

**1. LAW ON THE CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
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**LAW ON THE CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
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## **Chapter I**

# **ESTABLISHMENT, OBJECTIVE AND TASKS OF THE CENTRAL BANK**

### **Article 01. Establishment of the Central Bank**

1. There is hereby established a Central Bank of Bosnia and Herzegovina, to be known as the Central Bank of Bosnia and Herzegovina (hereinafter referred to as the "Central Bank"). It will be headed by a Governing Board and it may not extend credit by creating money, operating in this respect as a currency board.
2. The Central Bank shall be a juridical person with full capacity under the law of Bosnia and Herzegovina, the law of the Federation of Bosnia and Herzegovina, and the law of the Republika Srpska. In particular, the Central Bank shall have the capacity to contract, to acquire and to dispose of movable and immovable property, and to be a party to legal proceedings.
3. The Central Bank shall have its head office in Sarajevo. However, it will decentralize its activities in other locations of the common institutions of Bosnia and Herzegovina. The Central Bank shall establish and maintain a head office and main units in the Federation of Bosnia and Herzegovina and the Republika Srpska; these main units shall have no legal status or authority independent from the Central Bank. One or two main units shall be established in the Federation, and one in the Republika Srpska. They will perform their duties as decided by the Governing Board and the Governor, and under this law they may operate through accounts opened with the appropriate authorities in the payment system. The Governing Board of the Central Bank may establish representative and liaison offices abroad and appoint agents and correspondents. It may also establish representative offices under the authority of the main units at such locations in Bosnia and Herzegovina as it shall determine.
4. The Central Bank shall have a seal consisting of the image of the coat of arms of Bosnia and Herzegovina with the words "The Central Bank of Bosnia and Herzegovina". Each main unit shall have a seal bearing the words "Central Bank of Bosnia and Herzegovina", and the name and location of that main unit. The seals of the Central Bank and of its main units shall include coats of arms in accordance with the Law on Coats of Arms of Bosnia and Herzegovina.

### **Article 02. Objective and basic tasks of the Central Bank**

1. The objective of the Central Bank shall be to achieve and maintain the stability of the domestic currency (Convertible Marka) by issuing it according to the rule known as a currency board.
2. The responsibilities, tasks and duties of the Central Bank shall be discharged through its head office, main units, and its other branches.
3. The basic tasks of the Central Bank performed under the authority of its Governing Board shall be:
  - a. to formulate, adopt and control the monetary policy of Bosnia and Herzegovina by issuing the domestic currency (Convertible Marka) at a one to one exchange rate with the Deutsche mark with full backing in freely convertible foreign exchange, and through its other functions as defined in this Law;
  - b. to hold and manage the official foreign exchange reserves of the Central Bank in a safe and profitable way;
  - c. to promote or to establish and maintain appropriate payment and settlement systems;
  - d. to issue regulations for the implementation of the activities defined in paragraph a of Article 2, section 3, of this Law;

e. to coordinate the activities of the agencies responsible for bank licensing and supervision in the Entities in ways to be determined by the Governing Board of the Central Bank, including monthly meetings of the heads of such agencies with representatives of the Central Bank, and the submission of monthly reports by these agencies to the Central Bank on their activities and on developments at the financial institutions under their jurisdiction.

f. to execute the monetary policy in accordance with paragraph a of Article 2, section 3, of this Law;

g. to receive deposits from Bosnia and Herzegovina, and from commercial banks to meet the reserve requirements. The Central Bank may also hold deposits of the Entities and other public institutions, and other reserves of commercial banks, if these so desire;

h. to put into and to withdraw from circulation the domestic currency (Convertible Marka), including legal tender banknotes and coins, adhering strictly to the currency board rule defined in paragraph a of Article 2, section 3, of this Law.

4. In particular,

a. the Governing Board of the Central Bank shall have exclusive responsibility for the tasks in (a), (b), (c), (d) and (e) of paragraph 3 of this Article, while the remaining tasks will be carried out by the head office, main units, and other branches of the Central Bank;

b. other basic tasks of the head office of the Central Bank and of the main units shall be:

I. to undertake foreign exchange operations at the request of the banks located in the region covered by the main unit; and

II. to collect data related to economic and financial activities in the region in which they are located.

### **Article 03. Independence of the Central Bank**

Within the limits of its authority established by this Law, the Central Bank shall be entirely independent from the Federation of Bosnia and Herzegovina, the Republika Srpska, any public agency and any other authority in the pursuit of its objective and the performance of its tasks. Except as otherwise specified by law, the Central Bank shall take no instructions from any other person. The independence of the Central Bank shall be respected and no person shall seek improperly to influence any member of a decision making body of the Central Bank in the discharge of his duties towards the Central Bank, or interfere in the activities of the Central Bank.

### **Article 04. International cooperation**

1. The Central Bank shall represent Bosnia and Herzegovina in all inter-governmental meetings, councils and organizations concerning monetary policy and the other matters that are within its competence.

2. The Central Bank may provide banking services for the benefit of foreign governments, foreign central banks and monetary authorities, and for the benefit of international organizations in which it or Bosnia and Herzegovina participates.

3. The Central Bank may participate in international organizations that pursue financial and economic stability through international monetary cooperation.

4. As agent of Bosnia and Herzegovina, the Central Bank may undertake responsibilities and perform transactions concerning the participation by Bosnia and Herzegovina in international organizations.

## **Chapter II**

# **ORGANIZATION AND ADMINISTRATION OF THE CENTRAL BANK**

### **Article 05. Organization of the Central Bank**

1. The Central Bank shall have a Governing Board, a management consisting of a Governor and three Vice Governors, and a staff.
2. The Central Bank shall have a head office and main units.

### **Article 06. Functions of the Governing Board**

1. The Governing Board shall be charged with the supreme direction and supervision of the policies, administration and operations of the Central Bank.
2. In carrying out its functions, the Governing Board must periodically assess the monetary and economic situation. To that end, the management of the Central Bank shall report, not less than once every month, to the Governing Board on the administration and operations of the Central Bank, on the conduct of its monetary and regulatory policies, on the soundness of the financial system, and on the state of the money, capital and foreign exchange markets, including all events and conditions that have or must be expected to have a significant effect on the administration or operations of the Central Bank or on the conduct of its policies or on the financial system or on the before mentioned markets.

