

LAW ON INTERNAL PAYMENTS SYSTEM

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-Unofficial consolidated text-

I GENERAL PROVISIONS

Article 1

This Law regulates the executing of the internal payment system in the Federation Bosnia and Herzegovina (hereinafter: the Federation), determines the participants and organisations authorized for payment operations, defines the types of accounts, methods and forms of payments, the execution of payments and enforced collection from accounts, proceeding, rights and obligations of the participants in the internal payments system.

Article 2

(1) Internal payment system transactions shall mean all payments in Convertible Marks among participants in the internal payments system through accounts with the authorized organisations for performing internal payments system (Hereinafter: the authorized organisations) and Central Bank of Bosnia and Herzegovina.

(2) Payments in the internal payments system shall mean: payoff through accounts, transfers of funds from one account to another account within the same or with the different the authorized organisations, collection from the accounts, payments in and out from the accounts and other activities related to the internal payments system, in accordance with this Law and legal regulations governing payment transactions.

(3) Participants in the internal payments system are business entities such as: legal entities and organisational parts of legal entities i.e. companies, public companies, banks and other financial organizations, associations, public institutions, governmental administration bodies, local government bodies and other forms of organisations which incorporation is registered with competent authorities or established by law as well as natural persons who perform a registered business activity (hereinafter: business entities).

(4) Participants in the internal payments system are also natural persons who make payments through the accounts in accordance with regulations.

(5) Participants in the internal payments system can be also foreign legal entities and natural persons in accordance with separate regulations.

(6) Some terms defined by the Law on Payments Transactions shall have same meaning as in this Law, if not stipulated otherwise in this Law.

II EXECUTION OF INTERNAL PAYMENTS SYSTEM OPERATIONS

Article 3

(1) The authorized organisations referred to in the Article 2 Paragraph (1) of this Law are: the banks with registered office in the Federation, the branches of the banks from Republika Srpska and Brčko District of Bosnia and Herzegovina licenced by Banking Agency of the Federation of Bosnia and Herzegovina (hereinafter: The Agency) and other entities executing internal payments system transactions for the authorized organisations in accordance with this Law.

(2) Other than the authorized organisations referred to in the Paragraph 1 of this Article, the Central Bank of Bosnia and Herzegovina performs the tasks of the internal payments system and it is performed in accordance with the Law on Central Bank of Bosnia and Herzegovina.

(3) In performing internal payments system the authorized organisations are obliged to ensure application of legal regulations governing the protection of the rights and interests of users of financial services, as well as the provisions of the legal regulations governing civil contractual legal regulations and payments transactions.

Article 4

Internal payments system activities shall be:

- 1) Opening, keeping and closing participants' accounts,
- 2) Keeping records on participants' accounts,
- 3) Receiving and processing data form the payment orders,
- 4) Executing payment orders and transferring funds from one to another account,
- 5) Executing cashless payment transactions by means of telecommunication, digital and IT devices,
- 6) Recording the payment transactions on accounts,
- 7) Depositing and withdrawing cash,
- 8) Services of issuing and/or accepting payment instruments and money consignments,
- 9) Performing treasury-vault activities and provide for cash storing and safeguarding,
- 10) Performing inter-banking settlements for payments orders in accordance with the legal regulations governing payments transactions,
- 11) Keeping records on chronology of payment and other stipulated recordings, delivering data and reports in accordance with this Law and other legal regulations.
- 12) Informing participants – holders of accounts on balance and changes on their accounts,
- 11) Executing Payment orders for enforced collection in accordance with the legal regulations,
- 13) Archiving and keeping documentation with data on internal payments systems,
- 14) Other activities in accordance with legal regulations.

Article 5

The Public Company BH Pošta d.o.o. Sarajevo (BH Post plc. Sarajevo) and Hrvatska pošta d.o.o. Mostar (Croatian Post plc. Mostar), through their organisational units, may execute following internal payments system operations:

- 1) Receiving of payment orders from natural persons,
- 2) Making payments to natural persons on behalf of Business entities and natural persons having their accounts with the authorized organisations,
- 3) Accepting cash payments from natural persons to the business entities' and natural persons' accounts, who make payments on accounts,
- 4) Accepting cash form legal entities (depositing daily earnings) to the legal entities' accounts of held with the authorized organisations,
- 5) Taking over and delivery of cash to the authorized organisations.

III ACCOUNTS FOR PERFORMING OF INTERNAL PAYMENTS SYSTEM AND BUSINESS ENTITIES' REGISTER OF ACCOUNTS

Article 6

(1) For making payments the business entities are obliged to open accounts with the authorized organisations and keep all their cash funds in such accounts, as well as make payments on such

accounts in accordance with this Law and law governing payment transactions. Mutual rights and responsibilities shall be governed by concluded contract on account opening and maintaining.

