

LAW ON MICROCREDIT ORGANIZATIONS

I - GENERAL PROVISIONS

Article 1

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

Article 2

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

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

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

The status of a legal entity is acquired by a microcredit company with the entry into the court registry of business companies (hereinafter: the court registry) in compliance with this law and the Law on Registration of Business Companies in the Federation of Bosnia and Herzegovina (“Official Gazette of the Federation BiH”, No: 27/05 and 68/05).

The status of a legal entity is acquired by a microcredit foundation with the entry into the registry of foundations in compliance with this law and the Law on Associations and Foundations of the Federation of Bosnia and Herzegovina (“Official Gazette of the Federation BiH”, No: 45/02).

An application for the entry into the court registry, i.e. the registry of foundations is submitted 30 days at the latest from the date of acquiring the operating permit for the provision of microcredits (hereinafter: the Permit) of the Banking Agency of the Federation of Bosnia and Herzegovina (hereinafter: the Agency).

Organizational parts of microcredit companies are also entered into the court registry, accept in cases referred to in Article 9 Paragraph 1 of this Law.

Organizational parts of microcredit foundations are also entered into the registry of foundations, accept in cases referred to in Article 9 Paragraph 1 of this Law.

Law on Microcredit Organizations “Official Gazette of the Federation of BiH”, No. 59/06

Article 4

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.

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

The following persons are deemed as persons related to a microcredit organization referred to in Paragraph 2 of this Article:

1. members of the Supervisory board of a microcredit company, i.e. Management board of a microcredit foundation, the management of a microcredit company and the Director of a microcredit foundation, members of the Audit Committees and other bodies of a microcredit organization and members of their families up to third level of consanguinity or marriage, or persons that live in the same household and mutually have related or common investments;
2. the founders of microcredit foundations, persons with significant ownership interest, i.e. voting right in a microcredit company, and members of their families up to third level of consanguinity or marriage, or persons that live in the same household and mutually have related or common investments;
3. legal entities in which a microcredit organizations has significant ownership interest;
4. legal entities in which the same legal entities and natural persons that have significant ownership interest, i.e. voting right in a microcredit company also have significant ownership interest, i.e. voting right, and at the same time acting as founders of a microcredit foundation;
5. legal entities in which the owner of the significant ownership interest is a member of the Supervisory board of the microcredit company, i.e. the Management board of a microcredit foundation, the management of a microcredit company and the Director of a microcredit foundation, members of the Audit Committees and other bodies of the microcredit organization being any of the persons stipulated in items 1 to 4 of this Article and
6. related persons of the founders of a microcredit foundation, i.e. related persons of the owners of microcredit company.

Article 5

Activities of disbursing microcredit may be carried out as an activity only by microcredit organizations that had obtained a permit for the provision of those activities from the Agency and carried out the entry into the court registry or the registry of foundations.

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

2Law on Microcredit Organizations “Official Gazette of the Federation of BiH”, No. 59/06

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

A microcredit organization may carry out the microcredit activity in its headquarters and in organizational parts outside the headquarters.

Organizational parts of a microcredit organization referred to in Paragraph 1 of this Article and their authorities are prescribed by the Statute of a microcredit organization and they have the authorities in the payment system.

Organizational part of foreign organization that wish to carry out microcredit activities in the Federation 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

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.

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.

The Agency issues a decision on approving or refusing the application for the issuance of the permit referred to in Paragraph 2 of this Article within 60 days from the date of receiving a regular and comprehensive application.

Article 8

The Agency issues the approval on founding and other enactments of a microcredit organization that are prescribed by the Agency, as well as on all amendments and additions to those enactments in compliance with this Law.

Article 9

A microcredit organization with the headquarters in the Federation, without the permit of the Agency, may carry out activities of disbursing microcredits by opening the organizational parts in the Federation, in cases when such organizational parts are not entered into the registry.

A microcredit organization with the headquarters in the Federation may carry out activities of disbursing microcredits outside the Federation 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.

3Law on Microcredit Organizations “Official Gazette of the Federation of BiH”, No. 59/06

A microcredit organization is obliged to inform the Agency of its newly established organizational part outside the Federation within 8 days from the date of entry of the organizational part into the registry.

