

## **LAW ON MICROCREDIT ORGANIZATIONS**

### **I - GENERAL PROVISIONS**

#### **Article 1**

This Law stipulates the establishment, activity, form of organization and registration, the operations, method of governance, supervision of operations and termination of operations of microcredit companies and microcredit foundations (hereinafter: microcredit organizations).

#### **Article 2**

(1) A microcredit organization in terms of provisions of this law is a non-depository financial organization whose core activity is provision of microcredits.

(2) A microcredit organization carries out the microcredit activity in compliance with this law, with the objective of improving the financial position of microcredit beneficiaries, increasing employment, providing the support to the development of entrepreneurship and acquisition of profits.

#### **Article 3**

(1) A microcredit organization is a legal entity which may be founded and may operate as a microcredit company or as a microcredit foundation.

(2) The status of a legal entity is acquired by a microcredit organization with the entry into the court registry of business companies, i.e. with the entry into the registry of citizens' associations.

(3) An application for the entry into the court registry is submitted 30 days at the latest from the date of acquiring the operating permit of the Banking Agency of Republika Srpska (hereinafter: the Agency) .

(4) Organizational parts of microcredit organization are also entered into the court registry, in compliance with regulations on the entry into the court registry.

#### **Article 4**

(1) A microcredit in terms of provisions of this law is a credit disbursed in the maximum amount of KM 50,000 by a microcredit company or KM 10,000 by a microcredit foundation.

(2) Limits referred to in Paragraph 1 of this Article include all credits of a single microcredit organization or a group of related microcredit organizations disbursed to a single credit beneficiary, and they are aggregated.

#### **Article 5**

(1) Activities of disbursing microcredit may be carried out as an activity only by microcredit organizations that had received a prior permit for the provision of those activities from the Agency (hereinafter: Permit) and carried out the entry into the court registry.

(2) A permit referred to in Paragraph 1 of this Article is issued for an unlimited period of time and is not transferable.

(3) The Agency stipulates the conditions that have to be met and the documentation that is submitted for the issuance of the permit referred to in Paragraph 1 of this Article.

### **Article 6**

(1) A microcredit organization carries out the microcredit activity in its headquarters and in organizational parts outside the headquarters, specifically in branches and offices.

(2) Organizational part of foreign organization that wish to carry out microcredit activities in Republika Srpska has to be registered as the legal entity and is obliged to obtain the permit pursuant to Article 5 Paragraph 1 of this Law, and fulfill the conditions prescribed by the Agency.

## **II ESTABLISHMENT OF MICROCREDIT ORGANIZATION**

### **Article 7**

(1) A microcredit organization may be established by at least 3 domestic or foreign natural persons and by at least 1 domestic or foreign legal entity, under the conditions stipulated by this Law.

(2) A person being authorized for the representation of the microcredit organization, pursuant to the founding enactment, submits to the Agency an application for the issuance of the permit, together with evidence on fulfilling the conditions and prescribed documentation, pursuant to Article 5 Paragraph 3 of this Law.

(3) The Agency issues a decision on approving or refusing the application for the issuance of the permit within 60 days from the date of receiving a regular and comprehensive application.

### **Article 8**

(1) The Agency issues the approval of founding and other general enactments of microcredit organizations that are prescribed by the Agency in compliance with this Law, as well as of all subsequent amendments and additions to those enactments.

(2) Enactments referred to in Paragraph 1 of this Article shall become effective upon the receipt of the Agency approval.

### **Article 9**

(1) A microcredit organization may carry out its activity through organizational parts in its headquarters and in locations outside of the headquarters without a permit of the Agency when such organizational parts are not entered into public registries, with the obligation of reporting to the Agency on such organizational parts within 8 days from the date of their opening.

(2) A microcredit organization with the headquarters in Republika Srpska may carry out activities of disbursing microcredits outside Republika Srpska by opening the organizational parts in compliance with this Law and country regulations, i.e. regulations of the entity where the activities are carried out

(3) A microcredit organization is obliged to inform the Agency of its newly established organizational part outside Republika Srpska within 8 days from the date of entry into the registry outside Republika Srpska, that is, from the date of acquiring the permit for carrying out activities of disbursing microcredits outside Republika Srpska.