(2) Natural persons may open accounts with the authorized organisations for execution internal payments systems transactions and open accounts to deposit money and accounts for saving deposits in accordance with an contract concluded and provisions of the legal regulations governing civil contractual relations and this Law.

(3) Foreign legal and natural persons shall open non-resident accounts pursuant to the separate legal regulations and shall conduct business operations through these accounts pursuant to this Law.

(4) The authorized organisations shall open accounts of participants based on contractual relations or on the basis of legal regulations which require opening accounts without the related participants' requests.

(5) The authorized organisations are obliged, before concluding a contract, to deliver or make available to other party, in writing or in electronic form, information on all relevant conditions for use of internal payments system services.

(6) The authorized organisations may change the provisions of the concluded contract based on the provisions stipulated in the Paragraph (4) of this Article and pursuant to the amendments in legal regulations governing banking operations and regulations governing civil contractual relations.

(7) The accounts for performing internal payments system are transaction accounts in which are recorded cash inflows, cash outflows and balances.

Article 7

(1) Business entities from the Federation may open accounts for regular business operations with the authorized organisations which have their registered seat in the Federation and organizational units of the authorized organisations from the Republic of Srpska and Brčko District of Bosnia and Herzegovina operating in the Federation and possess licence for executing services of internal payments system issued by Agency.

(2) Organizational units of the Business entities with registered office in the Federation and having business operations in Republika Srpska and Brčko District of Bosnia and Herzegovina must have open account of their organizational units with the authorized organisations having registered office in the Republika Srpska and Brčko District of Bosnia and Herzegovina which possess the licence issued by Banking Agency of Republika Srpska.

(3) Organizational units of the business entities with registered office in Republika Srpska and Brčko District of Bosnia and Herzegovina and having business operations in Federation must have open account of the organisational unit with the authorized organisations in Federation.

Article 8

(1) The authorized organisation, pursuant to Article 6 Paragraph 4 shall open for the business entity the accounts as follows:

1) Account for the regular business operations of the business entity,

2) Accounts of organizational units of the business entity which are registered in accordance with this Law,

3) Special purpose accounts (whose purpose is determined by the law or other legal regulation in accordance with the law: reserve funds, deposit funds, allocated funds for special purposes, emergency funds, funds for equipment of the governmental administrative bodies, investment funds, funds allocated in relation to issued collateral instruments and other moneys allocated to special accounts)

4) Accounts for public revenues.

(2) The accounts of organizational units of the business entity and special purpose accounts are an integral part of the account for the regular business operations of the business entity operating under unique identification number or main identification number, if law or other legal regulation provide differently.

(3) The authorized organisation is obliged to keep records of the account referred to in Paragraph (1) of this Article, which are opened with the authorized organisations and these records are consolidated in Unique Register of Business Entities' Accounts (hereinafter: the Unique Register).

(4) The Federal Minister of Finance (hereinafter: the Minister) shall define method of keeping and contents of records of the accounts of business entities with the authorized organisations.

(5) The business entity is obliged to inform the authorized organisation of any change of data kept in the authorized organisations records about the accounts, not later than eight days from the date of the changes made in respective registers.

Article 9

(1) Financial–Intelligence Agency Sarajevo (hereinafter: FIA) shall create and keep the Unique Register referred to in Article 8 Paragraph (3) of this Law.

(2) The Unique Register referred to in the Paragraph (1) of this Article is a public record and central database of business entities accounts with the banks with registered head office in the Federation and branches of the banks from the Republic of Srpska and Brčko District of Bosnia and Herzegovina operating in the Federation, which have the licence issued by Agency.

(3) The users of data from the Unique Register are Business entities, FIA, Tax Administration of the Federation of Bosnia and Herzegovina, the Central Bank of Bosnia and Herzegovina, as well as natural persons, using the data from the Unique Register in accordance with legal regulations enacted pursuant to this Law (hereinafter: the users).

(4) The users may use the data from the Unique Register only for their needs and the data may neither be used for other purposes nor is allowed any further copying and distribution of the data. Public availability from the Unique Register shall not apply to confidential data which is defined by a separate law.

(5) Direct access to the data in Unique Register as well as taking data from the Unique Register shall be allowed to: Agency, Tax Administration of the Federation of Bosnia and Herzegovina, the Central Bank of Bosnia and Herzegovina, banks, courts, governmental administrative bodies and other bodies, which may use information in accordance with its legal authorisations.

(6) FIA is obliged to provide to other users, at their request, data from Unique Register which is public and is responsible for delivering data to the users.

Article 10

(1) A participant may open accounts with several authorized organisations according to its own choice.

(2) The business entity may open only one account for regular business operations in Convertible Marks and one account for each organisational unit within one authorized organisation.

(3) The business entity may open more than one account with one authorized organisation pursuant to the needs i.e. legal regulations.

