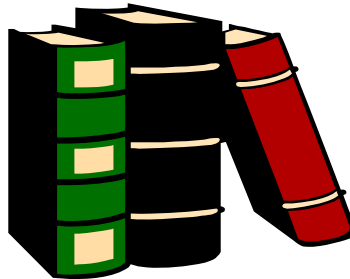




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## Department for Legal Affairs



# LAW ON SETTLEMENT OF LIABILITIES FOR FROZEN FOREIGN CURRENCY ACCOUNTS

**“Official Gazette of Bosnia and Herzegovina”, 28/06**

[NOTE: Law on Changes and Amendments to the Law on Settlement of Liabilities for Frozen Foreign Currency Accounts was published in the “Official Gazette of Bosnia and Herzegovina”, 76/06.](#)

[NOTE: Law on Changes and Amendments to the Law on Settlement of Liabilities for Frozen Foreign Currency Accounts was published in the “Official Gazette of Bosnia and Herzegovina”, 72/07.](#)

Pursuant to Article IV 4. a) of the Constitution of Bosnia and Herzegovina, the Parliamentary Assembly of Bosnia and Herzegovina at the 77<sup>th</sup> session of the House of Representatives held on April 13, 2006, and at the 57<sup>th</sup> session of the House of People held on April 13, 2006 enacted the

## **LAW ON SETTLEMENT OF LIABILITIES FOR FROZEN FOREIGN CURRENCY ACCOUNTS**

### SECTION ONE – GENERAL PROVISIONS

#### **Article 1 (Scope)**

(1) This Law shall regulate the procedure, manner and deadlines of settlement of the Frozen Foreign Currency Accounts deposited in the domestic banks in the territory of Bosnia and Herzegovina.

(2) Bosnia and Herzegovina shall be responsible for the settlement of liabilities for Frozen Foreign Currency Accounts and funds shall be provided for by the Federation of Bosnia and Herzegovina and the Republika Srpska (hereinafter: the Entities) and the Brcko District of Bosnia and Herzegovina (hereinafter: the District).

(3) Provision of the funds in accordance with Paragraph 2 of this Article shall be based on the location of each deposit in a bank or its branch offices or its lowest operational units that operated in the territory of the Entities and the District, within which the foreign currency deposits are deposited.

(4) The liability of settlement of debts in the foreign accounts and foreign saving deposits, referred to in Paragraph (1) of this Article, concluded with the banks the seat of which was outside the territory of Bosnia and Herzegovina, under the Agreement on Succession Issues, is a liability of the State successor to the former SFRY, in the territory of which the seat of that bank was located. Bosnia and Herzegovina shall commit to assist, through its international activities, the depositors who have deposits with these banks, to assert their rights at least equally as the depositors with deposits within the banks the seat of which was located in the territory of Bosnia and Herzegovina.

(5) Settlement of the liabilities of Bosnia and Herzegovina referred to in Paragraphs (1) and (2) of this Article shall be preceded by claims verification procedure.

**Article 2**  
**(Definition of Frozen Foreign Currency Accounts)**

(1) For the purpose of this Law, Frozen Foreign Currency Accounts shall mean foreign currency deposited in the banks located in the territory of Bosnia and Herzegovina, with a balance as of December 31, 1991, which includes all interest accrued before this date, decreased by the amounts directly paid out by the bank after this date, by funds transferred and used to the Single Account in the Federation of Bosnia and Herzegovina and to the Single Privatization Account in the Republika Srpska and the District and decreased by any amount paid out after December 31, 1991 on any other basis.

(2) Frozen Foreign Currency Accounts as defined in Paragraph (1) of this Article shall not include Frozen Foreign Currency Accounts deposited in branch offices of Ljubljanska Banka and Invest Banka and other foreign banks in the territory of Bosnia and Herzegovina.

**Article 3**  
**(Original Owners and Purchasers of Certificates or Coupons)**

(1) Based on preliminary data of the banks with the seat in Bosnia and Herzegovina, as referred to in Article 2, Paragraph (1), the balance of Frozen Foreign Currency Deposits amounts to KM 1,979 billion. The final amount of the savings shall be established after the end of the verification process for each individual depositor in a total amount.

(2) Original owners who have sold their Frozen Foreign Currency account certificates in the Federation of Bosnia and Herzegovina or sold their Frozen Foreign Currency Account coupons in the Republika Srpska to third persons shall not have the right to file a claim for verification under this Law.

(3) The purchasers of Frozen Foreign Currency account certificates in the Federation of Bosnia and Herzegovina or purchasers of Frozen Foreign Currency Account coupons in the Republika Srpska and the District may only use these certificates or coupons in the privatization process and shall not have the right to file a claim for verification under this Law.

**Article 4**  
**(Interest Write Off)**

(1) The accrued and unpaid interest for Frozen Foreign Currency Accounts in accordance with the agreements referred to in Article 1, Paragraph (1) as of January 1, 1992 is hereby written off in full, and after the above date all until the entry into force of this Law the new interest rate shall be calculated at 0,5%.

**SECTION TWO – VERIFICATION**  
**CHAPTER I – GENERAL PRINCIPLES**

**Article 5**  
**(General Principle)**

The liabilities for Frozen Foreign Currency Accounts that have not been verified in accordance with provisions of this Law and implementing regulations of the Entities and the District may only be established and realized in judicial proceedings.