#### **Article 10**

(1) Microcredit organizations with the headquarters in the Federation of Bosnia and Herzegovina and Brčko District are obliged to acquire prior permit of the Agency for opening organizational parts in Republika Srpska.

(2) The Agency stipulates the conditions that have to be met and the documentation that is submitted for the issuance of the permit referred to in Paragraph 1 of this Article.

(3) The reasons and the procedure for withdrawing an issued permit referred to in Paragraph 1 of this Article are stipulated by the Agency in a general enactment.

#### **Article 11**

Besides the compulsory elements stipulated by laws that duly apply to microcredit organizations, unless this law stipulates otherwise, Statute of microcredit organizations also have to contain provisions on issues for which this law indicates that they should be regulated by the Statute.

#### **Article 12**

(1) The enactments of the Agency are final.

(2) An administrative dispute procedure may be launched against the enactments of the Agency referred to in Paragraph 1 of this Article by filing charges at the competent court in compliance with the Law on administrative disputes.

#### **Article 13**

(1) The Agency keeps the registry of microcredit organizations with the headquarters in Republika Srpska and the registry of organizational parts in Republika Srpska of microcredit organizations with the headquarters in the Federation of Bosnia and Herzegovina and the Brčko District.

(2) The data from the registry of microcredit organizations are public.

#### **Article 14**

The Agency shall make a decision defining the parties that are deemed to be related to microcredit organizations in terms of this law.

### **Article 15**

- (1) Microcredit organizations may establish an independent, voluntary and non-profit association of microcredit organizations.
- (2) Statute of the association of microcredit organizations has to ensure that microcredit organizations cannot sign contracts with other microcredit organizations or associations of microcredit organizations that may limit the application of the principle of the free market and transparent competition in operations of microcredit organizations.

## **III - ACTIVITIES OF MICROCREDIT ORGANIZATIONS**

### **Article 16**

- (1) A microcredit organization may provide only the activities of granting microcredits as its basic activity entered into the court registry.
- (2) A microcredit organization may provide, in a lesser scope or temporarily, other activities that serve the activity of microcrediting and that are commonly executed together with the activity of microcrediting, including the following:
  - a) receiving and giving out gifts and donations and the raising of financial assets and other forms of property from any legal source;
  - b) giving and pledging property, including microcredits, to secure borrowing, and
  - c) credit consultations, business counseling and technical assistance aimed at the improvement of credit activities of the microcredit organization and business activities of microcredit beneficiaries.
- (3) A microcredit organization cannot accept cash deposits and savings deposits from natural persons or legal entities.

### **Article 17**

A microcredit organization is obliged to stipulate and make available to the public the conditions for extending microcredits that may include provisions on the method of securing microcredits, i.e. liens over the property or rights of beneficiaries of microcredits.

### **Article 18**

- (1) A microcredit organization is obliged to disclose the effective interest rate on microcredits.
- (2) The method of calculation and disclosure of the effective interest rate on microcredits referred to in Paragraph 1 of this Article is stipulated by the Agency in a general enactment.

## **IV - REPORTING AND AUDIT**

### **Article 19**

- (1) A microcredit organization is obliged to keep business books and records, as well as to prepare and present financial statements in compliance with regulations regulating the area of accounting and audit.
- (2) The microcredit organization is obliged to submit the financial statements referred to in Paragraph 1 of this Article to competent authorities according to the manner and within the timeframes stipulated in regulations regulating the area of accounting and audit and other enactments of competent bodies.
- (3) A microcredit organization is obliged to appoint, with the approval of the Agency, an external auditor who shall carry out the audit of annual financial statements and prepare the audited report, in compliance with the law and other regulations regulating the area of accounting and audit.
- (4) A microcredit organization is obliged to submit to the Agency the annual financial statements, together with the audited statement, within five months from the expiry of the business year to which the reports refer, at the latest.
- (5) A microcredit organization is obliged to publish its audited statement, in the abbreviated form, in one or more daily newspapers available throughout Bosnia and Herzegovina within 30 days from the day of receiving it, and to inform the Agency of it immediately, submitting a copy of the disclosure to it.