(4) If the business entity has more than one account opened for regular business operation with the authorized organisations, it shall determine an account (hereinafter: the main account) to be used for execution of payment orders for payment of customs duty and customs fees, special excise taxes, value added tax, income tax and other taxes subject to different legal regulations, payment orders for from and on salaries contributions, payment orders for other public revenues subject to different legal regulations, payment orders for enforcements of legal liabilities and

public revenues, payment orders for securities and collateral payment, and payment orders for the execution of court decisions and other enforcement orders-instruments (hereinafter: Payment orders for enforced collection) and keep record of outstanding payment orders.

(5) The business entity shall submit in writing to the authorized organisation its request for determination of the main account.

(6) The authorized organisations may not open an account for the business entity if the business entity has blocked account in the Unique Register.

Article 11

(1) As a general rule, the business entity's main account shall be opened in the registered office of the business organisation at the authorized organisations with registered office in the Federation or organisation units of the authorized organisations from Republika Srpska and Brčko District having business operations in the Federation and possess the licence from the Agency for executing services of internal payments system. The authorized organisation keep records of the accounts of the business entity which opened accounts in that the authorized organization together with designation of statutory markings for the main account.

(2) The business entity may change location of the main account only if in the account is not pending a records on not effected payment requests for enforced collection and to appoint the status of the main account to another regular account with other authorized organisation, by supporting proofs in writing, to the authorized organisation, which is keeps the main account, and the information about determination of another regular account as the main account.

(3) It is forbidden to the authorized organisation to open hidden accounts to the participant and issue savings books or provide other services that provide, directly or indirectly, concealing the identity of the participants.

Article 12

(1) The authorized organisation is obliged to deliver to the Unique Register data on opened and closed accounts of the business entities, type and status of the accounts referred to in Article 8 and 10 of this Law as well as on blocking and unblocking accounts, in a continuous manner, immediately after occurrences of these changes in the records of the authorized organisation, pursuant to this Law and legal regulations governing the conduct and content of the Unified Register.

(2) The authorized organizations is obliged to register with the Unique Register deposits which represent collateral i.e. the instruments for payments receivables.

(3) The FIA is obliged to update, continuously and immediately upon receipt of notification of the authorized organisations referred to in Paragraph (1) of this Article, the data and enable to the authorized organisations direct access and taking over the data kept with the Unique Register.

(4) The authorized organisation shall submit to the Unique Register, for each and every account of the business entity opened in accordance with the legal regulations on internal payments system, the particulars as follows:

- 1) Name of the business entity i.e. full name, Registered Number and Unique Identification Number of the Business entity,
- 2) Account number of the Business entity,
- 3) Defined designation for the type of account and the main account pursuant to the legal regulations on internal payments system.
- 4) Information on blocking and unblocking of the accounts of the business entity,
- 5) Form of organization and business activity code of the business entity,
- 6) Designation of the BiH entity, city and municipality,
- 7) Date of opening and closing of the account,

8) Other necessary information.

(5) The authorized organisation is responsible for timely submission of data in the Unique Register and its accuracy.

(6) The method and procedure of data submission to the Unique Register, data keeping and content of the Unique Register and the method and procedure of data usage from the Unique Register shall be defined by the director of FIA with prior approval of the Ministry and in cooperation with the Central Bank of Bosnia and Herzegovina and with the appointed persons for activities of establishing the register of business entities' accounts in the Republic of Srpska and Brčko District of Bosnia and Herzegovina, in order to ensure compatibility of the registers.

Article 13

(1) The authorized organization, at the request of a participant, shall close the accounts in accordance with the contract or ex officio pursuant to the legal regulations which consequences are closing of accounts.

(2) Before closing the business entity's account for its regular business operations, all accounts of the organisational units and accounts for specific purposes opened with the authorized organisation must be closed.

(3) The authorized organisation is obliged to define procedure for dealings with non-active accounts and within the contract with participants shall define mutual relations in this regard.

(4) Closing of the account and annulments payment card for natural persons by the authorized organisation shall be free of charge.

Article 14

(1) The main account of the business entity in which are pending not effected payment orders for enforced collection cannot be closed.

(2) Notwithstanding the provisions of the Paragraph 1 of this Article, the main account can be closed on the basis of the legal regulations which consequences are closing of accounts and in this case the orders of enforced payments shall be recorded on the account of the legal successor or returned to the ordering party.

(3) The authorized organisation shall return to the business entity, its accounts being closed, the non-executed payment orders made by the business entity and the orders are not related to enforced collections.

IV METHOD AND FORMS OF PAYMENTS

Article 15

(1) The business entity shall keep funds on the accounts with banks and make all payments through these accounts.

(2) The Government of the Federation of Bosnia and Herzegovina will define conditions and methods of cash payments.

(3) Payments on the participants' accounts shall be made in accordance with on payment orders.

(4) A payment order is an authorized unconditional instruction given to the authorized organisation to make payment or collect defined amount of money from the indicated account.

