

**LAW ON THE BANKING AGENCY  
OF THE FEDERATION OF BOSNIA AND HERZEGOVINA**  
*(Official Gazette of the Federation No. 9/96; 27/98; 20/00(OHR), 45/00, 58/02(OHR), 13/03(OHR),  
19/03, 47/06 (OHR) i 59/06;*

**1. ESTABLISHMENT AND THE OBJECTIVE**

**Article 1**

This law establishes the Banking Agency of the Federation of Bosnia and Herzegovina (henceforth: the Agency).

The Agency is an independent and non-profit institution of the Federation of Bosnia and Herzegovina (henceforth: Federation).

The Agency is established with purpose to improve safety, quality and legal performance in market-oriented and stable banking and micro-crediting system of the Federation.

**Article 2**

The Agency is a legal entity.

The Agency's headquarters is in Sarajevo.

**Article 3**

The title of the Agency is "The Banking Agency of the Federation of Bosnia and Herzegovina."

Shortened title of the Agency is "FBA Sarajevo".

The Agency has its seal.

The seal of the Agency consists of the title of the institution and coat-of-arms of FBiH.

**2. ACTIVITIES OF THE AGENCY**

**Article 4**

The main tasks of the Agency are the following:

- a) Issuing licenses for establishment of banks and micro-credit organizations, as well as the licenses for all changes of the organizational structure of banks and micro-credit organizations and type of activities, and approvals for appointment of their managing staff;
- b) Supervising banking and micro-credit organizations operations, and undertaking appropriate measures in accordance with law;
- c) Revoking banking and micro-credit organizations licenses in accordance with law;
- d) Managing or supervising the procedure of rehabilitation or liquidation of banks, and starting the procedure of banks bankruptcy;
- e) Declaring sub-legal acts regulating banks work;

- f) Performing evaluation of conditions and issues approval to banks regarding next issue of shares;
- g) Performing actions in the support of anti-terrorist measures related to banks upon request of an authorized body, based on appropriate law or in accordance with special resolutions of the UN Security Council, or in cooperation with relevant institutions in regard to this matter”.
- h) Taking all such actions as may be appropriate, which may include the blocking of customer accounts in any bank or banks throughout the Federation of Bosnia and Herzegovina or otherwise within the jurisdiction of the Federation Banking Agency, in order to prevent the funding of activities which are, or which threaten to be, obstructive of the peace implementation process as pursued under the aegis of the General Framework Agreement for Peace in Bosnia and Herzegovina;
- i) Requiring the Central Bank of Bosnia and Herzegovina to open a special reserve account in the name of any commercial bank that has customer accounts of any customer identified under item h aforesaid, or accounts of to which like action under item g aforesaid hereof is taken;
- j) Requiring the bank of banks in which accounts are blocked under item h aforesaid, to transfer the amount of funds contained in such accounts, or accounts to which like action under item g aforesaid hereof is taken, to the safe keeping of the Central Bank of Bosnia and Herzegovina, or one of its main units;
- k) Drawing up, and causing to be published in the Official Gazette of the Federation of Bosnia and Herzegovina at monthly intervals, a list of accounts blocked under items g and h hereof;
- l) Forwarding to the Central Bank of Bosnia and Herzegovina al information related to actions taken under Article 4(g) to (j) inclusive of this Law, as well as information related to attempted transactions to or from blocked customer accounts as of the effective date of the blocking order.”

For the avoidance of doubt it is specifically provided herein that the Banking Agency of the Federation may, (without prejudice to the full range of measures available to it under the Law on Banks of the Federation of Bosnia and Herzegovina) revoke the license of a Bank that fails to comply with a blocking order or a requirement under Article 4. (g) through (l) of this Law.

Any individual, legal person or body, whether a Bank or otherwise, who or which deliberately or negligently acts in such manner as to lead to the evasion or attempted evasion of a blocking order as aforesaid, by transferring or seeking to transfer funds thereto or otherwise, shall itself, if a Bank, be liable to have its license revoked, and if a holder of a bank account, be subject to having the same blocked and listed as aforesaid. Such individual, legal person or body shall further and in addition be liable to the imposition of an administrative fine as referred to in the following paragraph hereof.

Any individual, legal person or body, who or which deliberately or negligently acts in such manner as to lead to the evasion or attempted evasion of a blocking order as aforesaid, by transferring or seeking to transfer funds thereto or otherwise, shall itself, if not the holder of a bank account, nevertheless be subject to the imposition of an administrative fine by the Federation Banking Agency up to an amount double that involved in such attempted evasion, and the said Agency shall be entitled to enforce the same as a civil judgment debt.

Where an individual, legal person or body performs a transaction that avoids or evades a blocking order issued under Article 4(g) or Article 4(h) of this Law or attempts to perform such a transaction, the Agency shall be empowered to call upon such individual, legal person or body to produce all documents related to the said transaction.