### **Article 20**

A microcredit organization is obliged to submit to the Agency reports on operations in the form, with the contents and within timeframes stipulated by Agency regulations, as well as to present for review business books and records for the purposes of carrying out control.

## **V - CONTROL OF MICROCREDIT ORGANIZATIONS AND WITHDRAWAL OF THE PERMIT**

### **Article 21**

The Agency carries out the supervision over the operations of microcredit organizations with the headquarters in Republika Srpska and organizational parts in Republika Srpska of microcredit organizations with the headquarters in the Federation of Bosnia and Herzegovina and Brčko District and orders the elimination of determined illegalities and irregularities.

### **Article 22**

The Agency stipulates the method of carrying out supervision, the procedure of issuing orders and undertaking measures, together with timeframes for the elimination of determined illegalities and irregularities, by issuing a general enactment.

### **Article 23**

(1) The Agency may withdraw from a microcredit organization the permit pursuant to Article 5 Paragraph 1 of this Law in case the microcredit organization:

1. fails to submit the application for the entry into the court registry within 30 days from the date of issuance of the permit,
2. fails to provide activities of microcrediting within the timeframe of 4 months from the date of entry into the court registry or fails to provide those activities during a period exceeding 6 months,
3. has acquired the permit on the basis of untrue statements and data that had mislead the Agency,
4. ceases to fulfill the conditions prescribed for acquiring the permit,
5. fails to maintain the amount of founders' capital and reserves at least in the minimum amount set by this Law and the regulations of the Agency,
6. carries out activities that are not microcrediting activities,
7. fails to act in compliance with the order for elimination of determined irregularities, i.e. illegalities, within the timeframe stipulated by an enactment of the Agency,
8. is not fulfilling the conditions for operations and is not executing the activities of disbursing microcredits in compliance with the provisions of this Law and enactments of the Agency,
9. if an effective verdict has been issued that allows for permit withdrawal.

(2) The procedure of withdrawal of an issued permit is prescribed by the Agency in a general enactment.

### **Article 24**

Microcredit organizations are obliged to pay to the Agency the compensation for the provision of activities of supervision and control in accordance with the prescribed tariffs for compensations paid to the Agency.

## **VI - FORMS OF ORGANIZING MICROCREDIT ORGANIZATIONS**

### **1. Microcredit Company**

#### **Article 25**

(1) A microcredit company is established and operates in the legal form of the capital company, specifically as a limited liability company or a joint stock company.

(2) The provisions of the Law on Enterprises duly apply to microcredit companies, unless otherwise stipulated by this Law.

(3) Besides the compulsory elements that are in compliance with the Law on Enterprises, the name of a microcredit company also has to contain the designation reading „microcredit company“.

(4) No one is allowed to use the designation reading „microcredit company“ in the context of designating the activity without the approval of the Agency.

### **Article 26**

- (1) Besides the general conditions prescribed for the entry into the registry of business entities, the approval of the Agency referred to in Article 5 Paragraph 1 of this Law represents a special condition for the entry of a microcredit company into the registry with the competent court.
- (2) The person authorized for representing a microcredit company is obliged to submit a report to Agency of any significant change of data or documents on the basis of which the approval referred in Article 5 Paragraph 1 of this Law was issued, within the timeframe of eight days from the date of onset of such a change.
- (3) Changes of data or documents referred to in Paragraph 2 of this Article are reported for entry into the registry of business entities in the context of provisions of Paragraph 1 of this Article in case such an obligation is stipulated by the Law on Enterprises.