(5) The payment order shall be given in writing or in electronic form on defined forms for internal payments system pursuant to the legal regulations which are governing the payment transaction, the method of payments for public revenues and the legal regulations governing

electronic payments and electronic documents. The payment order may be in the request form signed and sealed by an authorized person.

Article 16

- (1) Payments from the account shall be done in the way that payer gives a payment order to debit the account and to credit payees account.
- (2) Notwithstanding the Paragraph (1) of this Article, the payment order to payee account from the payer account may be done by:
 - 1) Creditors - based on the collection of matured securities and matured collateral instruments and other regulated and contracted authorisations.
 - 2) Governmental authorised bodies based on legal authorities,
 - 3) The authorized organisations, based on court decisions and other enforcement procedure documents and legal authorizations.
- (3) Payment orders of enforced collection, referred to in paragraph (2) of this Article, shall be designated in favour of the account defined by the payer for execution of payment pursuant to the Article 10, Paragraph (4) of this Law.
- (4) In addition to payment orders referred to in Paragraph (2) point 3) of this Article, the authorized organisations can effect payment orders from the payer's account based on contractual authorizations given by payer.
- (5) It is forbidden to use funds from the payers account with the authorized organisation which are blocked in accordance with Payment orders for enforced collection.

Article 17

- (1) The payment orders must be signed by the participant's authorized person, or other authorized persons in cases of execution of payment orders pursuant to the Article 16 Paragraph (2) and (4) of this Law.
- (2) The payment orders referred to in Article 16 of this Law shall be submitted for execution to the authorized organisation where the payer's account is held, except for those payment orders stated in Paragraph (3) of the same Article which are given for debit from the payer's main account.
- (3) The authorized organisations are required to accept payment order upon receipt of it if they are filled in the proper way pursuant to the Article 15, Paragraph (5) of this Law.
- (4) Upon receiving the payment order, the authorized organisations are obliged to check identity of the payer. The method for identifying a payer shall be defined by the authorized organisation.

Article 18

- (1) Payment methods are: non-cash, in cash and by clearing payments.
- (2) Non-cash payment is the transfer of funds from the payer's account to the payee account.
- (3) Cash payment is the direct handing over of cash between participants, cash payment to the account and cash disbursement from the account in accordance with the regulations referred in the Article 15 Paragraph (2) of this Law.

Article 19

- (1) Cash payment in favour of an account and cash disbursement from an account shall be executed by payment order.
- (2) Cash payments in favour of an account may be done at all the authorized organisations regardless where the account is kept and where payments are to be credited.
- (3) Cash payment order from an account shall be submitted to the authorized organisation where the payer's account is kept.

(4) Natural person may give to the authorized organisations, orally just before transaction, a payment order for effect payment in or out his/her account.

Article 20

It is forbidden for the business entities to settle their liabilities in cash if their accounts are blocked pursuant to this Law or if it is contrary to legal regulations referred to in Article 15 Paragraph (2) of this Law and the cash earned in their registered business shall be deposited on the accounts with the authorized organisations pursuant to the Article 15 Paragraph (2) of this Law.

Article 21

(1) Clearing payments is the mutual settlement of monetary liabilities and receivables between participants without the use of cash.

(2) Clearing payments shall be done by compensation, by cession, by assignment of rights, by debt assumption and other forms of mutual settlement of receivables and payables pursuant to the law which regulates obligations between parties.

V EXECUTION OF PAYMENTS AND ENFORCED COLLECTION FROM ACCOUNTS

Article 22

(1) The authorized organisations are obliged to execute payment order referred to in Article 16 Paragraph (1) and (4) of this Law, if there are funds on the payer's account to execute payment order.

(2) Funds in an account shall be considered the closing balance in the account from previous day increased for funds inflow during the day and funds based on contracts with the authorized organisation on an allowed overdraft and then decreased by payments executed during the day up to the time of determining the final amount of funds on the account.

(3) It is forbidden to a payers to order payments through accounts with the authorized organisations if the payer has blocked accounts.

(4) The payment orders referred to in Article 16 Paragraph (1) and (4) of this Law for the execution of which on the day of receipt there is no funds on the payer's account the authorized organisations may return to the issuer.

(5) In the event of insolvency (legal entity is insolvent if on its account with the authorized organisations for performing internal payments system does not have enough funds for payment of all payment orders i.e. basis for payments on the due date) issuer is obliged to comply with the order of priority for payments.