Article 10

Microcredit organizations with the headquarters in Republika Srpska and Brcko District of Bosnia and Herzegovina (hereinafter: Brcko District) may establish organizational parts in the Federation.

Microcredit organizations are obliged to acquire permit of the Agency for opening organizational parts referred to in Paragraph 1 of this Article.

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 2 of this Article.

In case of failing to fulfill the conditions referred to in Paragraph 3 of this Article, the Agency will withdraw the issued permit.

The procedure for withdrawing an issued permit is 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

The enactments of the Agency are final.

A microcredit organization may launch the administrative dispute procedure against the enactments of the Agency referred to in Paragraph 1 of this Article by filing charges at the competent court.

Article 13

The Agency keeps the registry of microcredit organizations with the headquarters in the Federation and the registry of organizational parts in the Federation of microcredit organizations with the headquarters in Republika Srpska, the Brcko District and organizational parts of foreign organizations.

The data from the registry of microcredit organizations are public.

Article 14

Microcredit organizations may establish an independent, voluntary and non-profit association of microcredit organizations.

4Law on Microcredit Organizations “Official Gazette of the Federation of BiH”, No. 59/06

The Association of microcredit organizations is established by signing the Contract on Establishment and by the adoption of the Statute and other general enactments.

Statute of the Association of microcredit organizations must contain the provision stipulating 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 15

A microcredit organization may provide only the activities of granting microcredits as its basic activity entered into the court registry, i.e. the registry of foundations.

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/mortgaging 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.

A microcredit organization cannot accept cash deposits and savings deposits from natural persons or legal entities.

Article 16

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 17

A microcredit organization is obliged to disclose the effective interest rate on microcredits.

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. 5Law on Microcredit Organizations “Official Gazette of the Federation of BiH”, No. 59/06

IV - REPORTING AND AUDIT

Article 18

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.

A 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 by the law and other regulations regulating the area of accounting and audit.

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.

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.

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 19

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, as well as to present for review business books and records for the purposes of carrying out control.

V - SUPERVISION OF MICROCREDIT ORGANIZATIONS

Article 20

The Agency carries out the supervision over the operations of:

- microcredit organizations with the headquarters in the Federation and their organizational parts in the Federation;
- organizational parts in the Federation of microcredit organizations with the headquarters in Republika Srpska and Brcko District, and
- organizational parts of foreign organizations.

The supervision over the operations of organizational parts in Republika Srpska and Brcko District of microcredit organizations with the headquarters in the Federation is carried out by the Agency in the headquarters of the microcredit organization. 6Law on Microcredit Organizations “Official Gazette of the Federation of BiH”, No. 59/06

The Agency prescribes measures for eliminating the irregularities determined during the supervision execution.

Article 21

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 an enactment.

1. Withdrawal of the Permit

Article 22

The Agency shall withdraw from a microcredit organization the operating permit for the provision of microcredits in case the microcredit organization:

1. fails to submit the application for the entry into the authorized 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 authorized 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 misled 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 represents the impediment for carrying out the operations,
10. possesses the founder's decree on the liquidation of a microcredit organization.

Article 23

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.

7Law on Microcredit Organizations “Official Gazette of the Federation of BiH”, No. 59/06

VI - FORMS OF ORGANIZING A MICROCREDIT ORGANIZATION

1. Microcredit Company

1.2. Establishment

Article 24

A microcredit company is established and operates in a form of a limited liability business company or a joint stock company.

The provisions of the Law on Business Companies (“Official Gazette of the Federation of BiH”, No: 23/99, 45/00, 2/02, 6/02, 29/03 and 68/05) duly apply to microcredit companies, unless otherwise stipulated by this Law.

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

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 25

Besides the general conditions prescribed for the entry into the registry of business entities, the permit 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 court registry.

The person authorized for representing a microcredit company is obliged to submit a report to Agency of any 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.

Changes of data or documents referred to in Paragraph 2 of this Article are reported for entry into the court registry in case such an obligation is stipulated by the law referred to in Article 24 Paragraph 2 of this Law.

1.2. Capital

Article 26

The minimal amount of the share capital of a microcredit company amounts to KM 500,000 and has to be fully paid in cash.