### **Article 07. Powers of the Governing Board**

The Governing Board shall have the following powers:

- a. to determine the monetary policy, in accordance with paragraph a of Article 2, section 3, of this Law;
- b. to adopt all regulations, guidelines and instructions of general application that are to be issued by the Central Bank;
- c. to approve all reports and recommendations that the Central Bank is to make to the Parliamentary Assembly or the Presidency of Bosnia and Herzegovina;
- d. to decide on the Central Bank's participation in international organizations;
- e. to determine the face value and size of banknotes and coins in accordance to Article 42 of this Law, to decide their production and safekeeping, and the conditions of any currency recall. The design of banknotes and coins shall be decided by the Governing Board with the approval of the Presidency of Bosnia and Herzegovina.
- f. to adopt the By-Laws of the Central Bank and to determine the policies applicable to the administration and operations of the Central Bank;
- g. to determine the organization of the Central Bank;
- h. to approve the appointment of the Vice Governors and the Comptroller General of the Central Bank and his Deputies, and, after the first six years of operation of the Central Bank, to elect from among its members a Governor of the Central Bank;
- i. to establish and close main units and other branch offices and agencies of the Central Bank;
- j. to determine the budget of the Central Bank and in general the terms and conditions of employment of Central Bank employees, agents and correspondents;
- k. to determine the accounting practices and standards of the Central Bank, head office, main units, and other branches, and to approve the annual reports and financial statements of the Central Bank;
- l. to establish special reserves on the books of the Central Bank with the approval of the Presidency of Bosnia and Herzegovina;
- m. to determine the categories of assets that shall be suitable for investment of the Central Bank's financial resources;

n. to decide any other issue within the competence of the Governing Board as defined by this law.

#### **Article 08. Constitution of the Governing Board**

1. During the first six years of operation of the Central Bank, the Governing Board shall be composed of a Governor appointed by the International Monetary Fund, after consultation with the Presidency of Bosnia and Herzegovina, and three members appointed by the Presidency of Bosnia and Herzegovina. The Governor appointed by the International Monetary Fund shall not be a citizen of Bosnia and Herzegovina or any neighboring state. The three members appointed by the Presidency of Bosnia and Herzegovina shall be one Bosniac and one Croat from the Federation of Bosnia and Herzegovina and one Serb from the Republika Srpska.

2. After the first six years of operation of the Central Bank:

a. the Governing Board of the Central Bank shall be composed of five members appointed by the Presidency of Bosnia and Herzegovina; and

b. upon the appointment of its members, each Governing Board shall appoint, from among its members, a Governor for a term of six years; no Governor shall be replaced during his term, other than upon his removal from the Governing Board in accordance with Article 11.

3. Except for the Governor to be appointed by the International Monetary Fund, candidates for Governing Board membership shall be citizens of Bosnia and Herzegovina; they must be persons of recognized integrity and professional experience in monetary and banking matters, to whom no ground for removal under Article 11 applies.

4. The term of each member of the Governing Board shall be six years. Members of the Governing Boards shall be eligible for reappointment, unless a ground for removal under Article 11 would apply to them.

#### **Article 09. Compensation of members of the Governing Board**

The members of the Governing Board shall receive from the Central Bank a compensation determined by the Governor in accordance with generally accepted standards and commensurate to their responsibility.

#### **Article 10. Ineligibility to serve on the Governing Board**

No person shall serve on the Governing Board while he is a member of the Presidency, the Parliamentary Assembly, the State Council, or the Council of Ministers, of Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina, or the Republika Srpska.

#### **Article 11. Disqualification and removal of members of the Governing Board, and their immunities.**

1. Any member of the Governing Board shall be removed from the Board by the Presidency of Bosnia and Herzegovina, if he:

a. violates the currency board rule established in this law;

b. becomes ineligible to serve on the Governing Board pursuant to Article 10;

c. has been convicted of an offense for which he was or could have been sentenced to imprisonment without the option of a fine;

d. has become insolvent or has been declared bankrupt and has not been rehabilitated; or

e. has, on grounds of personal misconduct, been disqualified or suspended by a competent authority from practicing a profession.

2. Any member of the Governing Board may be removed from the Board by the Presidency of Bosnia and Herzegovina upon a finding and recommendation by a majority of the members of the Governing Board that:

- a. the person recommended for removal from office is unable to perform the functions of such office because of an infirmity of body or mind that has lasted for more than one year;
- b. the person recommended for removal from office has attended less than half of the meetings of the Governing Board held during the most recent period of twelve months; or
- c. the person recommended for removal from office has engaged in significant violations of the law or serious misconduct in the office, substantially prejudicing the interests of the Central Bank.

3. No member of the Governing Board shall be removed from the Board on another ground.

4. The members of the Governing Board of the Central Bank shall not be criminally prosecuted, arrested or detained, without the consent of the Parliamentary Assembly. This immunity does not apply to the prosecution, arrest or detention of a person who is caught in the act of committing a serious offense.

#### **Article 12. Resignation of Members of the Governing Board**

Members of the Governing Board may resign on giving not less than three months' notice in writing to the Presidency of Bosnia and Herzegovina.

#### **Article 13. Vacancy on the Governing Board**

Any vacancy on the Governing Board shall be filled by the appointment of a new member of the Governing Board in accordance with Article 8 to serve the remaining period of the term of the member replaced.

#### **Article 14. Meetings of the Governing Board**

1. The meetings of the Governing Board shall be chaired by the Governor or, in his absence, by one other member of the Governing Board. During the first six years of operation of the Central Bank, the Governing Board with the approval of the Governor may deliberate in his absence and make decisions, provided that the three other members or their appointed representatives are present, and that unanimous decisions are reached.

2. The Governing Board shall meet as often as the business of the Central Bank may require but not less frequently than once each calendar month.

3. Normally, meetings of the Governing Board are convened by the Governor. Governing Board meetings may also be convened at the written request of any two members of the Governing Board or, in the event of an emergency, any member of the Governing Board.

4. Governing Board meetings shall be convened by effectively communicating the time, venue and agenda of the meeting to all members of the Governing Board at least ten working days before the date set for the meeting, except that, in the event of an emergency, Governing Board meetings may be so convened at shorter notice. If a Board member, with the exception of the Governor, cannot attend a Board meeting, he must appoint a representative who will be able to attend and who is not another Board member. Any such representative must meet the requirements of Article 8, section 3, and shall be subject to the provisions of Articles 10 and 11 of this Law.

5. Each member of the Governing Board shall have one vote. However, during the first six years of operation of the Central Bank the two members appointed from the Federation of Bosnia and Herzegovina shall share one vote, that is, each will cast half ( $\frac{1}{2}$ ) a vote.

6. A quorum at any meeting of the Governing Board shall consist of: (i) three-fourths of the membership of the Governing Board or of their appointed representatives during the first six years of operation of the Central Bank; and (ii) three-fifths of the membership of the Governing Board or of their appointed representatives thereafter.

7. Except as otherwise provided by this Law, decisions of the Governing Board shall, following a discussion of the matter, be adopted by a simple majority of the votes cast by the



members of the Governing Board or their appointed representatives present. Only members of the Governing Board or their appointed representatives present in person shall have the right to vote; provided, however, that the By-Laws of the Central Bank may permit Governing Board meetings and voting by teleconferencing or in exceptional circumstances by tested telex or other tested electronic means of communication. In the event of a tied vote, the Governor may cast the tie-breaking vote.