Article 23

(1) Notwithstanding the provisions referred to in Paragraph (4) of the Article 22 of this Law, the authorized organisations shall not return Payment orders for enforced collection delivered for payment pursuant to the Article 16 Paragraph (2) and (3), and the authorized organisation shall register and execute these payment orders after ensuring available funds on the account in the order of priority as follows:

1. Payment orders and basis for collection of customs duties and customs fees, special taxes-excises, value added tax, income tax and other taxes in accordance with the separate legal regulations - according to the time of receipt;

2. Payment orders and bases for the collection of contributions from and on salaries – according to the time of receipt;
 3. Payment orders and bases for payment of other public revenues in accordance with the separate legal regulations - according to the time of receipt;
 4. Payment orders and bases for payment of other implementation decisions of governmental administration and judicial bodies - according to the time of receipt;
 5. Creditors Payment orders based on matured securities, bills of exchange or authorities given by debtor to the authorized organisation and its creditor – according to the time of receipt;
 6. Other bases for collection of payment.
- (2) Payment orders for enforced collection of the next level of priority may be executed only after execution of all Payments orders for enforced collection from the previous level of priority including Payment orders for enforced collection received in the meantime.
- (3) The authorized organisations which hold the main account of business entities shall keep record of the chronology of payment orders for enforced collection from the same level of priority pursuant to the Paragraph (1) of this Article and in accordance to the day and hour of their receipt and shall execute them in that order.
- (4) The authorized organisation which holds the main accounts of the business entities shall notify creditors upon their requests in writing on the order of collection of their receivables.
- (5) Give in payment orders of the business entities, not related to the enforced collection of the authorized organisation, shall not be executed before execution of all payment orders for enforced collection referred to in Paragraph (1) of this Article and before unblocking all accounts of Business entity.

Article 24

- (1) The authorized organisations which hold the main account of a business entity shall execute Payment orders for enforced collection pursuant to the Article 16 Paragraph (2) and (3) of this Law and up to the amount specified in the payment order from all funds on the accounts of the business entity in Convertible Marks opened with the authorized organisation, except for funds which are in bank accounts under provisional administration and liquidation process and funds that are exempted from execution on other grounds.
- (2) In the absence of funds for full execution of payment orders referred to in paragraph (1) this Article, the authorized organisation which holds the main account of the Business entity shall partially execute payment orders. During the period of partial execution of the payment orders for enforced collection the authorized organisation which holds the main account keeps blocked all accounts in Convertible Marks (BH Marks) and foreign currency accounts of the Business entity opened with that the authorized organisation.

Article 25

- (1) If there is no sufficient fund on a payer's accounts to execute payment order, as referred to in Article 22 Paragraph (5) of this Law, and the payer has open accounts with another authorized organisation, the authorized organisation, which holds the main account of the payer, and on which is addressed the payment orders shall send the request to other authorized organisations on the same day, in case of justified being prevented the same day, not later than the next business day, for the reason of blocking of all payer's accounts in Convertible Marks and foreign currency kept with those authorized organisations.
- (2) The other authorized organisation is obliged to service request of the initial authorized organisation referred to in Paragraph (1) of this Article and block all accounts of the payer held with the organisation, until the time when received from the initial authorized organisation, referred to in paragraph (1) of this Article, the notice on termination of the accounts suspension

procedure. The information on suspension of accounts of a business entity the authorized organization shall submit to the Unique Register.

(3) Funds in a payer's organisational units' accounts and funds on the special purpose accounts shall be used for execution of payment orders for enforced collection except for funds which are in bank accounts under provisional administration and liquidation process, funds which are by loan contract specified as collateral for loan in question and funds exempted from execution on other grounds.

(4) The authorized organisation shall not execute transfer of funds from the participant's blocked account if that funds are exempted from execution by the legal regulations governing implementation procedure or other legal regulations.

(5) The accounts of public revenues for payments of public revenues in the name of Bosnia and Herzegovina, the Federation, cantons, cities and municipalities and from which distribution to accounts of users of public revenues is done cannot be blocked and the funds on such accounts shall be exempted from execution of payment orders of enforced collection.

(6) The method and procedure for enforceable payment orders referred to in this Article shall be defined by the Minister.

Article 26

(1) The payer shall, immediately or on the first business day after reception of the notice on suspension of accounts from the authorized organization, give the order for transfer of funds from blocked accounts to own main account on which are registered non-executed payment orders for enforced collection or give the order for funds reservation until complete termination of the enforcement procedure.

(2) If the payer fails to act pursuant to the Paragraph (1) of this Article, the authorized organisation where the payer, also, has blocked accounts shall deliver payment orders for transfer of funds from blocked account in Convertible Marks to the main account in the amount of funds on the blocked account.

(3) If there are no sufficient funds on the payer's accounts in Convertible Marks for execution of the payment orders for enforced collection, the authorized organisation shall issue payment orders for transfer of funds in the amount of funds on blocked accounts from all blocked foreign currency accounts and special purpose accounts opened with these authorized organisations except otherwise provided for in other law.

(4) The authorized organisation which holds the main account of the payer shall immediately, after the complete execution of payment orders for enforced collection, notify other authorized organisations on that execution for the reason of unblocking funds of the Business entity on the accounts held with the other authorized organisation.

(5) Upon receipt of the notice on termination of the account suspension of the business entity (the payer) referred to in Paragraph (4) of this Article, the authorized organizations referred to in Paragraph (3) of this Article are obliged to unblock all accounts and change the designation on account suspension in the records of the business entity's accounts held with the authorized organisation and Unique Register.