The share capital of a microcredit company paid in items and rights expressed in cash value is assessed by an authorized assessor.

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. 8Law on Microcredit Organizations “Official Gazette of the Federation of BiH”, No. 59/06

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.

1.3. Reserves

Article 27

Microcredit company is obliged to form and maintain obligatory reserves for the coverage of credit losses in compliance to the provisions of the Law on Business Companies.

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.

1.4. Bodies

Article 28

The bodies of a microcredit company are the following:

- a) the Assembly,
- b) the Supervisory Board,
- c) the Management, comprised of the Director and Executive directors,
- d) the Audit Committee, comprised of at least three members appointed by the Supervisory Board.

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

The selection, dismissal and the scope of authority of the bodies of a microcredit company and its representation are regulated by the Statute.

1.5. Status Changes

Article 29

Two or more microcredit companies may merge into new microcredit companies in such a way that they cease to exist, and the newly established microcredit company becomes their legal successor.

A microcredit company may be subject to acquisition to another microcredit company which becomes the legal successor of the acquired company, which therefore ceases to exist.

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.

9Law on Microcredit Organizations “Official Gazette of the Federation of BiH”, No. 59/06

Article 30

In the case of status changes of merger, acquisition or division referred to in Article 29 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.

The newly established microcredit company resulting from the status changes referred to in Article 29 of this Law has to acquire a permit for the provision of activities related to disbursing microcredits from the Agency prior to being entered into the court registry.

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 decision or a contract on the establishment and Statute of the microcredit company that shall become the legal successor;
- data on the owners of shares in the microcredit company that shall become the legal successor;
- data on the members of bodies of a microcredit company that shall become the legal successor;
- 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;
- a study of economic viability and the business plan of the microcredit company resulting from the status change.

Besides the documentation referred to in Paragraph 3 of this Article, the Agency may also prescribe the conditions that have to be fulfilled and documentation that has to be submitted for acquiring the permit referred to in Paragraph 1 of this Article.

Article 31

The Agency shall issue a decision on approving or refusing the application for the issuance of the permit for status changes, referred to in Article 29 of this Law, within 60 days from the date of receiving a regular and comprehensive application.

1.6. Termination of Operations

Article 32

A microcredit company is terminated in the manner and in cases stipulated by its founding enactment, the Statute, with the effectiveness date of the Agency' decision on the withdrawal of the permit for the cases referred to in article 22 of this Law, this Law and the Law on Business Companies.

In the case of terminating the operations of a microcredit company with the effectiveness date of the Agency' decision on the withdrawal of the permit referred to in Paragraph 1 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. 10Law on Microcredit Organizations “Official Gazette of the Federation of BiH”, No. 59/06

1.7. Liquidation and Bankruptcy

Article 33

In the case of onset of a special legal reason for the termination of a microcredit company referred to in Article 32 Paragraph 2 of this Law, the procedure of liquidation or bankruptcy is executed over the microcredit company in compliance with laws regulating the procedure of liquidation and bankruptcy.

2. Microcredit Foundation

2.1. Establishment

Article 34

The provisions of the Law on Associations and Foundations of the Federation of Bosnia and Herzegovina duly apply to microcredit foundation, unless otherwise stipulated by this Law.

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“.

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 35

Besides the general conditions prescribed for the establishment and entry into the registry of foundations, the permit 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.

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.

Changes of data or documents referred to in Paragraph 2 of this Article are reported for entry into the registry of foundations in case such an obligation is stipulated by the law referred to in article 34 Paragraph 1 of this Law.

2.2. Capital

Article 36

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.

11Law on Microcredit Organizations “Official Gazette of the Federation of BiH”, No. 59/06

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

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.

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.

2.3. Reserves

Article 37

A microcredit foundation is obliged to form and maintain obligatory reserves for the coverage of credit losses in compliance with the enactment of the Agency.

Article 38

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.

A microcredit foundation cannot extend microcredit to related parties.

Article 39

Microcredit foundations are obliged to invest surplus of revenues over expenses executed by the provision of microcredits in compliance with this Law.

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.

