

THE LAW
ON PUBLIC COMPANIES IN THE FEDERATION OF BOSNIA AND HERZEGOVINA
Consolidated version
(Official Gazette of the Federation of Bosnia and Herzegovina, No.: 8/05, 81/08, 22/09 and 109/12)

1. Subject of the Law and definitions

Article 1

This Law regulates certain issues of management and operation of the public companies.

Article 2

(1) The public company, according to this Law, is legal entity which is registered in the court register as business organization which manages activities of public social interest (energetics, communications, public services, management of public goods and other activities of public social interest) or legal entity defined as public company with a special regulation.

(2) Public social interest activities are determined by municipality, canton and the Federation of Bosnia and Herzegovina, each within its legal power.

(3) The public companies from paragraph 1 of this Article are obligated to make the information about their organizational structure, financial operations and administrative affairs from the competence of the administrative body performed within prescribed public authorizations available to public through the website of the public company.

Article 2a

(1) Performance of the public social interest activities from Article 2 of this Law is based on the following principles:

- a) equal treatment and freedom of establishment and provision of services,
- b) free access to information,
- c) supervision of state aid granted to the public companies to avoid distortion of competition,
- d) preventive supervision of association of public companies to avoid distortion of competition,
- e) free performing of certain public social interest activities to avoid distortion of competition,
- f) free access to information on financial relations of municipalities, cantons and the Federation of Bosnia and Herzegovina with public companies and
- g) organization and conduct of adequate accounting records and other records and calculations in a way to ensure clear demarcation of expenses and revenues connected with different activities performed by the public companies.

(2) The public companies from Article 2 of this Law cannot conclude agreements that result in prevention or distortion of competition on the market and to abuse a dominant position.
(3) Government of the Federation of Bosnia and Herzegovina shall issue a regulation which shall more specifically edit principles from paragraph 1 of this Article.

Article 3

The public companies from Article 2 of this Law can be organised as a joint-stock company or a limited liability companies.

Article 4

The following definitions are applied in this Law:

"trade secrets" - include all information related to operations of public companies that may be useful to competitors, such as eg. production process, engineering and technical projects and plans, specifications of products, list of clients, business strategy, and information related to finance, sales and marketing;

"internal control" - is organization of policies and procedures that are used to help provide that programs of public companies of the Federation of Bosnia and Herzegovina achieve their intended results, that resources of that programs are used in line with the stated goals of the organization and that the programs are protected from fraud, squandering and mismanagement and that received information are reliable, timely obtained, maintained and used for reporting and making decisions about them;

"procurement procedure" - is a appropriate procedure for awarding the contract to the supplier according to the Public Procurement Law of Bosnia and Herzegovina (Official Gazette of Bosnia and Herzegovina, No. 49/04, 19/05, 52/05, 94/05, 8/06, 24/06 and 70/06);

"related party" - is every employee of the public company, including individuals and representatives appointed by the public company for performance of certain activities, each member of the supervisory board and audit board, every public company or individual who owns directly or indirectly minimum 10 % of the total sum of the voting rights of the public company;

"responsible person" - is every person who is awarded, by the the law or statute of public company, with authority for specific job or task, or any person for which can reasonably be said that such authorisation falls under the regulations of its Contract of employment or scope of its work in the public company;

"revision" - is analysis of report and situation and, within the period of 15 days, submission of proposals of relevant written corrective strategies to the management to eliminate possible and actual illegalities, inefficiencies losses and expenses;

"monitoring or supervision" - is detailed and systematic supervision of execution of any work or task of responsible person, or other activity of the Public Company. The goal of supervision is to discover and to report possible fraud or some other illegal activity to competent authorities, and to start a procedure for disciplinary punishment and dismissal of responsible persons who comitted offence related to these tasks and works;

"legal reserves" - are reserves which are formed on the bases of shareholding premium (the difference from the nominal value to share price), purchase of capital (replacing the regular for priority stocks) capital and other sources whose amount cannot be less than 25 % of base capital and whose distribution to the public company is forbidden by the Law on Enterprises ("Official Gazette of the Federation of Bosnia and Herzegovina", No. 23/99, 45/00, 2/02, 6/02, 29/03, 68/05 and 91/07);

"statutory reserves" - are reserves that are prescribed by the statute on which basis are determined purpose and use of reserves in business activities of limited liability companies.