Article 27

(1) If the payment order for enforced collection is titled on other accounts of the payer and not on the main account of the payer, the bank that holds that account shall execute payment orders on mentioned basis up to the amount of money on the account of the payer held with that bank pursuant to the Article 23 of this Law. The Bank shall send non-executed payment orders for enforced collection on the same day and in case of justified prevention of the authorized organisation to do it, not later than the next business day, to the bank which holds the main account of the payer for execution and the account shall stay blocked until receipt of the

notification the bank, which holds the main account, that obligations based on the payment orders for enforced collection are settled.

(2) The bank, which holds the main account of the payer, the received payment orders for enforced collection shall execute pursuant to the instruments referred to in Article 16 Paragraph (2), Point 3), Article 22 Paragraph (4) and (5) and Article 23 and 24 of this Law.

(3) The Bank, which has opened non-resident accounts referred to in Article 6 Paragraph (3) of this Law shall effect the received payment orders for enforced collection in accordance with the Article 22 Paragraph (4) and (5) and Article 23 and 24 of this Law, and in case of insufficient funds on these accounts for the full execution of the orders, the bank and other banks are obliged to act as stipulated in Article from 25 to Article 28 of this Law.

Article 28

(1) If the business entity on the day of expiration of term deposit with the Bank has on the account registered unpaid liabilities referred to in Article 16 Paragraph (2) and (3) of this Law, the bank cannot extend the contract on term deposit.

(2) The bank shall include in the contract of term deposits concluded with the participant, the provision on termination of the contract and the obligation of transmission of term funds, together with interest accrued till the moment of termination of the contract, to the main account of the business entity for execution of Payment orders of enforced collection pursuant to the present Law.

(3) If there is not sufficient funds on the accounts in Convertible Marks, or in foreign currency or accounts for special purposes for execution of the payment orders for enforced collection, the Bank with which the contract on term deposit is concluded with participant that have blocked accounts, is obliged in accordance with the law that regulates enforcement procedures, to terminate the contract and term deposited funds up to the amount of the suspension, transfer to the main account of the payer for the purpose of execution of the payment orders of enforced collection referred to in Article 16 Paragraph (2) and (3) of this Law exclusively and only upon the request of the Bank that holds the main account.

(4) The bank referred to in Paragraph (2) of this Article shall transfer to the main account also the amount of interest earned, which according to the provisions of Contract on term deposit belong to the participant up to the time when the contract was terminated, and for the execution of the payment orders of enforced collection in accordance with this Law.

(5) The business entity may, in connection with the Paragraph (2) and (3) of this Article, for the reason of execution of the payment orders of enforced collection, terminate the contract on term deposits concluded with the bank.

(6) Exceptionally, the contracts on earmarked term deposits which are the collateral for a loan, are exempted from the execution procedure of the payment orders of enforced collection.

Article 29

(1) The authorized organisation shall keep payment orders and other documents on which basis are recorded changes on the accounts with the authorized organisation, for the time framework stipulated by the regulations on archival operations and regulations for prevention of money laundering and financing of terrorist activities.

(2) The documentation referred to in the Paragraph (1) of this Article shall be kept in their original form or in another appropriate manner.

Article 30

(1) The authorized organisations and participants are responsible and shall cover cost of damages that may arise from operations of internal payments system operations.

(2) The authorized organisations are responsible and shall cover cost of damages:

- 1) If on the value date do not effect a payment order that is received within the prescribed deadline, which contains all elements required for the execution and for which execution exist sufficient funds on the payer's account.
 - 2) If the payment order is not executed in accordance with the defined order of payments,
 - 3) If incorrectly debits or credits an account in the authorised organisation,
 - 4) If incorrectly processes data from a payment order,
 - 5) If do not act pursuant to the provisions of Article 25 to 28 of this Law,
 - 6) For harmful consequences arising from the contractual authorisation given to third parties for internal payments system operations.
- (3) The payer is responsible and shall cover costs of damages:
- 1) If the payment order does not contain required data,
 - 2) If the payment order does not contain valid data,
 - 3) If the payment order is rejected due to the non-existence of the account specified in the order,
 - 4) If the payment order has not been effected on the value date of a payment due to an absence of funds on its accounts,
 - 5) If the payment order is not executed on value date due to delivery to the bank after expiration of the prescribed deadline.

VI REPORTING

Article 31

- (1) The authorized organisations are required to make available to participants the reports on all changes and on accounts balance in accordance with their contracts on opening and maintaining the account.
- (2) If the deadline for delivery of the reports is not agreed upon, the authorized organisations shall deliver or make available to the participants reports on the balances and changes on the accounts with information on executed payments not later than the next business day from the date of changes in the account.