8. All acts done by a person acting in good faith as member of the Governing Board shall be valid notwithstanding that some defect in his appointment, eligibility, or qualification be afterwards discovered.

#### **Article 15. Proceedings of Governing Board meetings**

1. The proceedings of the meetings of the Governing Board shall be confidential. The Governing Board may decide to make the outcome of its deliberations public.
2. There shall be minutes of each Governing Board meeting signed by the person chairing the meeting, and by the Secretary of the Governing Board.
3. The Secretary of the Governing Board shall be appointed by the Governor from among the senior staff of the Central Bank; he shall not be a member of the Governing Board.

#### **Article 16. Disclosure by members of the Governing Board**

1. Members of the Governing Board shall periodically disclose to the Governing Board in full their significant interests which they or members of their household may directly or indirectly have; such disclosures shall comply with guidelines adopted by the Governing Board.
2. Members of the Governing Board shall abide to the same disclosure guidelines concerning their significant commercial interests as all other senior members of the common institutions of Bosnia and Herzegovina.
3. Whenever any matter related to such interest comes up for Governing Board discussion, the member of the Governing Board concerned shall disclose his interest at the beginning of the discussion and shall not participate in the discussion and decision on such matter; however, his presence shall be counted for the purpose of constituting a quorum.

#### **Article 17. Composition of the management of the Central Bank**

1. The management of the Central Bank shall consist of the Governor and such Vice Governors as the Governor shall appoint with the approval of the Governing Board.
2. Members of the Governing Board may be appointed Vice Governors only by unanimous approval by the Governing Board.
3. The Governor may, with the approval of the Governing Board, assign temporary tasks to other members of the Governing Board. He may also give long-term assignments to members of the Governing Board if such assignments are approved unanimously by the Governing Board.

#### **Article 18. Powers of the management of the Central Bank**

1. The Governor shall serve as the chief executive officer of the Central Bank in charge of the day-to-day business of the Central Bank. If the Governor is absent or otherwise unable to act, a Vice Governor selected by him with the approval of the Governing Board, shall act as chief executive officer of the Central Bank.
2. The Governor shall be responsible to the Governing Board for the execution of its decisions and for the direction and control of the administration and operations of the Central Bank.
3. All powers that are not specifically reserved for the Governing Board shall be vested in the Governor. Within the limitations of his powers, the Governor shall have the authority to take all actions required or deemed advisable by him for the administration or operations of the

Central Bank, including entering into contractual commitments on behalf of the Central Bank, appointing the employees, agents and correspondents of the Central Bank, and representing the Central Bank in legal proceedings. The Governor may, with the approval of the Governing Board, delegate some or all of his powers to other employees of the Central Bank.

#### **Article 19. Subsequent service**

1. Without the prior written approval of the Governing Board of the Central Bank, the Governor, other members of the Governing Board, and the Vice Governors shall not serve another financial institution during their mandate at the Central Bank.
2. Without the prior written approval of the Governing Board of the Central Bank, former Governors, other members of the Governing Board, and Vice Governors shall not serve another financial institution during a period of six months immediately following their departure from the Central Bank.

#### **Article 20. Comptroller General of the Central Bank**

1. A Comptroller General of the Central Bank shall be appointed by the Governor with the approval of the Governing Board, for a term of three years. The Comptroller General shall be eligible for reappointment, unless one of the grounds for removal specified in Article 11 could be applied to him.
2. The Comptroller General may resign from office on giving not less than three months' notice to the Governor. The Comptroller General shall be removed from office only by a decision of the Governing Board that is supported by one or more of the grounds of removal specified in Article 11.
3. The Comptroller General has the duty:
  - a. to establish and maintain appropriate risk management procedures and instruments for the Central Bank and to supervise their use;
  - b. to perform periodic audits of the administration and operations of the Central Bank, in order to ensure strict observance of the laws and regulations that apply to the Central Bank;
  - c. to audit, and to submit to the Governing Board reports and recommendations on, the accounts and records as well as the budgetary and accounting procedures and controls of the Central Bank; and
  - d. to audit the periodic financial statements and related documents of the Central Bank and, if these have been properly prepared, to issue certifications to that effect.
4. The Governing Board may appoint Deputy Comptrollers to assist the Comptroller General in the discharge of his duties.

#### **Article 21. Staff of the Central Bank**

1. During their employment by the Central Bank, staff of the Central Bank shall not be employed by, or receive credit from, any person other than the Central Bank, unless the Central Bank shall otherwise decide.
2. The Governing Board shall adopt a Central Bank regulation covering the conditions of employment of the staff at the Central Bank and their rights and duties.

#### **Article 22. Central Bank employees, agents and correspondents**

1. The Governor shall appoint and terminate the appointment of the employees, agents and correspondents of the Central Bank, within the limits and in accordance with the general terms and conditions of employment prescribed by the Governing Board.
2. No salary, fee, wage, or other remuneration or allowance paid by the Central Bank shall be linked to the net income, net profits or other revenues of the Central Bank.

**Article 23. Conflicts of interest**

1. While holding office, the Governor and Vice Governors shall devote the whole of their professional services to the Central Bank, and none of them shall occupy any other office or employment, whether remunerated or not, except with the approval of the Governing Board of the Central Bank.
2. No executive officer, management or staff of the Central Bank shall simultaneously have other employment, whether gainful or not, without the prior written approval of the Governing Board of the Central Bank.
3. No member of the Governing Board, management or staff of the Central Bank shall accept any gift or credit for himself, or on behalf of any person with whom he has family, business, or financial connections, if the acceptance thereof would result, or give the appearance of resulting, in a diminishment of his impartial devotion to his duties to the Central Bank.

**Article 24. Secrecy**

No person who serves or has served as a member of the Governing Board, management or staff or as an auditor, agent or correspondent of the Central Bank shall, in a manner unauthorized by law: (i) permit access to, disclose or publicize nonpublic material information which he has obtained in the performance of his Central Bank duties; or (ii) use such information, or allow such information to be used, for personal gain.

## **Chapter III**

### **FINANCIAL PROVISIONS**

#### **Article 25. Capital of the Central Bank**

1. The initial capital of the Central Bank shall have a value of twenty-five million Convertible Marka equivalent to twenty-five million Deutsche marks. The authorized capital of the Central Bank shall be its initial capital increased or decreased over time as shall result from allocation of net profits pursuant to Article 27 or Article 29.
2. The entire initial capital of the Central Bank shall be fully paid up within two weeks from the date on which this Law enters into force. The modalities for the payment of the initial capital shall be determined by the Parliamentary Assembly of Bosnia and Herzegovina.