2. Management

Article 5

Bodies of public companies are:

- assembly,
- supervisory board
- administration (management), as administrative bodies and
- audit board.

2.1. Assembly

Article 6

(1) Besides the decisions stipulated pursuant to the Law on Enterprises (Official Gazette of the Federation of BiH, No. 23/99, 45/00, 2/02, 6/02 and 29/03) the assembly also makes the decisions about following:

- a) rule or rules of conduct at the proposal of supervisory board,
- b) ethical codex at the proposal of supervisory board,
- c) business plan, or revised business plan pursuant to Article 23 of this Law

(2) Assembly submits reports on the activities of public companies to the municipal council, cantonal assembly, or Parliament of the Federation of Bosnia and Herzegovina at least once a year.

2.2. Supervisory board

Article 7

It is deleted ("Official Gazette of the Federation of Bosnia and Herzegovina", number 81/08).

Article 8

In addition to the responsibilities established in the Law on Enterprises, the supervisory board also has the following responsibilities:

- a) It is deleted ("Official Gazette of the Federation of Bosnia and Herzegovina", number 81/08);

- b) To prepare rules of conduct and to propose them to the assembly;
- c) To prepare ethical codex and to propose it to the assembly;
- d) To select candidates of the audit board and to submit proposal for its nomination to the assembly;
- e) To consider implementing regulation for the procurement procedure and to supervise its implementation;
- f) To give opinion to the assembly about management proposal for profit distribution;
- g) It is deleted (Official Gazette of The Federation of Bosnia and Herzegovina, number 81/08);
- h) To give authorisation for activities that are limited pursuant to the regulations of this Law;
- i) To give instructions to director for implementation of recommendations related to irregularities.

Article 9

- (1) Supervisory board consists of at least three members.
- (2) One place in supervisory board belongs to candidate with the highest number of votes from assembly who was nominated by the shareholders or stakeholder with at least 5% of stocks or share with voting rights.

Article 10

- (1) President of supervisory board can entrust performance of direct supervision on execution of certain regulations from Article 19 of this Law to one of the members of that body.
- (2) In the case from paragraph 1 of this Article president of supervisory board is jointly and severally liable with the member of the supervisory board who is entrusted with such assignment for the execution of that assignment.

2.3. Administration

Article 11

Besides the authorities defined in the Law on Enterprises the administration is responsible for:

- a) reporting supervisory board at the request of supervisory board;
- b) execution of ethical codex;
- c) preparation and supervision of realisation of business plan;
- d) preparation of implementing regulation for procurement procedure and execution of the Public Procurement Law (Official Gazette BiH, No. 49/04, 19/05, 52/05, 94/05, 8/06, 24/06 and 70/06);
- e) Preparation of proposal on profit distribution;
- f) Employment and dismissal of employees pursuant to procedures defined in the rule(s) of conduct and applicable laws.

Article 12

Administration is selected, nominated and dismissed in accordance with the procedure defined in the statute of public companies based on open competition among the candidates that according to managerial knowledge and experience are the most suitable for the execution of operational and business requirements of the public company. Individuals that perform duties in the political parties cannot be nominated at the administration.

Article 13

(1) Director and executive directors of the public company are subjected to duties, responsibilities and limitations that are defined by this Law and other applicable regulations.

(2) Performance of direct supervision of execution of certain regulations from Article 19 of this Law director can entrust to the executive director.

(3) In the case of paragraph 2 of this Article director and executive director are jointly and severally liable for execution of entrusted assignment.

2.4. General duties

Article 14

Conflict of Interest

(1) Related party is obligated to avoid actual or apparent conflict of interest with the public company in personal or professional relations.

(2) Conflict of interest occurs when personal, or professional interest of related party disables, eventually can disable either interest, or operations of public companies or capacity of related individual to perform its duties and responsibilities.

