisory Board and distributed to shareholders at their request.

A shareholder bears the costs of distribution of the semiannual report, at most in the amount of actual costs of printing and distribution.

Article 111

An issuer is required to provide the Commission the annual report with the auditor's report and disclose such in at least one domestic daily newspaper and also deliver such to the shareholders at their request.

Costs of distributing the annual report in an amount that may not be greater than the actual costs of printing and delivering are borne by the shareholder.

Article 112

Events that significantly effect financial business operations are:

- 1) the reorganization of an issuer and its related persons;
- 2) the Resolution on the Issuance of securities and every initiated, stopped or completed issuance of securities;
- 3) the acquisition of more than 5% of an issuer's shares with attached voting rights by one shareholder;
- 4) payments of financial obligations toward shareholders;
- 5) the resolution on the convening of a Shareholder Meeting;
- 6) changes of the Registrar or auditor;
- 7) an event that increases or decreases, the assets of the issuer greater than 10%;
or
- 8) a transaction greater than 10% of the value of the total assets of the issuer.

An issuer is required to submit a written report on every event from paragraph 1 of this Article to the Commission and disclose such in at least one domestic daily newspaper, at the latest eight days from the day of the event.

Article 113

A professional intermediary is required to submit a report to the Commission and publish it on every event where he/she intermediated in a quarterly period the purchase or sale of all securities or the single purchase or sale of more than 5% of all securities of the same class of the same issuer.

A report from paragraph 1 of this Article must contain the commercial name and domicile of the professional intermediary and the issuer, the type, total number and price of securities.

A professional intermediary is required, after every announced intention to or offer for the purchase or sale of securities, to disclose information on such securities or an explicit statement that they do not have such information at their disposal.

Article 114

For the purpose of protection of investors, a Stock Exchange is required to disclose:

- 1) rules;
- 2) the list of members;
- 3) the list of members of the Supervisory Board and Management;
- 4) the list of securities in trade;

- 5) information on the trade of securities separately, which must contain the date and time of trading, the type, number and price of securities.

A Stock Exchange is required to monthly disclose information on securities in trade and the realized volume of trade in its bulletin or the public media.

Article 115

Self-Regulatory Organizations are required to disclose:

- 1) the list of members;
- 2) the list of members of the Supervisory Board and Management;
- 3) rules and standards;
- 4) the conditions and the method for acquisition of qualifications for conducting operations of mediating the trade of securities;
- 5) the list of persons who were issued certificates from Article 104 item 4 of this Law;
- 6) fines imposed against their members, members of their bodies and officials.

Article 116

An owner of securities is required to disclose information on the acquisition of more than 5% of shares with attached voting rights of the same issuer, issued through a public offering, also on the sale or purchase with which their participation in the total amount of shares with attached voting rights of the same issuer increased above or decreased below 1/10, 1/5, 1/4, 1/3, 1/2, or 2/3.

In cases from paragraph 1 of this Article, an owner of securities is required to disclose his/her name and surname, or its commercial name and domicile, the commercial name and domicile of the issuer, the class and number of shares in his/her/its ownership and the percentage of participation in the total number of shares with attached voting rights and all shares of the same issuer.

When acquiring ownership in the amount, from paragraph 1 of this Article, on the basis of a tender offer, a purchaser is required to buy all offered shares at the price announced in the tender offer.

An owner of securities is required to inform the Commission in writing on the occurrence of circumstances from paragraph 1 of this Article, at the latest eight days from the day of their occurrence.

2. Inside Information

Article 117

Information on an issuer and its securities that provides an advantage to persons in possession of such information in relation to other participants in the trade of securities, or that may influence the price of securities, is considered inside information pursuant to the provisions of this Law.

Article 118

Members of the Supervisory Board and Management along with the employees of the issuer, persons who control an issuer and other persons who through position or contract have access to inside information, for as long as they hold their positions or functions and six months after they have ceased such, as well as third persons who through them acquired inside information, are obliged to report to the Commission in writing on the issuer's securities they possess, all transactions in such securities and changes to ownership rights attached to the securities they possess.

Article 119

Persons from Article 118 of this Law may not publicly disclose inside information if they are not explicitly authorized in the framework of the conducting of their activities, nor may they provide inside information to third persons and use such when purchasing or selling or providing advise on the purchase or sale of securities to which information relates.

A person who acts contrary to the provisions of paragraph 1 of this Article is required to indemnify third persons, including lost profits caused by such acts.

3. Prohibition of Manipulation of Prices

Article 120

Every action with an aim to manipulate the prices of securities is prohibited and especially:

- 1) the trade of securities without an actual transfer of ownership over the securities;
- 2) giving an order for the purchase or sale of a security on basis of knowledge that another person has provided or will provide an order for the purchase or sale of the same security at the same or a similar price;
- 3) the trade of securities with the purpose of increasing or decreasing their price or creating the illusion of trading; or
- 4) the trade of securities within the framework of managing a securities portfolio, with the purpose of acquiring brokerage fees on basis of the purchase or sale of securities from that portfolio.