#### **Article 26. Calculation of net profit or net loss of the Central Bank**

For each financial year, the net profit or the net loss of the Central Bank shall be calculated in accordance with international accounting standards as the sum of net operating revenues or losses (including realized gains and losses) and net unrealized valuation gains or losses, and after making provision:

- a. for bad and doubtful debts, depreciation of assets, and contributions to the staff retirement fund; and
- b. subject to the approval of the institutions competent for the budget of Bosnia and Herzegovina, for such other purposes as the Central Bank may deem necessary..

#### **Article 27. Allocation of net profit of the Central Bank**

If the central bank has a net profit for any financial year, the net profit shall be allocated by the Governing Board and used in the following order of priority:

- a. an allocation from net profit shall be made to the capital account of the Central Bank in such amount as shall be required to increase the authorized capital of the Central Bank to a level equivalent to five percent of the aggregate amount of monetary liabilities (as defined by Article 31) shown in the accounts of the Central Bank for the end of that financial year;
- b. an allocation from net profit shall be made to the General Reserve maintained by the Central Bank in such amount as shall be required to increase the amount of the General Reserve to a level equivalent to the amount of the authorized capital of the Central Bank; the General Reserve may only be used to offset losses of the Central Bank;
- c. an allocation from net profit shall be made by unanimous decision of the Governing Board to special reserves for specific purposes established by the Central Bank; and
- d. any residual net profit remaining after the preceding allocations shall be allocated in accordance with the following: the preceding allocations from net profit shall be deemed to have been made entirely from net operating revenues, except that, if no operating revenues are included in net profit or after the preceding allocations have exhausted net operating revenues included in net profit, such allocations shall be deemed to have been made from net unrealized valuation gains; residual net operating revenues if any shall be distributed to the appropriate fiscal authorities identified by the Parliamentary Assembly of Bosnia and Herzegovina in accordance to paragraph 2 of Article 25 of this Law within four months after the end of the financial year, and residual net unrealized valuation gains if any shall be allocated to a Valuation Reserve Account maintained on the balance sheet of the Central Bank.

**Article 28. Allocation of net loss of the Central Bank**

If the Central Bank incurs a net loss for any financial year, the net loss shall be allocated as follows:

- a. if the net loss is composed of net operating losses and net unrealized valuation losses, the amount of net operating losses shall be charged to the general reserve or to capital in that order, and the amount of net unrealized valuation losses shall be allocated to the Valuation Reserve Account or, to the extent that the balance of the Valuation Reserve Account would be negative as a result of such allocation, to the general reserve or to capital in that order;
- b. if the net loss is the sum of net operating revenues and greater net unrealized valuation losses, the loss shall be allocated to the Valuation Reserve Account or, to the extent that the balance of the Valuation Reserve Account would be negative as a result of such allocation, to the general reserve or to capital in that order; or
- (c) if the net loss is the sum of a net operating loss and smaller net unrealized valuation gains, the loss shall be charged to the general reserve or to capital in that order.

**Article 29. Coverage of shortfalls in capital of the Central Bank**

Whenever:

- a. on a quarterly pro-forma (un-audited) balance sheet of the Central Bank prepared pursuant to Article 64 the value of its assets falls below the sum of its liabilities and its unimpaired authorized capital, or
  - b. the net profit of the Central Bank for any financial year is insufficient to increase the authorized capital of the Central Bank to a level equivalent to five percent of the aggregate amount of monetary liabilities (as defined by Article 32) shown on the balance sheet of the Central Bank for the end of that financial year,
- the Ministry responsible for the budget of Bosnia and Herzegovina shall, within two months after submission of that balance sheet to the Presidency of Bosnia and Herzegovina, provide Convertible Marka in such amount or amounts as shall be necessary to remedy this deficit.

**Article 30. Restrictions on allocation of net profit**

No transfer, redemption or payment pursuant to Article 27 or 28 shall be made if, as a result thereof, in the opinion of the Governing Board of the Central Bank, the assets of the Central Bank would be less than the sum of its liabilities and unimpaired capital and reserves.

## **Chapter IV**

# **MONETARY FUNCTIONS AND OPERATIONS OF THE CENTRAL BANK**

### **Article 31 . Rule for issuing currency (Currency board arrangement)**

1. The Central Bank shall be obligated to ensure that the aggregate amount of its monetary liabilities shall at no time exceed the equivalent (in terms of the currency of Bosnia and Herzegovina) of its net foreign exchange reserves.

2. For the purposes of this Law:

a. The aggregate amount of the monetary liabilities of the Central Bank shall be at any time the sum of:

(A) all outstanding banknotes, coins put in circulation by the head office, main units, and other branches of the Central Bank; and

(B) the credit balances of all accounts maintained on the books of the Central Bank and its organizational units by resident account holders; and

b. the net foreign exchange reserves of the Central Bank shall be at any time the difference between the fair market value of the following assets and liabilities of the Central Bank:

Assets:

(A) any gold, other precious metals and precious stones held by or for the account of the Central Bank;

(B) any banknotes and coins in freely convertible foreign currency held by or for the account of the Central Bank;

(C) any credit balances that are payable in freely convertible foreign currency and are held in accounts of the Central Bank on the books of foreign central banks or other foreign financial institutions;

(D) Special Drawing Rights of the International Monetary Fund held by the Central Bank;

(E) any bills of exchange, promissory notes, certificates of deposit, bonds and other debt securities issued by residents of countries other than Bosnia and Herzegovina that are payable in freely convertible foreign currency and are held by or for the account of the Central Bank; and

(F) any forward purchase or repurchase agreements of the Central Bank concluded with or guaranteed by foreign central banks or international financial organizations, and any futures and option contracts of the Central Bank, providing for payment by residents of countries other than Bosnia and Herzegovina in freely convertible foreign currency.

Liabilities:

(A) any credit balances that are payable in freely convertible foreign exchange currency or Convertible Marka, and are held on the books of the Central Bank in the accounts of foreign central banks or other foreign financial institutions;

(B) any Convertible Marka held by the International Monetary Fund;

(C) any credits due to foreign central banks and governments, international organizations, and foreign financial institutions;

(D) any forward sale or resale agreements of the Central Bank concluded with or guaranteed by foreign central banks or international financial organizations, and any futures and option contracts of the Central Bank, providing for sale to residents of countries other than Bosnia and Herzegovina in freely convertible foreign currency; and

(E) any other liabilities to non-residents.

**Article 32 . Official exchange rate for the currency of Bosnia and Herzegovina**

The official exchange rate for the currency of Bosnia and Herzegovina shall be one Convertible Marka per Deutsche mark.