(3) Related party is obligated to provide insight to administration or supervisory board or other supervisory body to all transactions or relations for which related party reasonably expects that they could lead to actual or apparent conflict of interest with the public company.

(4) It is not allowed to the public company during business to offer to related party more favorable conditions than those which offers to other parties that are not related with the public company. In accordance of regulation of this paragraph, following parties are considered to be related parties:

- a) Members of immediate family of related parties till third degree of consanguinity or in-laws, or parties that live in the same household with related parties;
- b) Legal entities who dispose voting rights at the public company;
- c) Legal entities where public company has at least 10% of share of the total amount of voting rights;
- d) Legal entities where public company has at least 10% of stocks with voting rights;
- e) Legal entities where related party is a member of immediate family, or a member of supervisory board or administration.

(5) Prohibition from paragraph (4) of this Article is not related to actions between public company and business organizations with which the public company consolidated with the unique conduct of business, based on concluded management contract .

(6) If any related party knows or had to know that some other related party operated contrary to regulations of this Article, that related party is obligated to inform administration or supervisory board or other supervisory body and other competent authority.

(7) Disclosure of trade secrets of public company is not allowed to related party.

Article 15

Professional skills and conscientiously treatment

Related parties of the public company are obligated to carry out their functions, to perform their obligation with due consideration, professionally and conscientiously.

Article 16

Protection of property of public company

By performing their obligations supervisory board and administration are obligated to encourage to responsible use and control of assets and resources of public companies .

Article 17

Acting in accordance to law, regulations and guidelines

(1) By performing their obligations and responsibilities supervisory board and administration are obligated to actively participate in controlling the implementation of applicable laws, rulebooks and other regulations in public company.

(2) supervisory board and administration are obligated to take action to promote ethical behaviour of the public company and to encourage employees to report unlawful or unethical behaviour of individual employees of public companies.

Article 18

Reporting unlawful conduct

If any related party becomes aware of any information which is considered to be an evidence of material violation of the law, rulebook, guidelines or directives which are related to public company, that related party is obligated to point to that information to the supervisory board, assembly, director and other competent authorities.

3. Procedures (internal control)

Article 19

(1) Obligations and responsibilities of supervisory board are to provide:

- a) bringing into force one or more rules of procedure that will define operative and functional aspect of work of supervisory board and administration in accordance to the Law on Enterprises and this Law, statute and ethical codex;

- b) prior consideration with confirmation of the rules of procedure by qualified person of the legal profession;
 - c) that acts of public company contain detailed regulations on disciplinary action and equitable procedure of dismissal of the responsible persons;
 - d) that acts of public company contain regulations on complete dismissal of work from the public company to a period for at least two years for persons that are replaced in the way described in this Law, also including responsibility of administration to keep adequate personnel records for that purpose;
 - e) determining stimulus measures for the improvement and evaluation within the public company.
- (2) Administration and supervisory board are obligated and responsible for strict respectation of the rules of procedure and other acts and consistence in law enforcement.

Article 20

Ethical codex

- (1) Supervisory board is obligated and responsible to, in cooperation with audit board, prepare ethical codex.
- (2) Ethical codex shall contain, as the minimum required, the following mandatory regulations:
- a) prohibition with respect to conflict of interest in accordance to Article 14 of this Law;
 - b) prohibition on disclosure of trade secrets in accordance to Article 14, paragraph 4 of this Law;
 - c) prohibition with respect to competition in accordance to Article 34 and 35 of the Law on Enterprises;
 - d) prohibition with respect to credit in accordance to Article 41 of this Law;
 - e) statement that prescribes duties defined by Article 15, 16, 17 and 18 of this Law.
- (3) Supervisory board cannot transfer competence from paragraph 2 of this Article to the other body.

Article 21

- (1) Administration is obligated and responsible:
- a) for consistent implementation of ethical codex in public company;
 - b) to provide that all responsible persons act in accordance to ethical codex, and disciplinary action shall be carried against persons that violate named codex.
- (2) Administration can perform transaction of each of named duties to one or more of its members, with unanimous written consent of supervisory board, but administration shall still be responsible for execution of any transferred duty.

