

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.