**Article 33 . Guaranteed convertibility of the currency of Bosnia and Herzegovina**

1. The Central Bank shall without restriction purchase and sell Convertible Marka on demand for Deutsche marks within the territories of Bosnia and Herzegovina at the exchange rate indicated in Article 32 of this Law.
2. Commercial banks and other financial institutions in Bosnia and Herzegovina shall purchase and sell without restriction, fees, commissions or other charges Convertible Marka for Deutsche marks on demand, at the exchange rate indicated in Article 32 of this Law.

**Article 34 . Other financial transactions of the Central Bank**

1. Subject to the provisions of Sections 2 and 3 of this Article, the Governing Board of the Central Bank shall have authority to take all actions necessary to acquire, hold, and dispose of the foreign exchange reserve assets described in Article 31, Section 2, in a safe and profitable way .
2. The total amount of the gross foreign exchange reserves of the Central Bank denominated in currency other than the Deutsche mark shall not be increased at any time if as a result of such increase the total would exceed the equivalent of 50 percent of the aggregate amount of the unimpaired capital and reserves of the Central Bank.
3. The total amount of the liabilities of the Central Bank that are denominated or payable in foreign currency shall not be increased at any time if as a result of such increase the total would exceed the equivalent of 50 percent of the aggregate amount of the unimpaired capital and reserves of the Central Bank. All the decisions on such liabilities have to be taken unanimously by the Governing Board.

**Article 35. Information**

Every month the Central Bank shall publish monthly information concerning the total amount of Convertible Marka in circulation and the official foreign exchange reserves of the Central Bank, with a breakdown of the holdings of Deutsche marks and other currencies.

**Article 36 . Required reserves of banks**

1. The Governing Board of the Central Bank will require by regulation that banks shall maintain deposits with the Central Bank, through its head office or main units, at prescribed minimum levels of between ten and fifteen percent of their deposits and borrowed funds denominated in Convertible Marka. Reserve requirements shall be applied uniformly to all banks.
2. Required reserves shall be maintained by way of cash holdings or by way of deposits with the Central Bank, through its head office and main units, and shall be calculated as average daily reserves over ten day periods.
3. The banks shall be paid interest at market related rates by the Central Bank on the amounts by which their required reserves exceed the equivalent of five percent of the aggregate amounts of their respective liabilities.
4. Regulations by which required reserves are modified shall specify the date by which banks shall comply with the new reserves.
5. If a bank fails to fulfill its required reserves for two consecutive periods, the Central Bank will cease to process withdrawal transactions for the bank, and will inform the appropriate banking authorities so that the appropriate measures are taken to correct the shortfall within the same week. If the failure to fulfill the reserve requirement continues for another week, the

Central Bank will inform the appropriate banking authorities so they can initiate procedures to close the bank. The Central Bank will impose on and collect from any bank that fails to maintain the required reserves prescribed by the Central Bank a penalty up to five per mil (5/1000) per day on the shortfall in such bank's required reserves, until the shortfall is corrected.

**Article 37 Money Market Operations**

The Central Bank shall not engage in money market operations involving securities of any type.



## **Chapter V**

### **MONETARY UNIT, BANKNOTES AND COINS**

#### **Article 38. Monetary Unit**

1. The monetary unit of Bosnia and Herzegovina shall be the "Convertible Marka", divided into one hundred "Feninga", the symbols for which shall be "KM" and "F" respectively. The Convertible Marka shall be issued by the Central Bank and put into circulation through its head office and main units.
2. The Convertible Marka shall be legal tender for payments of all public and private obligations and debt throughout Bosnia and Herzegovina. In particular, all public institutions and private individuals or enterprises must accept the Convertible Marka in settlement and payment of any obligation to them.
3. Only the Convertible Marka shall be used for receipts and payments of the budget and common institutions of Bosnia and Herzegovina (including payments and contributions by the Federation of Bosnia and Herzegovina and the Republika Srpska to the budget of Bosnia and Herzegovina), and in the official accounts of the common institutions of Bosnia and Herzegovina.
4. The budgets and the official accounts of their public institutions of the Federation of Bosnia and Herzegovina and the Republika Srpska, as well as tariffs, fees, and other charges collected on account of public utilities or public transport services, shall be denominated in Convertible Marka. In addition, other currencies may be used for these purposes as units of account.
5. Public officials of the Federation of Bosnia and Herzegovina and the Republika Srpska will undertake all efforts to promote the use of the Convertible Marka in the payments of all revenues and expenditures of their budgets, public agencies, and public enterprises at all levels of government. During that process, other currencies in use prior to the entry into force of this Law will continue to be used. Following the introduction of the Convertible Marka by Central Bank, the Presidency of Bosnia and Herzegovina will review these efforts every three months on the basis of an analysis submitted by the International Monetary Fund of the efforts made by the authorities to promote the use of the Convertible Marka.
6. Payments in transactions among physical persons, private enterprises, and mixed enterprises shall be in whatever currency the parties to the transactions agree to, including the foreign currencies which are widely circulating in the Federation of Bosnia and Herzegovina and in the Republika Srpska on the day this Law comes into force.

#### **Article 39 . Issue and withdrawal of currency**

The Governing Board of the Central Bank shall be the sole authority in Bosnia and Herzegovina for decisions on issuing legal tender currency and for withdrawing legal tender currency from circulation, through its head office, main units, and other branches in the Federation of Bosnia and Herzegovina and the Republika Srpska.

#### **Article 40 . Accounting treatment of currency issued**

The aggregate amount of banknotes and coins in circulation shall be noted in the accounts of the Central Bank (head office, main units, and other branches) as a liability of the Central Bank as a whole; accordingly, such liability shall not include banknotes and coins in the currency reserve inventory.

#### **Article 41 . Legal tender**

Banknotes and coins issued as legal tender by the Central Bank and not withdrawn from

circulation shall be accepted, at their face value, in payment of all public and private debts in Bosnia and Herzegovina.

#### **Article 42 . Currency features and interim notes (Coupons)**

1. The Governing Board of the Central Bank shall determine the face value and size of banknotes and coins in accordance with Article 7, paragraph e, of this Law. The design of the banknotes and coins shall be decided by the Governing Board with the approval of the Presidency of Bosnia and Herzegovina.

2. As an interim measure until a permanent solution for the design of the notes has been agreed upon, and as legal tender for cash payments, the Central Bank will put in circulation "Coupons." The Central Bank shall not issue coins as long as the Coupons are in circulation.

3. The Coupons will have common design elements as well as distinct design elements for the Federation of Bosnia and Herzegovina and the Republika Srpska. The two versions of the Coupons will be of the same size for a given denomination, and will have also the following common elements:

- a. the word "Coupon" will be on the note; and
- b. the sentence: "To the bearer of this Coupon, the Central Bank of Bosnia and Herzegovina will pay upon demand [--] Convertible Marka" will be on the note in readable terms;
- c. the denomination of the coupon will appear in highly identifiable numbers on both sides of the note;
- d. as a technical security feature, the Coupon will bear serial numbers.