Article 22

Business plan

Using International Accounting Standards, that deal with these issues, administration of public company shall make and supervise realization of a three-year business plan for the public company. After the public company adopts the business plan, manager of Internal

audit department shall deliver the plan to the chief auditor, while director of public company shall present the plan to the ministry competent for the public company, or to competent municipal authorities.

Article 23

Business plan from Article 22 of this Law shall contain all the elements which usually are part of these plans and particularly shall contain:

- a) prognosis for revenues and expenditures;
- b) capital expenditures suggested for period that the business plan includes;
- c) source of finances suggested for above capital expenditures, and other business goals;
- d) all loans which intake is planned for period that the business plan includes;
- e) guarantees which are proposed for ensurance of these loans;
- f) suggestions for education or purchase of new companies or business (partly or in whole) or selling of any of daughter companies (i.e. subsidiaries) of public company, and staffing as well as accompanying expenditures for these activities;
- g) suggestions for use and distribution of profit for period that the business plan includes;
- h) plan of revenues and expenditures must reflect planned activities of public company.

Article 24

(1) Business plan for the period for which it was adopted shall represent basis of business activities of public company regarding the issues that contains.

(2) Exception from regulations of paragraph 1 of this Article, administration shall consider the business plan on annual basis and in a case of need, in accordance with its goals, revise and accede the business plan for its adjustment to developments in the commercial market.

Article 25

International Accounting Standards - International Standards on Auditing

(1) Supervisory board is responsible to arrange for authentic accounting records and financial reports made in accordance to the Law on Accounting and Auditing of the Federation of Bosnia and Herzegovina that shows financial position of the public company, and that are presented to all persons that have legitimate interests for business of the public company.

(2) Obligation from paragraph 1 of this Article the supervisory board cannot transfer to other body.

Article 26

Audit board

(1) Supervisory board is responsible:

- to propose the composition for the audit committee to the assembly, after the selection of candidates by majority vote based on open competition, and to select the candidates that are most qualified for that function;
 - to supervise administration in implementation of recommendations from the audit board and external auditor for determined period of time.
- (2) Supervisory board cannot transfer obligation from paragraph 1 of this Article to another body.

Article 27

- (1) In accordance with the Law on Ministerial, Government and other Appointments of the Federation of Bosnia and Herzegovina (Official Gazette of the Federation of Bosnia and Herzegovina, No. 12/03 and 34/03) general auditor has the right to nominate a person to the position of director of internal audit that shall perform the function of the member of audit board, without the right to vote at this body.
- (2) Internal audit department is formed in public companies that employ more than 100 workers, and in the companies that employ less than 100 workers the audit board is formed and engages independent auditor that reports on annual basis about performed audit of the public company at the website of the public company, or its majority owner.
- (3) The public company will bear the costs of nomination of director of internal audit department.
- (4) The director of internal audit department that is nominated by general auditor cannot be changed by the bodies of the public company without prior written approval of general auditor.
- (5) After dismissal of director of internal audit department general auditor has the right to nominate new director of internal audit department in accordance with paragraph 1 of this article.
- (6) Audit board is obligated within the period of 30 days to inform general auditor about any resignation or dismissal in a case that the director that was nominated by the general auditor resigns or it is dismissed from the function at the public company.

Article 28

Audit board is obligated:

- a) to nominate internal auditor;
- b) to nominate director of internal audit department based on open competition for the election of technically best qualified candidate, in a case that Audit Office of the Institutions of the Federation of Bosnia and Herzegovina did not inform public company with its intention to perform nomination within 30 days from the day when general auditor was informed in accordance to article 27, paragraph 5 of this Law;
- c) to consider the annual strategy of risk and audit plan that show specifics in terms of different fields and audits that will be performed, and to ensure that reported issues are immediately and properly corrected;

- d) to consider above strategy of risk and audit plan and make the agreement with general auditor on terms of processing, specifically when general auditor had nominated director of internal audit department of the public company;
- e) to ensure that internal audit department performs its action in accordance with the audit plan;
- f) to ensure that internal controls at the public company are adequate and to function as intended;
- g) to submit summarised monthly reports to supervisory board about its meetings every month;
- h) to consult with general audit about independent audit organisation for internal audit every two to three years;
- i) to ensure that internal audit department performs its obligation in accordance with International Standards on Auditing.