### **Article 27**

- (1) The minimal amount of the share capital of a microcredit company amounts to KM 500,000 and has to be fully paid in cash.
- (2) The share capital of a microcredit company paid in items and rights expressed in cash value is assessed by an authorized assessor.
- (3) The minimal amount of share capital that a microcredit company has to maintain cannot be lower than the amount stipulated in Paragraph 1 of this Article.
- (4) Paid in share capital cannot be considered as the capital in case it is:
  - a) financed by credit funds approved by the microcredit company in which capital is being invested,
  - b) financed by credit funds that are being approved by other microcredit organization or bank for other purpose or
  - c) financed by credit funds whose return has been guaranteed by the microcredit company in which capital is being invested.

### **Article 28**

- (1) Microcredit company is obliged to form and maintain obligatory reserves in compliance to the provisions of the Law on Enterprises.
- (2) Besides obligatory reserves, microcredit company is obliged to form and maintain reserves for the coverage of credit losses in compliance with the enactment of the Agency.

### **Article 29**

- (1) The bodies of a microcredit company are the following:
  - a) the Assembly,
  - b) the Management Board,

- c) the Director, and
- d) the Auditing Board, appointed by the Management Board.

(2) Statute of a microcredit company may stipulate that the Board of Executive Directors is also selected in the microcredit company.

(3) The selection, dismissal and the scope of authority of the bodies of a microcredit company and its representation are regulated by Statute, as the basic general enactment of a microcredit company.

### **Article 30**

(1) Two or more microcredit companies may be merged by the transfer of assets and liabilities in such a way that they cease to exist, and the newly established microcredit company becomes their legal successor.

(2) A microcredit company may be subject to acquisition by the transfer of assets and liabilities to another existing microcredit company which becomes the legal successor of the acquired company, which therefore ceases to exist.

(3) A microcredit company may be divided in such a manner that it ceases to exist by transferring its assets and liabilities to two or more either existing or new microcredit companies that become its legal successors.

### **Article 31**

(1) In the case of status changes of merger, acquisition or division referred to in Article 30 of this Law, the microcredit company is obliged to acquire the permit for the status change from the Agency prior to submitting an application for the entry into the court registry.

(2) The newly established microcredit company resulting from the status changes referred to in Article 30 of this Law has to receive a permit for the provision of activities related to disbursing microcredits from the Agency prior to being entered into the court registry.

(3) Together with the application for receiving the permit referred to in Paragraph 1 of this Article, the microcredit company is obliged to submit the following documentation to the Agency:

- a) a decision or a contract on the establishment and Statute of the microcredit company that shall become the legal successor;
- b) data on the owners of shares in the microcredit company that shall become the legal successor;
- c) data on the members of managing bodies and the Director of the microcredit company that shall become the legal successor;
- d) financial statements and the description of methods on the basis of which the value and the allocation of assets and liabilities were determined in the process of merger, acquisition or division of microcredit companies;
- e) a study of economic viability and the business plan of the microcredit company resulting from the status change.



(4) Besides the documentation referred to in Paragraph 2 of this Article, the Agency may prescribe additional conditions that have to be fulfilled and documentation that has to be submitted for receiving the permit referred to in Paragraph 1 of this Article.

### **Article 32**

The Agency shall issue a decision on approving or refusing the application for the issuance of the permit for status changes within 60 days from the date of receiving a regular and comprehensive application.

### **Article 33**

(1) A microcredit company is terminated in the manner and in cases stipulated by its founding enactment i.e. the Statute, this Law and the Law on Enterprises.

(2) Besides the manner and cases referred to in Paragraph 1 of this Law, a separate legal reason for the termination of microcredit company onsets with the date of effectiveness of the Agency decision on the withdrawal of the permit pursuant to Article 5 Paragraph 1 of this Law.

(3) In the case referred to in Paragraph 2 of this Article, the Agency shall, ex officio, submit an application to the competent court for the adoption of the decision on the termination and the deletion of the microcredit company from the court registry.

### **Article 34**

In the case of onset of a special legal reason for the termination of a microcredit company referred to in Article 33 Paragraph 2 of this Law, the procedure of liquidation or bankruptcy is executed over the microcredit company in compliance with the Law regulating the procedure of liquidation and bankruptcy.