A natural person or a legal entity acting against the provisions of paragraph 1 of this Article is responsible for the compensation for damage to other persons caused by such acts.

4. Securing Obligations Arising from Securities

Article 121

Every guarantee or securing the payment of dividends is null and void.

Article 122

Payments on basis of bonds may be guaranteed through a bank guarantee or a pledge on immovables or securities.

A guarantee from paragraph 1 of this Article refers to the total obligations of the issuer on the basis of bonds and is activated on the first call (for such) by any owner of a bond for which the guarantee was issued.

A pledge of immovables must be entered into the appropriate public books, in favor of the owner of the bond.

A pledge of securities is entered in the Registrar.

The value of a pledge may not be less than the total obligations of the issuer based on the guaranteed bonds.

5. Promotion of Securities

Article 123

The promotion of securities must contain the commercial name of the professional intermediary or the name and surname of the other person responsible for the accuracy and completeness of information presented in a public promotion.

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

The disclosure of information on securities and on the issuer that must be provided to the Commission are not considered a public promotion.

The disclosure of information on the issuance of securities or of dividend payments is considered a public promotion.

Every action that discloses and conveys inaccurate and incomplete information on securities or the issuers is prohibited.

Article 124

In a public promotion it is not allowed to disclose:

- 1) incomplete or inaccurate information on securities offered for purchase or sale and on the conditions of sale and purchase;
- 2) estimates of increases to value and yields from securities, except for securities with fixed yields determined in the prospectus;
- 3) a public guarantee or information on a guarantee on the basis of a comparison with other securities;
- 4) information on disadvantages of professional intermediaries who participate in similar activities in the trade of securities or deficiencies of issuers of similar securities.

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

A person from Article 123 paragraph 1 is required to provide to the Commission all information and publications on a public promotion, at the latest eight days before disclosure.

Article 125

The promotion of securities that are issued through a public offering may be conducted upon approval of the issue by the Commission.

VII PENALTY PROVISIONS

Article 126

An individual will be penalized with a fine in the amount of 200 - 1,000 KM if he/she:

- 1) as an owner of a securities account does not act in accordance with the provisions of article 9 of this Law;
- 2) possesses securities of authorized intermediaries contrary to Article 79 paragraph 2 and 3 of this Law;
- 3) acts contrary to the provisions of Article 80 paragraph 1 of this Law;
- 4) conducts operations of an investment advisor contrary to Article 91 paragraph 2 of this Law;
- 5) possesses shares of more than one professional intermediaries contrary to Article 98 paragraph 1 of this Law.

Article 127

A legal entity will be penalized for an economic violation with a fine in the amount of 10,000 - 70,000 KM if it:

- 1) limits the right to purchase or dispose of securities contrary to the provisions of Article 7 paragraph 3 of this Law;
- 2) determines pre-emptive rights to securities contrary to the provisions of Article 7 paragraph 4 of this Law;
- 3) does not submit to the Registrar accurate and complete information from Article 7 paragraph 5 of this Law;
- 4) as an owner of a securities account does not act in accordance with the provisions of Article 9 of this Law;
- 5) carries out an issuance of securities without the approval of the Commission from Article 13 paragraph 5 of this Law;
- 6) publishes the prospectus from Article 17 or the abridged prospectus from Article 26 of this Law without the approval of the Commission;
- 7) does not publish the prospectus in accordance with the provisions of Articles 18-24 of this Law;
- 8) fails to carry out operations from Article 25 of this Law;
- 9) carries out the issuance of securities on the basis of the abridged prospectus contrary to the provisions of Article 26 of this Law;
- 10) does not publish the public offering in accordance with Article 30 of this Law;
- 11) does not inform the Commission and the public on the discontinuation of a public offering in accordance with Article 32 paragraph 2 of this Law;
- 12) issues securities contrary to the provisions of Article 33 paragraph 2 of this Law;