Article 32

- (1) It is forbidden to the authorized organizations to charge the participants for produced information referred to in Article 6 Paragraph (5).
- (2) It is allowed to the authorized organisations and the participants to agree on costs for additional or more frequent delivering of information or data transmission by means of communication, which are not specified in the contract and are requested by the participant.
- (3) Costs of the authorized organisations for information referred to in Paragraph (2) of this Article must be appropriate and in line with the actual costs of the authorized organisations.

Article 33

- (1) The authorized organizations are obliged, on the basis of payment orders and other internal payments system documents, to keep a record of effected internal payments system transaction in accordance with this Law and other regulations.
- (2) Data on changes and balances on the accounts of the participants with the authorized organisations represent confidential data as well as other data which are by other laws stipulated as confidential.

Article 34

- (1) The authorized organisation shall, upon the competent authorities' written request, disclose the data and information on effected internal payments system transaction pursuant to this Law.
- (2) Data on changes and account balance of the participants, as well as other information, may be given to another participant upon written approval of the participant to which such data are related.

Article 35

- (1) The authorized organisations and participants are required in the process of detection, prevention, and investigations of money laundering and financing of terrorist activities in the internal payments system operation apply provisions of a special law which regulates this field and determine measures and own responsibilities.
- (2) The authorized organisations may, in accordance with a special law, process participant's personal information, which have at their disposal within own activities, for prevention and investigation of frauds in payment transactions.

VII. SUPERVISION

Article 36

- (1) The supervision of the business operations in the internal payments system shall be performed by the Agency and other authorities of supervision pursuant to the provisions of this Law and separate laws governing their activities and competences.
- (2) Supervision of participants in the internal payments system shall be performed by the authorized supervision authorities pursuant to the provisions of this and other separate laws, by which competency and authority of this supervision authorities are defined.
- (3) Within the scope of the competencies, the Agency and supervision authorities shall cooperate in supervision of internal payments system operations and in implementation of this Law and other laws.

Article 37

In the process of supervision and implementation of this Law, the Agency shall undertake the following actions:

- 1) Request banks to provide all information necessary for monitoring the compliance of the internal payment system operations with this law and other regulations,
- 2) Perform direct supervision of the banks and their organizational units,
- 3) Make recommendations and guidelines and, if necessary, binding orders,
- 4) Undertake measures and motion proceedings against the banks in the event of non-compliance with the provisions of this Law and other laws that regulate internal payments system and payment transactions.

VIII. PENALTY PROVISIONS

Article 38

- (1) The banks shall be fined in the amount of KM 10.000 to KM 15.000 for violation if:
 - a) opens for a participant an account and keeps records contrary to the Article 10 of this Law,
 - b) uses data from the Unique Register contrary to the Article 9 Paragraph (4) of this Law,
 - c) opens a Business entity's main account contrary to Article 11 Paragraph (1) of this Law,
 - d) fails to submit data to the Unique Register pursuant to the Article 12 of this Law,

e) does not establish defined communication with the Agency pursuant to the Article 12 Paragraph (6) of this Law,

f) closes participant's accounts contrary to the Article 13 and 14 of this Law,

g) makes payments to the Business entity, whose accounts are blocked and opens new accounts contrary

to the Article 10 Paragraph (6) and Article 16 Paragraph (5) of this Law,

h) does not give payment orders to the participants' accounts referred to in Article 16 Paragraph (2)

Point 3) of this Law,

i) does not execute payment orders pursuant to the Article 22 Paragraph (1) of this law,

j) does not execute Payment orders for enforced collection pursuant to the Article 22 Paragraph (4) and

(5), Article 23 Paragraph (1) and Article 24 of this Law,

k) executes payment orders which are not related to enforced collection contrary to the Article 23

Paragraph (3) of this Law,

l) does not act pursuant to the Article 25 and Article 26 Paragraph (2) to (5) of this Law,

m) from blocked accounts make the transfer of funds which are exempted from execution pursuant to

the Article 25 Paragraph (4) of this Law,

n) does not execute Payment orders for enforced collection pursuant to the Article 27 of this Law,

o) does not terminate term deposits of the Business entity pursuant to the Article 28 Paragraph (2) to

Paragraph (4) of this Law,

p) fails to act pursuant to the Article 40 Paragraph (1), (4) and (5) of this Law.

(2) For the misdemeanor referred to in Paragraph (1) of this Article responsible person in the bank

shall be fined in the amount of KM 1.500 to KM 3.000

(3) Bank shall be fined in the amount of KM 5.000 to KM 10.000 for a misdemeanor if:

a) does not inform participants, before conclusion of the contract, on all relevant conditions for using

services pursuant to the Article 6 Paragraph (5) of this Law,

b) amends the provisions of the contract contrary to the Article 6 Paragraph (6) of this Law,

c) does not issue payment orders pursuant to the Article 17 Paragraph (1) of this Law,

d) accepts payment orders contrary to Article 17 Paragraph (3) of this Law,

e) informs creditor, on his/her request, on the order of collection of his/ her receivables pursuant to the

Article 23 Paragraph (3) of this Law,

f) fails to keep documents and data pursuant to the Article 29 of this Law,

g) does not provide reporting to the participants pursuant to the Article 31 of this Law and acts contrary to the Article 32 of this Law,

h) fails to proceed with documentation and data on executed internal payments system pursuant to the

Article 33 and Article 34 of this Law.