## **2. Microcredit foundation**

### **Article 35**

(1) The provisions of the Law on Associations and Foundations of Republika Srpska duly apply to microcredit foundation, unless otherwise stipulated by this Law.

(2) Besides the compulsory elements that are in compliance with the Law referred to in Paragraph 1 of this Article, the name of a microcredit foundation also has to contain the designation reading „microcredit foundation“.

(3) No one is allowed to use the designation reading „microcredit foundation“ in the context of designating the activity without the approval of the Agency.

### **Article 36**

(1) Besides the general conditions prescribed for the establishment and entry into the registry of foundations, the approval of the Agency referred to in Article 5 Paragraph 1 of this

Law represents a special condition for the entry of a microcredit foundation into the registry of foundations with the authorized court or other designated body.

(2) The person authorized for representing a microcredit foundation is obliged to inform the Agency of any significant change of data or documents on the basis of which the permit referred to in Article 5 Paragraph 1 of this Law was issued, within the timeframe of eight days from the date of onset of such a change.

(3) Changes of data or documents referred to in Paragraph 2 of this Article are reported for entry into the relevant public registry in the context of provisions of Paragraph 1 of this Article in case such an obligation is stipulated by the Law on Associations and Foundations of Republika Srpska.

### **Article 37**

(1) When a microcredit foundation is established its founders' contribution may be paid in cash and in items and rights expressed in their cash value, taking into account that the contribution paid in cash have to amount to at least KM 50,000.

(2) Contribution in items and rights is assessed by an authorized assessor.

(3) The minimal amount of overall founders' contribution in cash that a microcredit organization has to maintain cannot be lower than the cash amount stipulated in Paragraph 1 of this Article.

(4) Paid in founders' contribution cannot be considered as the contribution in case it is:

- d) financed by credit funds approved by the microcredit foundation in which the contribution is being paid,
- e) financed by credit funds that are being approved by other microcredit organization or bank for other purpose or
- f) financed by credit funds whose return has been guaranteed by the microcredit foundation in which the contribution is being paid.

### **Article 38**

(1) Microcredit foundation is obliged to form and maintain obligatory reserves.

(2) At least 5% of surplus of revenues over expenses is being included every year in the obligatory reserves by the time the reserves reach the established proportion in accordance to the overall contribution stipulated in the Statute, meaning at least 10% of the total contribution.

(3) Should the obligatory reserves referred to in the Paragraph 2 of this Article reduces, it has to be supplemented until it reaches the prescribed amount.

(4) Besides the obligatory reserves, a microcredit foundation is obliged to form and maintain reserves for the coverage of credit losses in compliance with the enactment of the Agency.

### **Article 39**

- (1) A microcredit foundation is not allowed to carry out any legal transaction in which it would pay, i.e. collect an amount that significantly differs from the rational market value of goods and services that the microcredit foundation is receiving, i.e. giving out in the executed legal transaction.
- (2) A microcredit foundation cannot extend microcredit to related parties.

### **Article 40**

- (1) Microcredit foundations are obliged to invest surplus of revenues over expenses executed by the provision of microcredits in compliance with this Law.
- (2) Direct or indirect allocation of surplus revenues over expenses referred to in Paragraph 1 of this Article to founders, members of bodies, responsible persons or employees in the microcredit foundation or other related parties, donors or third parties, is not allowed.

### **Article 41**

- (1) The bodies of a microcredit foundation are the following:
  - a) the Management Board, as the managing body, appointed by the founders,
  - b) the Director, as the executive body, and
  - c) the Auditing Board, comprising of at least three members appointed by the Management Board.
- (2) Statute of a microcredit foundation may stipulate that the Assembly and the Board of Executive Directors are also selected in the microcredit foundation.
- (3) The selection, dismissal and the scope of authority of the bodies of a microcredit foundation and its representation are regulated by the Statute, as the basic general enactment of a microcredit foundation.