Article 29

Administration is obligated and responsible for implementation of recommendations of audit board within the period that is, in terms of their realisation, determined by the audit board. Administration can transfer this duty to one of its members, but it is still responsible for their realisation.

Article 30

Internal audit department

In accordance to regulations of this Law director of internal audit department is obligated and responsible to establish the internal audit department of appropriate size necessary for adequate performance of duties determined by Article 32 of this Law, and has sole responsibility for selection and management of persons employed in department above.

Article 31

- (1) Administration is obligated and responsible:
 - a) to ensure adequate facilities, in order to provide efficiency of internal audit department and undisturbed work performance;
 - b) to ensure, without exception, to internal audit department complete and whole insight to all records of the public company necessary for performing activities.
- (2) Administration can transfer this duty to one of its members, but it is still responsible for its realization.

Article 32

- (1) Internal audit department is responsible:
 - a) to present annual study of the risk and audit plan to the audit board that contain detailed presentation of risk areas and audits that shall be performed;

- b) to present reports on performed audits and recommendations to audit board through the director of internal audit department;
 - c) to perform its duties in accordance with International Standards on Auditing.
- (2) Internal audit department cannot pass this duty to other body.

Article 33

- (1) All staff of internal audit department are employees of the public company.
- (2) Director of internal audit department cannot be employee of the public company, but he shall be adequately rewarded by that company and in accordance to appropriate tariffs for the services that he offers to the public company providing that they could be get from the Office of the Auditor General or ministry in which competence the public company is.

Article 34 **Procurement**

Appropriate procedures in procurement that are performed in public companies shall be implemented with the strict respectation of regulations of the Public Procurement Law of Bosnia and Herzegovina (Official Gazette of BiH, No. 49/04, 19/05, 52/05, 94/05, 8/06, 24/06 and 70/06). Administration and supervisory board of the public company are obligated to implement regulations of current rules of procurement.

Article 35

- (1) Administration is obligated:
- a) to adopt the implementing regulation on procurement that shall organize the procedure of procurement in public companies in accordance to current rules of procurement;
 - b) to supervise employees of the public company in implementation of current rules of procurement, and regulations of implementing rules of procurement in public company;
 - c) to present reports on procurement to the audit board within the 15 days and supervisory board within the 30 days from the date of signing the contract on procurement.
- (2) Administration can transfer any of above duties to one of its members, with unanimous written consent of supervisory board, but administration shall still be responsible for performing the supervision on any above mentioned duty.

Article 36

- (1) During the procurement procedure supervisory board is obligated:
- a) to consider implementing rule for the procurement procedure in the sense of its accordance with applicable rules on procurement;

- b) to supervise work of administration and employees of the public company related to application of implementing rule for the procurement procedure and applicable rules on procurement;
 - c) to consider reports on procurement and report to competent authority any potential fraud or abuse.
- (2) Supervisory board cannot transfer authorisation from this Article to other body.

Article 37

Profit distribution

In any financial year administration of the public company, based on determined amount of net profit presented in its audited financial report prepared in accordance to the Law on Accounting and Auditing in the Federation of Bosnia and Herzegovina, proposes listing, if there are conditions, to be distributed as profits or interim dividend for above financial year.

Article 38

Deciding on amount that could be distributed as profit , administration shall take care of recommendations given by the audit board and total financial obligations of the public company in the financial year for which the distribution is related to, including the amount of net profit that public company needs for that financial year for realisation of any task from the business plan of the public company, as well as the amount of capital expenditures and other investments necessary for appropriate maintenance and growth of the public company.

Article 39

Administration is not allowed:

- a) to allocate for reserves the amounts larger than one half of net profit available for distribution,

Note: point b) deleted amendments to the Law (Official Gazette of Federation of BiH, No. 22/09)

Article 40

The assembly decides on distribution of profit/dividend at the explained proposition of the administration, with prior opinion of audit board and supervisory board.