(4) for the violation referred to in Paragraph (3) of this Article responsible person in the authorised

organisation shall be fined in the amount of KM 1.000 to KM 1.500.

(5) Business entity shall be fined in the amount of KM 5.000 to KM 10.000 for a misdemeanor if:

a) Does not open account for payments and does not held funds on the accounts pursuant to the Article

6 Paragraph (1) of this Law,

b) does not define the main account pursuant to the Article 10. Paragraph (4) of this Law and does not

act pursuant to the Article 11 of this Law,

c) makes payments contrary to the Article 16 Paragraph (5) of this Law,

d) makes payments in cash contrary to the Article 18 and 20 of this Law,

e) makes clearing payments contrary to the Article 21 of this Law,

f) fails to act pursuant to the Article 40 Paragraph (2) and (3) of this Law,

(6) for the misdemeanor referred to in Paragraph (5) of this Article responsible person in Business

entity shall be fined in the amount of KM 1.000 to KM 1.500.

(7) business entity shall be fined in the amount of KM 2.500 to KM 5.000 for a misdemeanor if:

a) Does not open accounts pursuant to the Article 7 and 8 of this Law,

b) Does not inform the authorized organisation on the data change registered on the accounts records

of the authorized organisation pursuant to the Article 33 Paragraph (2) of this Law.

(8) For the misdemeanor referred to in Paragraph (7) of this Article responsible person in Business

entity shall be fined in the amount of KM 1.000 to KM 1.500.

Article 39

(1) The Agency or other regulatory authority, in the course of a review, shall serve penalty charge notice or shall serve the request for initiation of violation procedure in the cases as stipulated by this Law and pursuant to the regulations governing the violation procedure.

(2) A violation procedure against a business entity, apart for the governmental bodies referred to in Paragraph (1) of this Article may also be moved by the authorized organisations if they find out a violation of the provisions of the internal payments system.

IX TRANSITIONAL AND FINAL PROVISIONS

Article 40

(1) The authorized organisations shall harmonise carrying out of the internal payments system with provisions of this Law not later than four months from the day of the Law's entry into effect.

(2) The business entities that have opened an account with banks, before this Law being effective, are obliged to harmonise their accounts with the Article 8 of this Law or to open new accounts and to designate their main accounts pursuant to the Article 10 of this Law, within the period of five months from the day of entry into effect of this Law.

(3) The business entities referred to in Paragraph (2) of this Article shall apply for closure of all accounts which do not complying with Article 10 of this Law and to transfer the funds to the accounts referred to in Paragraph (2) of this Article.

(4) The business entities, which have opened accounts with the authorized organisation on which are registered payment orders for enforced collection, are obliged to submit to the authorized organisations, within the period defined in Paragraph (2) of this Article, proof of the designation of the main account with the authorized organisation to which such business

entity's non-executed Payment orders for enforced collection will be sent for the purpose of execution in accordance with Article 25 and 28 of this Law.

5) Where the business entities do not comply with paragraph (2) of this Article, the authorized organisations shall block all of the business entities accounts and shall prevent the use of funds, until the business entities comply in accordance with this Law.

Article 41

(1) The Government shall pass the regulations as stipulated in the Article 15 Paragraph (2) of this Law, within 60 days from the day of entry into the effect of his Law.

(2) The Minister of Finance shall pass the regulations within the period of 60 days from the day of entry into the effect of his Law as follows:

a) The regulation that regulates methods of keeping records and contents of the business entities' accounts with the authorized organisations referred to in Article 8 of the Law,

b) The regulation by which are defined methods and procedures for execution of payment orders for enforced collection through the accounts of the authorized organisations referred to in Article 25 Paragraph (6) of this Law.

(3) Until the regulation referred to in Paragraph (1) and (2) of this Article are passed, the regulations that have been valid until the day of coming into the effect of this Law shall be applied, if are not contrary to provisions of this Law.

Article 42

In the event that provisions of other laws regulating the issues of internal payments system are contrary to this Law, the provisions of this Law shall prevail.

Article 43

On the day of beginning application of this Law, the Law on Financial Operations („The Official Gazette of Federation of Bosnia and Herzegovina, Nos: 2/95, 13/00 and 29/00) shall cease to have effect.

Article 44

This Law shall enter into force on the eighth day after its publication in “The Official Gazette of Federation of Bosnia and Herzegovina“

Chairman of House of Representatives of
the Parliamentary Assembly of Federation
of BiH
Lidija Bradara

Chairman of House of People of the
Parliamentary Assembly of Federation of
BiH
Edin Mušić