### **Article 42**

- (1) Two or more microcredit foundations may be merged by the transfer of assets and liabilities in such a way that they cease to exist, and the new microcredit foundation becomes their legal successor.
- (2) A microcredit foundation may be subject to acquisition by the transfer of assets and liabilities to another existing microcredit foundation which becomes the legal successor of the acquired foundation, which therefore ceases to exist.
- (3) A microcredit foundation may be divided in such a manner that it ceases to exist by transferring its assets and liabilities to two or more either existing or new microcredit foundations that become its legal successors.

### **Article 43**

(1) In order to achieve its statutory goals and activities, a microcredit foundation may invest and transfer its assets so that, either independently or jointly with other domestic or foreign natural or legal entities, it establishes a new microcredit company or acquires ownership shares in the existing microcredit companies, in the manner stipulated by Statute of the microcredit foundation, this Law and the Law that duly applies to microcredit organizations, unless otherwise stipulated by this Law.

(2) Revenues acquired by the ownership shares in the microcredit company, microcredit foundation may use only for carrying out the activities and fulfilling the goals set forth in the Statute of the microcredit foundation, in compliance with this Law.

(3) The same limitations that concern microcredit foundations pursuant to Article 39 of this Law duly apply to the operations of the microcredit company referred to in Paragraph 1 of this Article, for the period of five years, specifically.

### **Article 44**

(1) In the case of status changes of merger, acquisition or division referred to in Articles 42 and 43 of this Law, the microcredit foundation is obliged to acquire the permit for the status change from the Agency prior to submitting an application for the entry into the court registry .

(2) The newly established microcredit foundation resulting from the status changes referred to in Article 42 and the newly established microcredit company resulting from investments pursuant to Article 43 Paragraph 1 of this Law has to receive a permit for the provision of microcredit activities from the Agency prior to being entered into the court registry.

(3) Together with the application for receiving the permit for a status change, the microcredit foundation is obliged to submit the following documentation to the Agency:

1. a decision or a contract on the establishment and Statute of the microcredit foundation that shall become the legal successor, i.e. the microcredit company in which the microcredit foundation is investing assets;
2. data on the founders of the microcredit foundation that shall become the legal successor, i.e. the owners of shares in the microcredit company in which the assets are being invested;
3. data on members of managing bodies and the Director of the microcredit foundation that shall become the legal successor, i.e. the microcredit company in which the investment is being made;
4. financial statements and the description of methods on the basis of which the value and the allocation of assets and liabilities were determined in the process of merger, acquisition or division of microcredit organizations;
5. in case of an investment referred to in Article 43 Paragraph 1 of this Law, financial statements and the description of methods on the basis of which the value and the allocation of assets that are being transferred and the share that is being acquired by the microcredit foundation, in relation to the invested value of assets and shares that are being acquired by all each other participant in that procedure;
6. a study on economic viability and the business plan of the microcredit organization resulting from the status change.

(4) Besides the documentation referred to in Paragraph 2 of this Article, the Agency may prescribe additional conditions that have to be fulfilled and documentation that has to be submitted for receiving the permit referred to in Paragraph 1 of this Article.

(5) The Agency may refuse to issue the permit referred to in Paragraph 1 of this Article in case it determines that the planned transfer of assets and liabilities is not in compliance with Article 39 Paragraph 1 of this Law.

#### **Article 45**

The agency shall issue a decision on approving or refusing the application for the issuance of the permit for status changes within 60 days from the date of receiving a regular and comprehensive application.

#### **Article 46**

(1) A microcredit foundation is terminated in the manner and in cases stipulated by its founding enactment or the Statute, this law and the Law on Associations and Foundations of Republika Srpska.

(2) Besides the manner and cases referred to in Paragraph 1 of this Law, a separate legal reason for the termination of microcredit foundation onsets with the date of effectiveness of the Agency decision on the withdrawal of the approval referred to in Article 5 Paragraph 1 of this Law.

(3) In the case referred to in Paragraph 2 of this Article, the Agency shall, ex officio, submit an application for the deletion of the microcredit foundation from the registry of foundations.

(4) The costs of submitting the application referred to in Paragraph 3 of this Article are covered by the microcredit foundation.