Article 41

Illegal Acts

It is strictly forbidden to public company to perform the following activities:

- a) granting credits or loans to the employees of the public company or to the third parties, or providing guarantees or insurance for loans except for the restructuring process when public company can perform investment or give a loan to business organization specifically based on a decision of assembly of the public company;

- b) giving through donation contrary to regulations of applicable laws on allocation of funds or donations;
- c) payment of salaries to employees on any waiting list;
- d) payment of salaries to employees without payment of contributions and taxes in accordance to applicable law regulations;
- e) participation in procurement procedure of any person acting as bidder that prepared an invitation to tender;
- f) making changes and amendments in any concluded procurement contract, unless they are performed according to the applicable procurement laws;
- g) acceptance of payments with the tool that replaces money, payment in kind, or cash equivalent;
- h) investments from short-term sources of funds of the public company, except in the case of the approved investments by the definition given in applicable laws that regulate that area
- i) concluding the contract for disposal with total value larger than 10,000.00 BAM, without signature of director and responsible member of administration;
- j) renewal or material modification of existing loans given to related parties or to the third parties.

Article 42 **Limited activities**

Public company can perform following activities, only with the written authorization of the supervisory board:

- a) settlement of a debt to a creditor of the public company by paying to the third party (contract on assignment of debt);
- b) offsetting debts to some party with debts of that same party that is, at the same time, creditor and debtor of the public company (simple compensation agreements);
- c) participation in the arrangement of multiple offsetting debts between more parties whether the government organized the same arrangement or some other body (agreements on multilateral compensation or multiple compensation);
- d) debt settlement to public company in case when borrower pays a creditor of public company;
- e) write off of claims;
- f) conclusion of debt settlement agreement toward the public company, under favourable conditions, determined by the government of the Federation of Bosnia and Herzegovina.

4. Penalties and sanctions

Article 43 **Lawsuits of shareholders and other persons**

The lawsuit pursuant to Article 258 of the Law on Enterprises can be submitted also by competent regulatory authority.

Article 44

(1) The reasons for dismissal of responsible person in public company on shortened procedure are following:

- a) failure to meet responsibility according to applicable laws;
- b) allotment of procurement agreement contrary to applicable laws on procurement
- c) participation in conflict of interest;
- d) participation in activities prohibited by this Law;
- e) failure to submit request for appropriate approval of activities limited by this Law;
- f) consciously or unconsciously giving authorisation for performing activities limited by this Law;
- g) execution of a criminal offense or other unlawful act that causes material damage to the public company.

(2) If some member of supervisory board performs an action from paragraph 1 of this Article, his dismissal shall be suggested to the assembly.

Article 45

(1) Administration has duty and responsibility to ensure:

- a) that fired person is unable to re-enter official premises or the premises of a public company after the date of termination of employment;
- b) that public company is not allowed to re-hire that person who was fired in any capacity in a period of at least two years;
- c) to keep appropriate records on employees with detailed information on dismissal of the named persons for the period of two years;
- d) that no payments of any compensation in cash, exchange of money or in kind are made to named dismissed persons from the moment of violation of labor duties.

(2) Administration can transfer any obligation determined in this Article to one of its members, but it shall remain responsible for execution of any above obligation.

Article 46

Employee of the public company can be dismissed only after termination of disciplinary proceedings, stipulated in rules of conduct, unless he was dismissed on a shortened procedure.

Article 47

Penalty provisions

(1) Legal entity shall be fined for economic offense with penalty in the amount from 5,000.00 BAM to 15,000.00 BAM if:

- a) rules of conduct, statute and ethical codex of company are not regulated in prescribed time period pursuant to regulations of Article 19, paragraph 1 a) or Article 20, paragraph 1, or if rules of conduct are not adopted, i.e. they don't contain information defined in Article 20, paragraph 2 of this Law;
- b) person that had to be dismissed and it is not dismissed pursuant to article 46;

- c) ethical codex is not made and is not implemented in the manner prescribed by Article 20;
- d) three-year business plan is not adopted and presented to competent authorities pursuant to article 22;
- e) business plan mentioned above does not contain the elements required in Article 23;
- f) business activities are not performed according to activities in Article 24;
- g) business plan is not considered on annual bases and is not revised pursuant to article 24;
- h) nomination in supervisory board is not performed pursuant to Article 26 and 27;
- i) nomination of director of internal audit department is not performed pursuant to Article 27.