The said Agency shall be empowered to start the procedure with the authorized court (in the same manner as referred in article 3 of the Law on Banks of the Federation of Bosnia and Herzegovina) of seizing the assets, books and records of any individual, legal entity or body who or which deliberately acts in such manner as to lead to the evasion or attempted evasion of a blocking order as aforesaid, and to liquidate the business of such individual, legal person or body.

Procedures and measures from item g) to l) paragraph 1, of this Article that the Agency can issue to banks, relate also to micro-credit organizations, if fulfilled are the conditions proscribed by this Article.

In terms of this law, the banks are legal entities, whose operations are regulated by the Law on Banks.

Micro-credit organization is considered to be a non-banking, non-depository financial organization, which performance is proscribed by the Law on micro-credit organizations, other relevant laws and regulations.

### **3. INDEPENDENCE OF THE AGENCY**

#### **Article 5**

Within the scope of its operations, and in accordance with the law, the Agency is fully independent.

Since the establishment of the Agency, the Agency, the Managing Board of the Agency, the Director of the Agency, the Deputy Director of the Agency, the employees of the Agency, provisional and liquidation administrators, as well as other individuals recommended or appointed by the Agency to perform certain activities within the Agency's mission, cannot be prosecuted for criminal actions, nor held responsible in civil law procedure during and after cease of the work or engagement in the Agency for any action conducted in good faith during the implementation of tasks within their authorities. The Agency will reimburse to its employees for legal processes initiated against the employees for actions conducted by good faith in implementing their duties within their authorities.

The activities from the Agency's professional expertise can be performed by the examiners that have passed the professional expertise exam. The conditions and manner of passing the professional expertise exam are proscribed by the Management Board of the Agency.

In performing Agency's operations, an authorized employee of the Agency will use an ID and the badge of the Agency (with a shape and form given by the Agency).

#### **4. MUTUAL COOPERATION**

##### **Article 6**

The Agency Cooperates with the Central Bank of B&H including obligation of submitting monthly reports on its activities and on activities of financial institutions within the area of responsibility of the Agency.

The Agency, in cooperation with the Central Bank of B&H, realizes mutual international contacts related to:

- issue of bank's licenses and micro-credit organizations;
- supervision of banks and micro-credit organizations operations;
- gathering information on banks and micro-credit organizations and their activities based on mutual exchange of information;

#### **5. AGENCY AND ITS ORGANIZATION, GOVERNANCE, AND MANAGEMENT**

##### **Article 7**

This law together with the Statute of the Agency, and other general acts (in accordance with the law) regulate the organization, governance, and management of the Agency.

##### **Article 8**

The Managing Board of the Agency (henceforth: the Board) is the managing body of the Agency.

The Board consists of five members, who are appointed by the Parliament of the Federation of Bosnia and Herzegovina (henceforth: the Parliament), on the basis of the reconciled proposal of the Government of the Federation of B&H.

The Board is appointed for a period of 5 years.

##### **Article 9**

The Board supervises the Agency's operations and undertakes measures for effective and rational conduct of operations for the Agency's scope of work.

In particular, the Board:

- a) Passes the Statute of the Agency;
- b) Passes other general acts in accordance with the Statute of the Agency;
- c) Adopts financial plan and financial reports of the Agency; and
- d) Adopts reports that the Agency prepares according to Article 27 of this Law.

The Board is responsible for its work to the Parliament.

##### **Article 10**

The Director of the Agency represents the Agency, manages the Agency's operations, and is responsible for the Agency's operations.

The Director and the Deputy Director participate in the work of the Board, but have no right to vote.

The Director and the Deputy Director are responsible for their work to the Board, and to the Parliament.

The Director and the Deputy Director are appointed by the Parliament, for a term of 5 years, at the reconciled proposal of the Government of FBiH.

#### **Article 11**

The Director has the following rights and obligations:

- a) To issue and revoke banking and activities of granting micro-credits licenses;
- b) To undertake prescribed measures towards banks and micro-credit organizations;
- c) To sign agreements regarding the contracts in interest of the Agency;
- d) To appoint staff and representatives of the Agency;
- e) To represent the Agency in court proceedings;
- f) To perform other activities prescribed by this law and the Statute.

#### **Article 12**

The members of the Board, the Director, and the Deputy Director of the Agency may be re-appointed if there are no obstacles from Article 15 of this Law.

The Director, the Deputy Director and the members of the Board shall continue to carry out their functions until such time as the Parliament appoints their respective replacements in accordance with Article 8 and Article 10 of this Law.

#### **Article 13**

The Board determines the compensation for the members of the Board, wages for the Director and the Deputy Director, as well as for other staff of the Agency, in accordance with the General Act of the Agency.

#### **Article 14**

A citizen of FBiH with a high reputation in financial expertise and high moral qualities for assigned duties may be appointed to a position of a member of the Board, the Director or the Deputy Director.

A member of the Board cannot also be staff of the Agency.

The Director, the Deputy Director, and the Agency staff cannot be employed in any other institution or firm.