Both versions of the coupon will have equal status as legal tender throughout the territory of Bosnia and Herzegovina.

4. The Federation of Bosnia and Herzegovina and the Republika Srpska will each have its own design features on the Coupons. The design of the notes shall be fully consistent with the Dayton Treaty and will not include elements offensive to the other Entity. The text on the Coupon may be written in different alphabets at the choice of the Entities, one being in the Cyrillic alphabet and the other in the Latin alphabet. The names of the Federation of Bosnia and Herzegovina and the Republika Srpska will not appear on the Coupons.

5. The Governing Board of the Central Bank will undertake all the necessary endeavors to ensure that the Coupons will be available for circulation in both the Federation of Bosnia and Herzegovina and the Republika Srpska within three months from the adoption of this Law.

#### **Article 43. Currency production and safekeeping**

The Central Bank shall arrange for the printing of bank notes and the minting of coins, for the security and safekeeping of unissued bank notes and coins, and for the custody and destruction, as necessary, of plates, dies, and retired banknotes and coins, that are legal tender in Bosnia and Herzegovina.

#### **Article 44. Unfit currency**

1. Unfit currency shall be withdrawn, destroyed, and replaced with banknotes or coins by the Central Bank.

2. The Central Bank may decline to exchange banknotes or coins if their designs are illegible, misshaped or perforated, or if more than forty percent of their surface has been lost. Such currency shall be withdrawn and destroyed without indemnity to the owner, except that, in special cases, the Central Bank may grant compensation in whole or in part.

3. The Central Bank shall not be required to provide any compensation for banknotes or coins that were lost, stolen or destroyed; it may confiscate without compensation any banknotes that have been altered in their external appearance, in particular banknotes that have been written

on, painted on, overprinted, stamped or perforated, or to which adhesive matter has been applied.

#### **Article 45. Currency inventory and issue plan**

The Central Bank shall directly administer the currency reserve inventory, make issue plans, and the head office, main units, and other branches of the Central Bank will ensure the prompt supply of banknotes and coins of Convertible Marka, in order to meet the currency needs of the economy of Bosnia and Herzegovina.

#### **Article 46. Currency recall**

1. The Central Bank may decide to call in and withdraw from circulation any Convertible Marka banknotes or coins that are circulating within the territory of Bosnia and Herzegovina, by issuing in exchange therefor other banknotes or coins in equivalent amounts; the decision shall be taken unanimously by the Governing Board and shall be issued in the form of a regulation of the Central Bank and shall specify the period during which the banknotes or coins must be presented for exchange and where (the head office, main units, or other branches of the Central Bank) they are to be so presented.
2. At the end of the exchange period referred to in Section 1, banknotes and coins called in for exchange shall cease to be legal tender.

#### **Article 47. Reproduction and counterfeiting of currency**

1. Whoever: (i) falsely makes, forges, counterfeits or alters any banknote or coin that is legal tender, whether in Bosnia and Herzegovina or abroad, or any check, security or payment card, whether denominated in currency of Bosnia and Herzegovina or in another currency; or (ii) possesses, transports or issues any such banknote, coin, check, security or payment card when he knew that it was falsely made, forged, counterfeited or altered; or (iii) manufactures, possesses or transports any plate, stone, paper, die or other object or substance when he knew that it was destined to be used in falsely making, forging, counterfeiting or altering any such banknote, coin, check, security or payment card; shall be guilty of a criminal offense.
2. Any reproduction of banknotes, coins, checks, securities or payment cards, whether denominated in currency of Bosnia and Herzegovina or in another currency, and the creation of any objects that by their design imitate any such banknote, coin, check, security or payment card, shall require the prior written authorization of the Central Bank.

## **Chapter VI**

# **EXCHANGE RATE POLICY, INTERNATIONAL RESERVE AND EXCHANGE CONTROL**

### **Article 48. Exchange control**

- 1 . The Convertible Marka shall be freely convertible into foreign currency throughout Bosnia and Herzegovina .
2. No restrictions shall be imposed by the Central Bank or other authorities on the making of payments and transfers for international transactions, unless the Central Bank determines that such restrictions are required in the performance of an obligation of Bosnia and Herzegovina under international law. All the decisions on these matters have to be taken unanimously by the Governing Board.

### **Article 49. Clearing and payments agreements**

The Central Bank may, either for its own account or for the account and by order of Bosnia and Herzegovina, enter into clearing and payments agreements or any other contracts for the same purpose with public and private central clearing institutions domiciled abroad.

### **Article 50. Foreign exchange reserve**

1. The Central Bank shall establish and maintain an adequate foreign exchange reserve which shall consist of all or any of the assets of the Central Bank listed in Article 31, Section 2.
2. The Central Bank shall invest its foreign exchange assets in accordance with sound investment principles and practices, and only in liquid debt securities issued by the government or the central bank of the country in whose currency the securities are denominated.

### **Article 51. Reporting of foreign exchange transactions**

Banks may be required by the Governing Board of the Central Bank through its organizational units to report periodically to the Central Bank their open foreign exchange positions on an aggregate basis; the Central Bank shall prescribe the reporting forms and supporting documents that must be submitted.

## **Chapter VII**

# **RELATIONS OF THE CENTRAL BANK WITH OTHER PUBLIC INSTITUTIONS**

### **Article 52. Banker, adviser and fiscal agent**

1. The Central Bank shall act as banker and as fiscal agent of Bosnia and Herzegovina, and such public agencies as the Presidency of Bosnia and Herzegovina shall determine provided, however, that no transaction carried out by the Central Bank may serve to extend financial assistance including credit to or for the benefit of Bosnia and Herzegovina.
2. The Central Bank and the Ministry in charge of the budget of Bosnia and Herzegovina may consult, and it shall be the duty of the Central Bank to render advice to the Ministry in charge of the budget of Bosnia and Herzegovina, on all significant matters that relate to its objectives or that otherwise are within its fields of competence.
3. Each year, the Central Bank may be consulted by the Ministry in charge of the budget of Bosnia and Herzegovina on the occasion of the preparation of the budget and, if consulted, shall submit a written report to the Council of Ministers of Bosnia and Herzegovina on economic and financial matters pertinent thereto.
4. The Central Bank will not act as banker or fiscal agent of either the Federation of Bosnia and Herzegovina or the Republika Srpska unless there is a joint decision of both Entities.

