

## THE LAW ON CENTRAL BANK

("Official Gazette of Bosnia and Herzegovina", No. 1/97, 29/02, 8/03 13/03, 14/03, 76/06 and 32/07)

### EXCERPT

Central Bank of Bosnia and Herzegovina is the legal entity with full authorities and it has possibility to sign contracts, acquire and dispose with movable and immovable property. The residence of the Central Bank is in Sarajevo and it establishes and maintain central office and main branches and sub-branches in the Federation of Bosnia and Herzegovina and Republic of Srpska. These main branches and sub-branches do not have independent legal status or authority from the Central Bank.

Regulatory Council of the Central Bank can establish offices for contacts abroad and appoint representatives and correspondents.

Central Bank and its main branches and sub-branches have their stamp which contains coats of arms, in accordance with the Law on Coats of Arms of Bosnia and Herzegovina. (Article 1)

Within its authorities, determined by this Law, Central Bank is fully independent from the Federation of Bosnia and Herzegovina, Republic of Srpska and from any other public agency and body, in order for objective performing its tasks unless otherwise stipulated by the Law. (Article 3)

Central Bank represents Bosnia and Herzegovina on all inter-government meetings, bodies and organizations, participates in the international organizations through the international monetary cooperation, provides banking services for the benefit of foreign governments, foreign banks and monetary authorities, takes over the responsibility and transactions regarding participation of Bosnia and Herzegovina in the international organizations. (Article 4)

Chapter II regulates organization and administration of the Central Bank, Section III regulates financial regulations and Chapter IV regulates monetary function and Central Bank activities.

Section V determines monetary unit, Bank notes and metal money (cons). Monetary unit of Bosnia and Herzegovina is "Convertible mark" ("Konvertibilna marka") which consists of one hundred "Fenings" (Fenings), symbols of which are "KM" and "F".

Convertible mark is issued by Central Bank and put into circulation through its central office and main branches and su-branches.

Convertible banks is the legal means of payment of all public and private liabilities and debts in Bosnia and Herzegovina. All public institutions and private persons or enterprises must accept Convertible mark for settlement and payment of any liabilities to them.

Convertible mark is the only monetary unit used for payment to, or payment from the budget and from joint institution in BiH, as well as on their official accounts of the joint institutions in BiH.

Budget and official accounts of the public institutions in the Federation of BiH and Republic of Srpska, as well as tariffs, taxes, and other payments to the accounts of the public services or public transportation services, are expressed in convertible marks. Besides that, toher currencies can be used as accounting unit for these purposes.

Competent authorities of the Federation of BiH and Republic of Srpska should put all their efforts in encouraging use of convertible marks, about which BiH Presidency will be informed every three

months, after the submitted analysis by the Monetary Fund; the efforts put in encouraging use of convertible mark will be examined as well.

Payments in transactions between natural persons, private and mixed enterprises are carried out in the currency which transacting parties agree about, including foreign currencies which are widely used in BiH and in Republic of Srpska on the day of coming into effect of this Law. (Article 38)

Regulatory Council of Central Bank is the only authority in Bosnia and Herzegovina which makes decision on issuing legal means of payment, through the central office, main branches and other sub-branches in BiH Federation and Republic of Srpska. Regulatory Council of the Bank determines nominal value and size of the Bank notes and coins. Regulatory Council, with the approval of the Presidency of Bosnia and Herzegovina, decides on the design of the Bank notes and coins. (Articles 39 and 42)

Chapters VI, VII, VIII, IX and X regulate exchange rate policy, foreign currency reserves and foreign currency control, relations of the Central Bank with other public institutions, other banks, accounts, financial balances, auditing, Central Bank reports and various regulations.

Regulatory Council of Central Bank is consulted about all issues which relate to its business operation or which are in domain of its competence, before they are submitted to the legislative body of Bosnia and Herzegovina, Federation of Bosnia and Herzegovina and Republic of Srpska.

**Law on modifications and supplements of the law on Central bank was published on April 30.2007.**