2.4. Bodies

Article 40

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 Audit Committee, comprising of at least three members appointed by the Management Board.

Statute of a microcredit foundation may stipulate that the Assembly and the Board of Executive Directors are also selected in the microcredit foundation.

12Law on Microcredit Organizations “Official Gazette of the Federation of BiH”, No. 59/06

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.

2.5. Status Changes

Article 41

Two or more microcredit foundations may be merged into a new microcredit foundation in such a way that they cease to exist, and the new microcredit foundation becomes their legal successor.

A microcredit foundation may be subject to acquisition to another microcredit foundation which becomes the legal successor of the acquired foundation, which therefore ceases to exist.

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 42

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.

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.

The same limitations that concern microcredit foundations pursuant to Article 38 of this Law duly apply to the operations of the microcredit company referred to in Paragraph 1 of this Article with related parties.

Article 43

In the case of status changes of merger, acquisition or division referred to in Article 41 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 registry of foundations.

The newly established microcredit foundation resulting from the status changes referred to in Article 41 and the newly established microcredit company resulting from investments pursuant to Article 42 Paragraph 1 of this Law has to acquire a permit for the provision of microcredit activities from the Agency prior to being entered into the registry of foundations, i.e. the court registry.

Together with the application for acquiring the permit for a status change, the microcredit foundation is obliged to submit the following documentation to the Agency:
13Law on Microcredit Organizations “Official Gazette of the Federation of BiH”, No. 59/06

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 42 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.

Besides the documentation referred to in Par. 2 and 3 of this Article, the Agency may prescribe additional conditions that have to be fulfilled and documentation that has to be submitted for acquiring the permit referred to in Paragraph 1 of this Article.

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 38 Paragraph 1 of this Law.

Article 44

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.

2.6. Termination of Operations

Article 45

A microcredit foundation is terminated in the manner and in cases stipulated by its founding enactment and/or the Statute, this law and the Law on Associations and Foundations of the Federation of Bosnia and Herzegovina, with the effectiveness date of the Agency' decision on the withdrawal of the permit for executing the activities of provision of microcredits referred to in Article 5 Paragraph 1 of this Law.

In the case of terminating the operations of a microcredit foundation with the effectiveness date of the Agency' decision on the withdrawal of the permit referred to in Paragraph 1 of this Article, the Agency shall, ex officio, submit an application for deletion of a microcredit foundation from the registry of foundations.

14Law on Microcredit Organizations “Official Gazette of the Federation of BiH”, No. 59/06

The costs of submitting the application referred to in Paragraph 2 of this Article are covered by the microcredit foundation.

Article 46

Following the settlement of liabilities of the microcredit foundation that is being terminated pursuant to provisions of Article 45 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 the Federation of Bosnia and Herzegovina.

If, within the period of 30 days from the date of effectiveness of the Agency' decision on the withdrawal of the permit 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 the Federation of Bosnia and Herzegovina.

VII - PENALTY PROVISIONS

1. Criminal offences

Article 47

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.

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.

Article 48

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 not entered into authorized registries (Article 9),
 4. establishing the organizational part of a microcredit organization without the Agency' permit (Article 9);
- 15 Law on Microcredit Organizations “Official Gazette of the Federation of BiH”, No. 59/06
5. having a headquarters in Republika Srpska and the Brcko District, and opening an organizational part in the Federation without the permit of the Agency (Article 10 Paragraph 2),
 6. 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 15,
 7. receiving cash deposits from natural persons or legal entities (Article 15 Paragraph 3)
 8. failing to prescribe and make available to the public the conditions of awarding microcredits (Article 16),
 9. failing to disclose the effective interest rate on microcredits (Article 17),
 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 18),
 11. failing to submit to the Agency the reports on operations in compliance with Agency regulations (Article 19) and
 12. carrying out the transaction of receiving, i.e. giving out goods or services contrary to provisions of Article 38 Paragraph 1 of this Law.

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 24 Paragraph 4 and Article 25 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 25 Paragraph 2),
3. carrying out a merger, an acquisition or a division of a microcredit organization without an permit of the Agency (Article 30 Paragraph 1.).