(2) Responsible person in legal entity shall be fined for economic offenses from the previous paragraph with penalty in the amount from 5,00.00 BAM to 1,500.00 BAM.

Article 48

(1) Legal entity shall be fined for economic offense with penalty in the amount from 5,000.00 BAM to 10,000.00 BAM if:

- a) supervisory board does not fulfill obligations and responsibilities pursuant to Article 25;
- b) administration does not fulfill obligations and responsibilities pursuant to Article 35;
- c) director does not fulfill obligations and responsibilities pursuant to Article 13;

(2) Responsible person in legal entity shall be fined for economic offenses from the previous paragraph with penalty in the amount to 1,000.00 BAM.

Article 49

(1) Legal entity shall be fined for offense with penalty in the amount from 13,000.00 BAM to 17,000.00 BAM if:

- a) acquisition procedure is not performed according to applicable laws on acquisition based on prescribed in Article 34;
- b) obligations of administration are not performed pursuant to Article 31 or Article 35;
- c) audit board does not fulfill its obligations pursuant to Article 30;
- d) administration makes decision on dividends/profit contrary to Article 37,38 or 39;
- e) related party is offered favorable conditions contrary to Article 14;
- f) activities prohibited by Article 41 are published;
- g) activities limited pursuant to Article 42 are published, without appropriate written authorization.

(2) Responsible person in legal entity shall be fined for offenses from the previous paragraph with penalty in the amount to 1,700.00 BAM.

Article 50

Responsible person shall be fined for offense for penalty in the amount to 1,700.00 BAM

If:

- a) it enters in real or apparent conflict of interest with public company (Article 14, paragraph 1);
- b) trade secret is disclosed to the third party, contrary to regulations to Article 14, paragraph 6;
- c) does not offer insight to information to supervisory board or other supervisory body as it is prescribed in Article 18.

5. Transitional and final regulations

Article 51

(1) To issues that are not covered with this Law, the Law on Enterprises (Official Gazette of the Federation of Bosnia and Herzegovina, No. 23/99, 45/00, 2/02, 6/02 and 29/03) is applicable.

(2) In a case of conflict of certain regulations of this Law and of the Law on Enterprises and its amendments, the regulations of this Law shall be applied.

(3) When this Law enters into force the Law on Public Companies (Official Gazette of R BiH, No. 4/92, 21/92 and 13/94) cease to apply.

(4) Government of the Federation of Bosnia and Herzegovina shall define regulation from Article 2a of this Law no later than June 6th, 2012.

Article 52

(1) Chief audit shall within at least three months from the entry into force of this Law inform the public companies in which he intends to nominate the director of internal audit department.

(2) Chief audit shall perform above nomination pursuant to paragraph 1 of this Article within at least four months after the entry into force of this Law.

(3) If the chief audit does not perform above nominations pursuant to paragraph 2 of this Article those nomination shall, pursuant to Article 28 b), perform the audit board.

Article 53

Together with this Law, publishing of model of ethic codex and model of statute of the public company shall be performed in Official Gazette of the Federation of BiH.

Article 54

This Law enters into force the next day from the date of publication in Official Gazette of the Federation of BiH.

The Law on Amendments to the Law on Public Companies in the Federation of Bosnia and Herzegovina (Official Gazette of the Federation of Bosnia and Herzegovina, number 81/08) two new Articles are added, which say:

Article 20

The public companies are obligated to coordinate organisations and business with regulations of this Law within 90 days from the date of entering into force.

Article 21

This Law enters into force on the eight day from the date of publishing in Official Gazette of the Federation of BiH.