- 13) does not disclose information on the subscription and payment of securities in the method and in the time frames determined in Article 34 paragraph 3 of this Law;
- 14) does not inform the Commission on the discontinuation of the private placement of securities in accordance with Article 37 of this Law;
- 15) does not inform the owners of securities on the conversion or denomination of securities, or the merging or splitting-up of shares in accordance with Article 50 of this Law;
- 16) carries out the conversion or denomination of securities or the merging or splitting-up of shares contrary to the provisions of Article 51 of this Law;
- 17) disposes of shares of the Stock Exchange contrary to the provisions of Article 57 paragraph 1 item 1 of this Law;
- 18) admits into membership of the Stock Exchange persons who do not fulfill the conditions from Article 58 paragraph 1 of this Law;
- 19) does not admit into membership of the Stock Exchange a person who fulfills the conditions for admittance in accordance with Article 58 paragraph 2 of this Law;
- 20) does not prescribe the conditions for the quotation of securities on the Stock Exchange from Article 60 paragraph 2 of this Law;
- 21) includes securities in regular quotation on the Stock Exchange contrary to the provisions of Articles 62, 63 and 65 of this Law;
- 22) does not disclose information from Article 66 of this Law;
- 23) does not disclose the reports on business operations in accordance with the provisions of Article 67 of this Law;
- 24) does not submit to the Commission the annual Stock Exchange report or does not publish it in accordance with Article 73 paragraph 3 of this Law;
- 25) possesses securities of authorized intermediaries contrary to Article 79 paragraphs 2 and 3 of this Law;
- 26) acts contrary to the provisions of Article 80 paragraph 1 of this Law;
- 27) transfers obligations from the contract with the principal to another professional intermediary contrary to the provisions of Article 85 paragraph 3 of this Law;
- 28) does not ensure priority to obligations of a broker from Article 86 of this Law;
- 29) does not fulfill the obligation of Article 87 paragraph 1 of this Law;
- 30) does not maintain the Book of Orders from Article 88 paragraph 1 of this Law;
- 31) did not carry out the obligation from Article 88 paragraph 2 of this Law;
- 32) carries out operations of an investment advisor contrary to Article 91 paragraph 2 of this Law;
- 33) carries out operations of an investment advisory contrary to Article 92 of this Law;
- 34) possesses shares of more than one professional intermediary contrary to Article 98 paragraph 1 of this Law;
- 35) acts with the funds of a principal contrary to the provisions of Article 99 of this Law;
- 36) carries out intermediary activities in the trade of securities without fulfilling the conditions from Article 100 of this Law;

- 37) does not deliver to the Commission the reports from Article 102 of this Law;
- 38) does not provide the reports from Article 106 in the method determined in the provisions of Articles 110 - 115 of this Law.

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

Article 128

A legal entity will be penalized with a fine in the amount of 50,000 -70,000 KM for an economic violation if it:

- 1) uses inside information contrary to the provisions of Article 119 of this Law;
- 2) carries out the trade of securities in a manner contrary to prohibition from Article 120 of this Law;
- 3) discloses information or carries out a promotion contrary to the provisions of Articles 123 - 125 of this Law.

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

Article 129

One who, for the purpose of acquiring property gains for himself/herself or another or inflicts material damages on another, uses inside information contrary to the provisions of article 119 of this Law or who conducts the trade of securities in a method contrary to the ban of Article 120 of this Law or one who discloses information and carries out promotion contrary to the provisions of Article 123 - 125 of this Law will be penalized with a fine or imprisonment lasting from three months to five years.

Article 130

One who, for the purpose of acquiring property gains for himself/herself or another or inflicts material damages on another, as a member of the Supervisory Board or Management of an issuer allows for or makes possible the distribution of a copy of a prospectus that, in content differs from the prospectus prescribed for in the provisions of Articles 18 - 24 of this Law or one who permits or makes possible the statement of inaccurate or incomplete information, will be penalized with a fine or imprisonment lasting from three months to five years.

Article 131

One who, for the purpose of acquiring property gains for himself/herself or another or inflicts material damages on another, as a member of the Management of the Stock Exchange allows the quotation on the Stock Exchange of a security that

does not fulfill the conditions from Articles 62, 63 and 65 of this Law, shall be penalized with a fine or imprisonment lasting from three months to five years.

Article 132

One who, as an owner of securities does not deliver to the Commission information from Article 116 of this Law shall be penalized with a fine or imprisonment lasting from three months to five years.

VIII TRANSITIONAL AND CLOSING PROVISIONS

Article 133

Securities issued before the coming into effect of this Law are considered as securities issued through a public offering.

An issuer is required to deposit materialized securities, issued before the coming into effect of this Law, in accordance with the provisions of Article 5 of this Law, at the latest one year from the coming into effect of this Law.

Article 134

Provisions of Articles 13 - 38 of this Law are not applied to shares that are issued in the privatization procedure in accordance with the Law on the Privatization of Enterprises (“Official Gazette of the Federation of BiH”, no. 27/97) and the Law on the Privatization of Banks (“Official Gazette of the Federation of BiH no.12/98”).

Upon the implementation of the procedure for the privatization of enterprises and banks, shares from paragraph 1 of this Article in private or state ownership, are considered as shares issued through a public offering and the provisions of this Law on the trade of securities apply to them.

Article 135

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 136

This Law comes into effect eight days after its publication in the “Official Gazette of the Federation of Bosnia and Herzegovina”.