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. being entered into the court registry or acting in the legal system without authorization using the title „microcredit foundation“ (Article 34 Paragraph 3 and Article 35 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 35 Paragraph 2)
3. carrying out the transaction of receiving, i.e. giving out goods or services contrary to provisions of Article 38 Paragraph 1.
4. approving microcredit to related persons (Article 38 Paragraph 2)
5. using the executed surplus of revenues over expenses in contravention to the provisions of Article 39 of this Law;
6. carrying out a merger, an acquisition or a division of a microcredit organization without the permit of the Agency (Article 43 Paragraph 1).

A natural, i.e. judicial person shall be penalized with a cash fine in the amount between KM 500 and KM 1,500 for the following misdemeanors:

1. founding a microcredit organization and carrying out the activities of disbursing microcredits or acquiring financial assets for that purpose and in relation to that, without the permit of the Agency referred to in Article 7 of this Law.
2. acting contrary to the provisions of Article 38 of this Law.

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 Par. 1, 2 and 3 of this Article.

16Law on Microcredit Organizations “Official Gazette of the Federation of BiH”, No. 59/06

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 49

The Misdemeanor Commission appointed by the Director of the Agency in compliance with the Law on Misdemeanors that Violates the Federal Regulations (“Official Gazette of the Federation of BiH”, No: 9/96 and 29/00) shall execute misdemeanor proceedings and issue decisions in the first instance.

The Misdemeanor Commission shall comprise of three members and shall execute misdemeanor proceedings in compliance with the law referred to in Paragraph 1 of this Article and this Law.

The Agency shall adopt the Rulebook on Organization and Operations of the Misdemeanor Commission.

VIII - TRANSITIONAL AND CLOSING PROVISIONS

Article 50

Microcredit organizations and representative offices of microcredit organizations from the Republika Srpska and Brcko District in the Federation established in compliance with the Law on Microcredit Organizations („Official Gazette of the Federation of Bosnia and Herzegovina”, No: 24/00) 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.

Microcredit organizations and representative offices of microcredit organizations from Republika Srpska and Brcko District in the Federation 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 registry.

Article 51

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 52

A microcredit organization which on the day this law comes into effect exists and conducts business in compliance with the Law on Microcredit Organizations is obliged within the timeframes of 12 months from the day this law comes into effect, to adopt the decision on changing its legal form and organizing into a microcredit foundation, to adopt the Statute, appoint the bodies, obtain a proper permit and apply for incorporation into an authorized register pursuant to provisions of this Law.

17Law on Microcredit Organizations “Official Gazette of the Federation of BiH”, No. 59/06

A microcredit organization that fails to undertake the actions referred to in Paragraph 1 of this Article shall be deleted from the register of microcredit organizations and its property will be distributed in accordance to provisions of this Law.

A microcredit foundation that is organized pursuant Paragraph 1 of this Article, by virtue of the law is legal successor of assets, rights and liabilities of a microcredit organization that has adopted the decision on changing its legal form and organizing into a microcredit foundation, while a new founders contributions are not required in such procedure as for the purpose of Article 36, Paragraph 1 of this Law. Until the end of the proceedings, i.e. expiry of the deadline from Paragraph 1 of this Article, microcredit organizations shall be subject to the Law on Microcredit Organizations and normative acts enacted pursuant to such law.

Article 53

The Agency shall issue the regulations envisioned by this Law within the timeframe of six months from the date of effectiveness of this Law.

The regulations referred to in Paragraph 1 of this Article are published in the "Official Gazette of the Federation of BiH".

Article 54

As of the date of effectiveness of this Law, the Law on Microcredit Organizations („Official Gazette of the Federation of BiH”, No: 24/00) shall become ineffective, as well as the regulations issued based upon that Law:

- The Instruction on the documentation needed for approval from the Federal Ministry of Social Policy, Displaced Persons and Refugees for opening representative offices and bureaus in the Federation of Bosnia and Herzegovina for microcredit organizations from Bosnia and Herzegovina whose headquarters are outside of the Federation of Bosnia and Herzegovina ("Official Gazette of the Federation of BiH", No: 13/02)

Article 55

This Law shall come into effect the next day after being published in the "Official Gazette of the Federation of BiH".