### **Article 53. Consultations and reporting on public sector borrowing**

Each year, the competent authority of Bosnia and Herzegovina shall consult with the Central Bank on the plan for external public sector borrowing during the next following financial year, including the amounts to be contracted and disbursed under such borrowing and the expected terms and conditions of such borrowing. All external borrowing transactions by Bosnia and Herzegovina and its public agencies shall be reported to the Central Bank in such detail as the Central Bank with the approval of the Presidency of Bosnia and Herzegovina shall specify by regulation.

### **Article 54. Depository and paying agent**

The Central Bank may accept deposits at its head office and main units, in Convertible Marka and foreign currency, from the institutions of Bosnia and Herzegovina and from such public agencies as the competent Ministry of Bosnia and Herzegovina shall determine. As depository, the Central Bank shall receive deposits and perform payments to the limits of the deposited amounts against payment orders concerning such accounts. The Central Bank shall pay interest on such deposits at market related rates after deduction of its administrative costs.

### **Article 55. Fiscal agency function**

The Central Bank may, only through a trust fund and on such terms and conditions as it shall agree with the competent authorities of Bosnia and Herzegovina, act as fiscal agent for the account of Bosnia and Herzegovina and its public agencies, in the following matters:

- a. marketing of debt securities issued by them, or as registrar and transfer agent therefor;
- b. payment of principal of, and interest and other charges on, such securities;
- c. execution of payment transactions concerning their accounts at the Central Bank;
- d. such other matters as shall be consistent with the objectives and the basic tasks of the Central Bank.

### **Article 56. Information to be provided to the Central Bank**

The Central Bank shall receive from Bosnia and Herzegovina all such financial and economic

information and documents as the Central Bank shall request for the carrying out of its functions.

## **Chapter VIII**

# **RELATIONS OF THE CENTRAL BANK WITH OTHER PUBLIC INSTITUTIONS**

### **Article 57. Bank accounts on Central Bank books**

Each bank operating under a banking license shall open and maintain a required reserve account on the books of the head office and main units of the Central Bank, on such terms and conditions as the Governing Board of the Central Bank shall specify, and shall provide promptly as required to the Central Bank or its main units and other branches in the Federation of Bosnia and Herzegovina and in the Republika Srpska such information concerning its operations and financial position as the Governing Board of the Central Bank shall prescribe.

### **Article 58. Clearing and settlement facilities**

The Central Bank through its head office and main units may assist banks in organizing facilities for the clearing and settlement of interbank payments, including payments by check and other payment instruments, and may establish such procedures and issue such regulations relating thereto as it shall deem appropriate.

### **Article 59. Information network**

The Central Bank may establish and maintain an information network for the financial system of Bosnia and Herzegovina.

**Chapter IX**  
**ACCOUNTS, FINANCIAL STATEMENTS, AUDIT AND REPORTS OF**  
**THE CENTRAL BANK**

**Article 60. Financial year of the Central Bank**

The financial year of the Central Bank shall begin on the first day of January and end on the last day of December.

**Article 61. Accounting practices**

The head office and the main units of the Central Bank shall maintain at all times accounts and records adequate to reflect in accordance with international accounting standards its operations and financial condition.

**Article 62. Financial statements of the Central Bank**

The head office of the Central Bank shall prepare consolidated financial statements for each of its fiscal years. They shall include a balance sheet, a profit and loss statement, and related statements.

**Article 63. Audit of Central Bank accounts**

The accounts and records of the Central Bank shall be audited by external auditors appointed by the Presidency of Bosnia and Herzegovina upon recommendation of the Governing Board.

**Article 64. Transmittal and publication of Central Bank statements and reports**

1. The Central Bank shall, within three months after the close of each of its financial years, submit to the Parliamentary Assembly of Bosnia and Herzegovina:
  - a. a copy of its financial statements certified by its auditors;
  - b. a report of its operations and affairs during that year; and
  - c. a report on the state of the economy.
2. The Central Bank shall, as soon as possible after the last working day of each quarter, but in any event within ten working days, prepare and submit to the Presidency of Bosnia and Herzegovina pro-forma (un-audited) financial statements as of the end of that quarter.
3. Upon their submission, the Central Bank shall publish the financial statements and reports referred to in Sections 1 and 2; it may publish such other reports and studies on financial and economic issues as it may deem appropriate.



## **Chapter X**

### **MISCELLANEOUS PROVISIONS**

#### **Article 65. Consultations on legislative proposals**

The Governing Board of the Central Bank shall be consulted on any proposals with respect to matters that relate to its objectives or that otherwise are within its fields of competence, before they are submitted to the legislative bodies of Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina, and the Republika Srpska.

#### **Article 66. Preferential right of the Central Bank**

1. The Central Bank shall have an unconditional preferential right to satisfy each of its claims from any cash balances and other assets that it holds for its own account or for the account of the debtor concerned, whether as collateral to secure its claims or otherwise, at the time that such claim becomes due and payable, except for bank assets held by the Central Bank as required reserves.

2. The Central Bank may exercise its preferential right only by keeping cash balances and by selling other assets against a reasonable price and paying itself from the proceeds of the sale after deducting therefrom the costs associated with the sale. No court action shall be required for, and no competing claim shall be permitted to delay, the exercise by the Central Bank of its preferential right in accordance with the provisions of this Article, not even claims of ownership or other previously acquired rights, unless there shall be clear and convincing evidence that staff of the Central Bank knew or should be considered to have known at the time that the assets came into the possession of the Central Bank that the assets did not belong to the debtor concerned.

#### **Article 67. Prohibited activities of the Central Bank**

1. Except as otherwise specifically authorized by this Law, the Central Bank shall not:
  - a. under any circumstances, grant any credit;
  - b. maintain any deposit denominated or payable in the currency of Bosnia and Herzegovina or with a resident of Bosnia and Herzegovina, or make any monetary or financial gift;
  - c. engage in commerce, purchase the shares of any corporation or company, including the shares of any financial institution, or otherwise have an ownership interest in any financial, commercial, agricultural, industrial, or other undertaking;
  - d. acquire by purchase, lease, or otherwise any real rights in or to immovable property, except as it shall consider necessary or expedient for the provision of premises for the conduct of its administration and operations or for the housing of its employees or similar requirements incidental to the performance of its functions under the provisions of this Law.
2. Notwithstanding any other provision of this Law, the Central Bank may:
  - a. with the approval of the Presidency of Bosnia and Herzegovina, have an ownership share or otherwise participate in, any organization that is engaged in activities that are required for the proper discharge of the Central Bank's own functions or responsibilities;
  - b. acquire, in the course of satisfaction of debts due to it, any interests or rights referred to in Section 1 above; provided that all such interests or rights so acquired shall be disposed of at the earliest suitable opportunity;
  - c. establish staff retirement funds or similar arrangements for the benefit or protection of its employees and their dependents and nominees, and make contributions towards the costs associated with such arrangements subject to such terms and conditions as it shall determine.