#### **Article 47**

(1) Following the settlement of liabilities of the microcredit foundation that is being terminated pursuant to provisions of Article 46 of this Law, the remainder of assets is distributed by the decision of the management body of the microcredit foundation, in compliance with the Law on Associations and Foundations of Republika Srpska.

(2) If, within the period of 30 days from the date of effectiveness of the Agency decision on the withdrawal of the approval referred to in Article 5 Paragraph 1 of this Law, the management body of the microcredit foundation fails to adopt and submit to the Agency the decision referred to in Paragraph 1 of this Article, the Agency shall, ex officio, issue a decision on the allocation of the remainder of assets of the microcredit foundation within the timeframe of 30 days, in compliance with the Law on Associations and Foundations of Republika Srpska.

## **VII - PENALTY PROVISIONS**

### **1. Criminal offences**

#### **Article 48**

(1) A person conducting the microcredit activities without the acquired permit or contrary to the conditions under which the permit had been issued, shall be punished and sentenced to prison for a period of three months to five years.

(2) If, by conducting the offence referred to in Paragraph 1 of this Article is acquired proprietary benefit exceeding the amount of KM 10,000, the committer shall be punished and sentenced to prison for the period of one to eight years, and if that amount exceeds KM 50,000, the committer shall be punished and sentenced to prison for the period of two to ten years, and if that amount exceeds KM 200,000 KM, the committer shall be punished and sentenced to prison for the period of at least five years.

### **2. Misdemeanors**

#### **Article 49**

(1) A microcredit organization shall be penalized with a cash fine in the amount between KM 1,500 and KM 15,000 for the following misdemeanors:

1. approving a microcredit contrary to provisions of Article 4 of this Law,
2. applying a general enactment for which it had not received an approval from the Agency (Article 8),
3. failing to inform the Agency within the prescribed timeframe on the establishment of organizational parts that are entered into public registries (Article 9 Paragraph 1),
4. establishing an organizational part that is subject to entry into a public registry without an approval from the Agency (Article 9 Paragraphs 1 and 2),
5. having a headquarters in the Federation of Bosnia and Herzegovina and the Brčko District, and opening an organizational part in the Republika Srpska without an approval of the Agency (Article 10 Paragraph 1),
6. entering into the registry and carrying out other activities, besides the basic activity of microcrediting (Article 16 Paragraph 1),
7. providing activities that do not serve the activity of microcrediting and that are commonly not executed together with the activity of microcrediting, contrary to Article 16 Paragraph 2,
8. failing to prescribe and make available to the public the conditions of awarding microcredits (Article 17),
9. failing to disclose the effective interest rate on microcredits (Article 18),
10. failing to inform the Agency and the public in compliance with the prescribed conditions and failing to submit to the Agency financial statements and audited statements (Article 19),
11. failing to submit to the Agency the reports on operations in compliance with Agency regulations (Article 20) and
12. carrying out the transaction of receiving, i.e. giving out goods or services contrary to provisions of Article 39 Paragraph 1.

(2) A microcredit company shall be penalized with a cash fine in the amount between KM 1,500 and KM 15,000 for the following misdemeanors:

1. being entered into the court registry or acting in the legal system without authorization using the title „microcredit company“ (Article 25 Paragraph 4 and Article 26 Paragraph 1),
2. failing to submit to the Agency within the prescribed timeframe the report on changes of significant data on the basis of which the permit had been issued (Article 26 Paragraph 2) and
3. carrying out a merger, an acquisition or a division of a microcredit organization without an approval of the Agency (Article 31 Paragraph 1.).

(3) A microcredit foundation shall be penalized with a cash fine in the amount between KM 1,500 and KM 15,000 for the following misdemeanors:

1. failing to submit to the Agency within the prescribed timeframe the report on changes of significant data on the basis of which the permit had been issued (Article 36 Paragraph 2),
2. approving microcredit to related parties (Article 39 Paragraph 2),
3. using the executed surplus of revenues over expenses contrary to the provisions of Article 40.
4. using the revenues from the owners shares acquired in a microcredit company contrary to the provisions of Article 43 Paragraph 2 and
5. carrying out a merger, an acquisition or a division of a microcredit organization without an approval of the Agency (Article 44 Paragraph 1).