#### **Article 15**

Members of the Board, the Director, or the Deputy Director will be released from their duties before the end of their mandate if they are convicted for a felony that makes them undignified for their job.

The Parliament may release a member of the Board, the Director, or the Deputy Director from duty if:

- a) He/she is not able to perform his/her duty because of his/her state of health; or

- b) If authorized state organ has determined that he/she was involved in a serious infraction that greatly affects interests and authority of the Agency.

#### **Article 16**

Members of the Board, the Director, the Deputy Director may submit their resignation. The resignation must be presented in writing.

In case of resignation, the officials from section 1 of this Article stay in their positions until their dismissal and no longer than three months from the day of submission of the resignation.

#### **Article 17**

Without prior approval of the Board the Director and the Deputy Director of the Agency must not be appointed as a member of Supervisory Board or Management Board of a bank or micro-credit organization within two years after their work for the Agency ended.

#### **Article 18**

Members of the Board, the Director, the Deputy Director, staff and representatives of the Agency must not receive any gifts (money or other), if that could influence their objectivity in performing their duties for the Agency.

### **6. BUSINESS SECRET**

#### **Article 19**

Members of the Board, the Director, the Deputy Director, staff and representatives of the Agency are obliged to keep business secrets of the Agency in accordance with the regulations for keeping business secrets.

### **7. STATUTE**

#### **Article 20**

The Agency has its Statute.

The Statute particularly establishes:

- The organization and the procedures for operations of the Agency;
- The operational procedures of the Board;
- Authorization for representing the Agency and signing the documents;
- Rights and obligations of individuals who perform duties with special authorization and responsibilities; and
- Other organizational issues regarding the Agency's operations.

The Board, with approval of the Parliament, passes the Statute of the Agency.

### **8. FINANCING OF THE AGENCY**

### **Article 21**

The resources for the operations of the Agency are obtained from compensations achieved through the issuance of banking and micro-credit organizations licenses, supervision of bank's and micro-credit organizations operations, and from other compensations.

The resources for the operations of the Agency which have not been provided from resources mentioned in paragraph 1 of this Article will be taken from the Budget.

Based on annual increase of funds, exceeding income in relation to expenses will be transferred to the next year.

### **Article 22**

The Board of the Agency passes a regulation regarding the level of the compensation for issuance of licenses.

## **9. BANKS' AND MICRO-CREDIT ORGANIZATIONS' REPORTS**

### **Article 23**

The banks are obliged to submit to the Central Bank (according to the Law on the Central Bank) and to the Agency reports and other information according to their type, extent, and deadlines in accordance with regulations issued by the Central Bank (according to the Law on the Central Bank).

The banks are also obliged to submit to the Central Bank (according to the Law on the Central Bank) and to the Agency revised balances and other financial reports until June 30 of the current year for the previous year.

Micro-credit organizations are obliged to submit to the Agency an annual financial report along with an audit report in compliance with the Law on micro-credit organizations.

The Agency prescribes requirements for extent, form, and content of the program for economic - financial revision intended for banks and micro-credit organizations.

The Agency may refuse the report from section 2 of this Article and request a new report, which will be prepared by an authorized auditor appointed by the Agency, and on the burden of the bank or micro-credit organizations.

### **Article 24**

If the bank or micro-credit organization fails to pay the required fees to the Agency, the Agency can revoke the work license to that bank or micro-credit organization.

## **10. GENERAL ACTS**

### **Article 25**

In implementing its tasks, the Agency passes general acts that are indispensable for successful bank and micro-credit organization operations.

The acts from paragraph 1 of this Article are published in the “Official Gazette of the Federation of BiH”.

The Agency runs a record of the passed general acts.

#### **Article 26**

The Agency is authorized to perform bank and micro-credit organizations examinations, to supervise and obtain copies of business books, documents, and bills. It is also authorized to issue directives to ensure that the bank and micro-credit organizations activities are in accordance with the law.

Banks and micro-credit organizations are obliged to provide the Agency with the access to the complete documentation so that the activities in the Agency’s authority can be performed.

### **11. REPORTS AND AUDIT**

#### **Article 27**

The Agency is obliged to submit a report on its business operations to the Parliament through the Government of FBiH within three months from the end of the reporting year. The reports consist of the analysis of the condition in the banking and micro-credit sector in FBiH, a description of the activities of the Agency during the reporting year, and a breakdown of the accounts for that year.

The report must be approved by the Agency’s Board.

Every year, the Federal Agency in charge of auditing performs revisions to the accounts and the Agency’s books, and issues a report on revisions for the Parliament through the Government and the Agency.

### **12. TRANSITIONAL AND FINAL PROVISIONS**

#### **Article 28**

On the date this law becomes effective the institutions with licenses for banking operations will perform their rights and obligations mentioned within the license itself and will continue with their work in accordance with authorizations given by that license.

#### **Article 29**

This law comes into force on the date of its publication in the “Official Gazette of the Federation of BiH”.