#### **Article 68. Collection of statistical information**

1. The Central Bank directly or through its main units shall collect the statistical information

from the competent institutions of Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina, and the Republika Srpska on economic and financial matters, provided that they are not regarded as confidential by the relevant authorities. To that end, it shall cooperate with the competent institutions in other states and with international organizations.

2. The Central Bank shall contribute to the harmonization of the rules and practices governing the collection, compilation and distribution of statistics within its fields of competence.

3. The Governing Board of the Central Bank shall define by regulation the statistical information so required and the form in which such information is to be provided to the Central Bank, the persons that are to provide such information to the Central Bank, and the confidentiality regime that shall apply to statistical information provided to the Central Bank.

#### **Article 69. Immunity of the Central Bank from taxation**

The Central Bank, its assets, property and income, and its operations and transactions, shall be exempt from all taxes and duties.

#### **Article 70. Central Bank regulations**

In carrying out its tasks, the Central Bank shall enjoy autonomous regulatory powers. All regulations, guidelines and instructions issued by the Central Bank that apply to more than one institution shall be published in the Official Gazettes of Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina and the Republika Srpska and shall take effect on the date of such publication or on such later date as such regulation, guideline or instruction shall specify. Such regulations, guidelines and instructions shall have the force of law throughout Bosnia and Herzegovina. The Central Bank shall maintain a public register of such regulations, guidelines and instructions.

#### **Article 71. Standards of good administration**

1. The Central Bank shall use the powers given it under this Law equitably and uniformly and in accordance with sound administrative practices. It shall refrain from using any such power to serve an objective for which the power was not given or in excess of what shall be required to achieve the objective for which the power was given.

2. The decisions of the Central Bank taken pursuant to this Law shall be impartial and shall be motivated only by objective and rational considerations; they shall be executed with fairness and restraint.

#### **Article 72. Transitional arrangements**

1. After forty-five days from the date that this Law enters into force, the National Bank of Bosnia and Herzegovina and the National Bank of Republika Srpska shall cease to act as central banks. In particular, they shall cease to accept monetary liabilities or otherwise engage in monetary operations. Other institutions that at that time are performing monetary operations or that are in any other way engaged in such operations shall cease to do so.

2. The Governing Board of the Central Bank shall have full responsibility and power as defined by this Law for the implementation of transitional arrangements. In particular, it will take appropriate action so that within forty-five days after this Law enters into force:

a. The monetary liabilities of the National Bank of Bosnia and Herzegovina will be transferred to a trust account at the Central Bank together with, and only to the extent of, the available, liquid, convertible foreign exchange assets held by the National Bank of Bosnia and Herzegovina. The liabilities so transferred will include, and may be limited to, the outstanding banknotes in Bosnia and Herzegovina dinars and the required reserve deposits of commercial banks. The foreign exchange assets so acquired shall be transferred to the ordinary accounts of the Central Bank whenever the Central Bank carries out a conversion of the corresponding

liabilities into Convertible Marka, up to the amount of the liabilities so converted, within the rules and regulations set by the Governing Board of the Central Bank for these purposes. Any net assets remaining in the trust account following the conversion of all such liabilities will be used in the liquidation of other liabilities of the National Bank of Bosnia and Herzegovina.

- b. the head office of the Central Bank and its main units shall start operation; and
- c. a new comprehensive accounting system will be set up for the Central Bank, pursuant to Article 61 of this Law. A general situation of all accounts and a provisional balance sheet will be prepared each month for internal use.

### **Article 73. Trust accounts**

The Central Bank shall be authorized to open and maintain on its books accounts whose assets and liabilities shall be segregated from the other assets and liabilities of the Central Bank so that the assets of each such account shall be available only to meet liabilities of that account and no other assets of the Central Bank shall be available to meet liabilities of such account.

### **Article 74. Definitions**

Wherever used in this Law, the following terms shall have the following meanings:

- a. "credit" means any direct or indirect commitment to disburse a sum of money in exchange for a right to repayment of the amount disbursed and outstanding and to payment of interest or other charges on such amount, any extension of the due date of a debt, any debt payment guarantee issued, any commitment to acquire a right to payment of a sum of money, and any deposit with a resident bank or financial institution; the term "credit" shall not include deposits and withdrawals from bank deposits maintained by resident banks for required reserves, and by the governments of Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina, or the Republika Srpska to the extent that the Central Bank acts as banker or fiscal agent. It will include the purchase in the secondary market of debt securities issued by residents or by nonresident entities owned directly or indirectly by residents;
- b. "debt security" means any negotiable instrument of indebtedness and any other instrument equivalent to such instrument of indebtedness, whether in certificated or in book-entry form;
- c. "public agency" means any agency, or institution of Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina or the Republika Srpska. The level of government--Bosnia and Herzegovina or Entity--to which such agencies pertain is defined separately in each reference in this Law;
- d. "resident" means any natural person who is registered as a resident of Bosnia and Herzegovina and any legal person maintaining an office in Bosnia and Herzegovina;
- e. "currency of Bosnia and Herzegovina" means Convertible Marka;
- f. "international accounting standards" means the most recent international accounting standards issued by the International Accounting Standards Committee;
- g. "bank" means any legal entity that is engaged in the business of receiving money deposits or other repayable funds under a banking license issued by the competent authority responsible for licensing and supervising banks;
- h. "currency board" for the purposes of this Law means an operational rule for issuing domestic currency, whereby domestic currency is issued only against purchases of convertible foreign exchange with full backing by net foreign exchange reserves. This means that the Central bank will not be able to extend credit;
- i. "main unit" and "branch" are used in this Law as a generic terms that do not preclude the adoption of a different official name for these organizational units of the Central Bank. The main unit in the Republika Srpska shall be called:  
Main Bank of the Republika Srpska  
Of the Central Bank of BiH

All letters in this name will be of the same size font;

[Note: in local language, this name is:

Glavna Bank Republike Srpske

Centralne Banke BiH ]

j. "Coupon" is the temporary note to be issued by the Central Bank before a permanent solution on the design of the Convertible Marka banknotes is reached. Provisions of this Law that apply to banknotes will also apply to Coupons.

**Article 75. Repeal of previous statutory provisions**

The provisions of this Law supersede related provisions of other laws and regulations in Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina, and the Republika Srpska.

**Article 76. Entry into force**

This Law shall enter into force on the eighth day after its adoption by the Parliamentary Assembly of Bosnia and Herzegovina.

Chairman  
Of the House of People  
Representatives  
Of Parliamentary Assembly of BiH  
Assembly of BiH

Chairman  
of the House of  
Of Parliamentary

Momir Tošić, personally signed  
signed

Ivo Lozančić, personally

Note: This Law was published in the Official Gazette of BiH, Ref: 1/97, and it took effect on 20 June 1997.