(4) A natural, i.e. legal entity acting contrary to the provisions of Article 39 of this Law, shall be penalized for the misdemeanor with a cash fine in the amount between KM 500 and KM 1,500.

(5) The responsible person within the microcredit organization shall also be penalized with a cash fine in the amount between KM 500 and KM 1,500 for misdemeanors referred to in Paragraphs 1, 2 and 3 of this Article.

(6) The responsible person within the legal entity shall also be penalized with a cash fine in the amount between KM 300 and KM 1,000 for misdemeanor referred to in Paragraph 4 of this Article.

#### **Article 50**

The misdemeanor proceedings shall be executed in compliance with the Law on Misdemeanors.

### **VIII - TRANSITIONAL AND CLOSING PROVISIONS**

#### **Article 51**

(1) Microcredit organizations and representative offices of microcredit organizations from the Federation of Bosnia and Herzegovina and Brčko District in Republika Srpska established in compliance with the Law on Microcredit Organizations („Republika Srpska Official Gazette", issue No: 19/01) are obliged to harmonize their operations, organization and enactments with the provisions of this Law within the timeframe of one year from the date of effectiveness of this Law, at the latest.

(2) Microcredit organizations and representative offices of microcredit organizations from the Federation of Bosnia and Herzegovina and Brčko District in Republika Srpska that fail to harmonize their operations, organization and enactments with the provisions of this Law within the timeframe referred to in Paragraph 1 of this Article shall cease operating and shall be deleted from the public registries kept by the authorized bodies.

#### **Article 52**

Proceedings initiated by the date of effectiveness of this Law shall be finalized in compliance with the provisions of the Law that had been in effect at the time the act was committed.

#### **Article 53**

The Agency is obliged to issue the regulations from its scope of authority for the implementation of this Law that shall be published in the “Republika Srpska Official Gazette”, within the timeframe of six months from the date of effectiveness of this Law, including the regulations on:

- 1) the conditions and the procedure for the permit issuance for microcredit organizations, representative offices in Republika Srpska of microcredit organizations based in the Federation of Bosnia and Herzegovina and Brčko District and foreign organizations,
- 2) the conditions and the procedure for approving the founding enactment of the microcredit organization,
- 3) the procedure of permit withdrawal,
- 4) the definition on parties that are deemed to be related to a microcredit organization and minimal standards for microcredit organizations operating with related parties,
- 5) the manner of calculation and disclosure of the effective interest rate,
- 6) the form and the contents of reports that a microcredit organization submits to the Agency,
- 7) the control and the supervision of microcredit organizations,
- 8) the amount of compensation paid to the Agency for the procedure,
- 9) the amount and the manner of forming the reserves for the coverage of credit losses of microcredit organizations and
- 10) the conditions and the procedure for the permit issuance for the status change of the microcredit organization.

#### **Article 54**

As of the date of effectiveness of this Law, the Law on Microcredit Organizations („Republika Srpska Official Gazette”, issue No: 19/01) shall become ineffective, as well as the regulations issued on the basis of that Law:

a) A Decree on the documentation needed for the issuance of a permit for the founding of a microcredit organization (“Republika Srpska Official Gazette”, issue No: 38/01)



b) A Decree on the documentation needed for opening a representative office of a microcredit organization having its headquarters located in the Federation of Bosnia and Herzegovina («Republika Srpska Official Gazette, issue No: 38/01),

c) A Decree on the definition of microcredit («Republika Srpska Official Gazette, issue No: 38/01 and 107/05) and

d) Rule book on the conditions for the issuance of the approval for the provision of microcredits («Republika Srpska Official Gazette, issue No: 111/05).

### **Article 55**

This Law shall come into effect on the eighth day from being published in the "Republika Srpska Official Gazette", and shall be applicable upon the expiry of six months period from the date of its effectiveness.

*No: 01-759/06  
June 14, 2006  
Banja Luka*

*National Assembly  
President  
M.S. Igor Radojičić*