

LAW ON CORPORATIONS

(“Official Gazette of the Federation of B&H”, No.23/99, 45/00, 2/02, 6/02, 29/03, 68/05 and 91/07)

EXCERPT

Law on corporations establishes the foundation, activity, management, and closing of corporations in the Federation of B&H.

Corporation is a legal entity that independently performs business activities – production and sale of products and provision of services - on the market with the aim of earning profit.

Corporation can be established by domestic and foreign natural and legal entities, if the law does not state otherwise.

Corporation can be established in one of the following forms:

1. **Unlimited Joint Liability Company** – firm (name under which the corporation is known) must contain last name of at least one of the members with a note that there are more than one and a mark: “**d.n.o.**”.
2. **Limited Partnership** – firm must contain last name of at least one of the general partners with a mark “**k.d.**”, and must not contain the names of limited partners.
3. **Joint Stock Company** – firm must contain a mark “**d.d.**”
4. **Limited Liability Company** – firm must contain a mark “**d.o.o.**”

Corporation reaches the status of a legal entity with the signing into the Registry of Corporations. Corporation is liable for its obligations and this liability is fully guaranteed with entire property. Before the signing into the Registry of Corporations no one is allowed to claim to be corporation’s representative.

Corporation may include as the part of its activity all economic activities defined as such by the Law. The Law may establish that certain activities can be undertaken only with an approval of the competent body.

Corporation may have branches – business units outside the main office of the corporation, which do not have the characteristic of a legal entity.

The management that organizes the work and coordinates business activities represents corporation. It represents the corporation and it is liable for the legal bearing of its activity. Corporation may be represented by other parties defined as such by the legal act on establishing or statute of the corporation, in accordance with the law.

Procurement is a written authorization for the undertaking of all legal actions in the name of and for the account of the corporation, except for the relocation and burden of real estate unless there is a direct authorization stated. Procurement cannot be granted to a legal entity.

Within a corporation the organizations cannot be formed which do not assume the activities of a union as defined by the law, collective agreement, and the union rules.

Data on corporation enter the public registry managed by institution determined by special law that establishes and manages organization and work of public registry of legal entities – Registry of Corporations.

The Registry of Corporations contains the following data on corporation’s identity:

1. company name and if possible, abbreviation of company name and address of residence;
2. form of the corporation;
3. activity;
4. branches;

5. first name and last name, address, functions, and scope of the responsibilities of the parties authorized to represent the corporation;
6. company name, residence, activity, and a party authorized to represent branch.

The Registry of Corporations must contain data on members, investments and liabilities, capital stock, shares and contributions in corporation.

The Registry of Corporations also must contain data on the process of liquidation and bankruptcy, name and the address of bankruptcy coordinator as well as the suspension and closing date of the process.

This law regulates the process of fusion, merger, division, transition, and closing down of the corporation.

Unlimited Joint Liability Company is a corporation of at least two persons who bear unlimited mutual liability of the corporation. The Corporation is founded by the Founding Contract. Investments of the members may be in cash, kinds, rights or services. Value of investment in kinds, rights, and services must be estimated in the Founding Contract. Members' investments have equal value. Investments thus become the property of the corporation.

Limited Partnership is a corporation in which one or more members has unlimited solidarity liability for the liabilities of the company including member's private assets (general partner), and risk of one or more members is limited to the amount of the investments stated in the Court Registry (limited partner).

Limited Partnership is founded by the contract and provisions of this Law on Unlimited Joint Liability Companies are applicable here if the law does not state otherwise.

Limited Partnership can be transformed into Limited Partnership with share capital.

Joint Stock Company is a corporation which capital stock is divided into shares and it is established by the Founding Contract. When the Joint Stock Company is founded by one founder, the Founding Act is the Decision on Establishing. Joint Stock Company is not liable for the liabilities of the shareholders, and it can be founded by one or more founders. Founders must also be the shareholders of the company.

During the founding process of the Joint Stock Company, all shares can be bought only by the founders (simultaneous founding), or the agreed number of shares is to be bought by the founders and the remaining shares are to be bought by the other parties based on public invitation for subscription and payment (successive founding), in accordance with the Law regulating emission and trade of securities.

The value of the capital stock of Joint Stock Company cannot be less than KM 50,000. The face value of one share is minimum KM 10. If the capital stock consists of contributions in kinds and rights, besides cash contributions, total contribution in cash cannot be less than KM 50,000,

This law has established the complete process of the founding of the Joint Stock Company, emission of shares, increase and decrease of capital stock, priority purchase, shares of employees, gaining the private shares, decision-making, etc.

Limited Liability Company is a corporation which capital stock is divided into contributions and it is founded by a contract. When a Limited Liability Company is founded by only one founder, then the Founding Act is the Founding Decision. The provisions of this law on Joint Stock Company are applicable on Limited Liability Company, if the law does not state otherwise.

In the Limited Liability Company that has no supervisory board its members are held liable.

If the company is incorporated by one or more persons, minimum capital stock amounts to KM 2,000 (two thousands), if the law does not state otherwise. The minimum contribution of each partner cannot be less than KM 100 (one hundred).

For economic violations a corporation can be fined KM 10,000 to KM 70,000 and a liable party in the corporation, that is the manager or the member of the management, can be fined from KM 1,000 to KM 5,000.

This law was published in the “Official Gazette of the Federation of B&H” on June 21, 1999 and it came into force on June 29, 1999, and it is being implemented since August 27, 1999.

Corporations that did not act in accordance with the Article 382. of the Law, until the day when the Law on modifications and supplements of the Law on Corporations came into force (“Official Gazette of the Federation of B&H”, number 29/03), are obliged to coordinate form, company name, capital stock and statute with this law and submit a registration form, within eight months from the day this law came into force.

Corporations that acted in accordance with the Article 382. of the Law, until the day this law came into force, are obliged to coordinate their statute with regulations of this law.

Law on modifications and supplements of the Law on corporations was published on December 12. 2007, and it came into force on December 18.2007.