**Article 6**  
**(Verification of Claims)**

(1) Verification is defined as the necessary procedure, which identifies the claimants, verifies the amounts of Frozen Foreign Currency Account deposits belonging to each claimant and registers all claims for Frozen Foreign Currency Accounts, and accordingly verification confirms and does not redefine or violate existing rights.

(2) At the conclusion of the verification procedure, the claimant will be given a verification certificate identifying the claimant and verifying the amount of the Frozen Foreign Currency Accounts.

(3) The certificate from paragraph (2) above will be the basis for the settlement of the Frozen Foreign Currency Account claims and will be issued in the form promulgated by Entities and the District and shall include the following provisions:

- a) each individual account and the verified amount;
- b) the identity of the owner;
- c) a provision providing for waiver of appeal at the time the claimant receives the cash payment; and
- d) the bank name and account number to be used for receipt of the cash payment and for issuance of bonds as provided for in Article 18 of this Law.

(4) If the claimant holds more than one account, all accounts shall be individually verified and the amounts combined for purposes of calculating cash payments and the amount of bonds to be issued under this Law. Each individual claimant will only receive one verification certificate

(5) Verification of the amount of foreign currency account deposits of each claimant shall be made cumulatively in case of deposits held in one or more banks that had the seat in the territory of the Entities and the District.

**Article 7**  
**(Verifying Agencies)**

(1) Verification of the Frozen Foreign Currency Accounts shall be performed in accordance with the decisions issued by the Entities Governments and the District by the following:

- a) Agency for Brokerage, Information and Financial Services A.D. Banja Luka - for the District,
  - b) Agency for Brokerage, Information and Financial Services A.D. Banja Luka - for the Republika Srpska,
  - c) Agency for Brokerage, Information and Financial Services DD Sarajevo - for the Federation of Bosnia and Herzegovina, and
  - d) Agency for Brokerage, Information and Financial Services Mostar - for the Federation of Bosnia and Herzegovina
- (hereinafter referred to as: Agencies).

(2) The Agencies will within 15 days from the day of entering into force of this Law exchange databases for all Frozen Foreign Currency Account deposits, which according to this Law will be settled in the other Entity or District.

### **Article 8 (Obligations of the Banks)**

(1) In the Foreign Currency Accounts verification procedure, the banks shall be required to cooperate with the Entity Ministries of Finance, the District Revenue Administration, the Agencies and the Commissions.

(2) During the verification procedure, the banks are required to examine accuracy of their databases and make them available for the verification procedure to the Agencies and to prepare two separate statements of recorded interest that refer to the periods both up to and after December 31, 1991.

### **Article 9 (Public Notice)**

(1) As part of the Frozen Foreign Currency Account verification procedure, the Ministries of Finance of the Entities and the Brcko District Revenue Administration shall publish a Notice for Verification of the Frozen Foreign Currency Accounts in, at least, two daily newspapers available in the entire territory of Bosnia and Herzegovina and on the Internet at least three times before expiration of the deadline for verification.

(2) The first publication of this Notice for Verification will be within 15 days upon the entry into force of this Law and thereafter notices shall be published every two months until expiration of the deadline for filing a request for verification.

(3) The Minister of Foreign Affairs of Bosnia and Herzegovina will also send the Notices for Verification to all Embassies and Consulates of Bosnia and Herzegovina with an instruction for appropriate publication in those countries.

### **Article 10 (Obligations of Agencies)**

During the Frozen Foreign Currency Account verification procedure, the Agencies are required to:

- a) Perform the verification of the Frozen Foreign Currency Accounts in accordance with this Law;
- b) Issue a filing receipt to each claimant upon receipt of a request for verification and documentation set out in Article 12 (hereinafter referred to as: the claim);
- c) Establish, perform updates on a regular basis, and maintain Frozen Foreign Currency Account Register (hereinafter: Register) for each claimant, including data on the verified Frozen Foreign Currency Account balances after writing off of interest, amount of the interest being written off, transfers prior to the finalization of the verification procedure and maintain all banking information necessary for settlement under this Law;
- d) Develop and implement necessary security procedures that protect and ensure the integrity of data maintained in the Register;
- e) Establish a separate Frozen Foreign Currency Account database on the basis of the branch offices and organizational units that existed on the territory of the Entities and the District identifying all claimants and the amounts of all claims;
- f) Establish a database of disputed claims;
- g) Issue the verification certificate described in Article 6 of this Law;
- h) Subsequent to the verification's termination, in accordance with this Law, verify the Frozen Foreign Currency Account passbook by adequate seal;
- i) Report to the Ministries of Finances in the Entities and the Revenue Administration in the District on finalized verification on a regular basis;
- j) Establish archives on finalized Frozen Foreign Currency Account verification;
- k) Perform other operations pursuant to this Law and the separately concluded contracts with Ministries of Finance in the Entities and the Mayor of the District.

## **CHAPTER II -PROCEDURE FOR FILING CLAIMS**

### **Article 11 (Filing Location)**

The claimant shall be required to personally or by proxy submit a request for verification of the Frozen Foreign Currency Accounts directly at any of the business units of the respective Agencies within the Entities or District of the bank branch offices or the bank's lowest operational units where the Frozen Foreign Currency Accounts were deposited.

**Article 12**  
**(Documents Supporting Claims)**

(1) For the verification purposes, the Frozen Foreign Currency Account claimant shall be required to personally or by proxy submit the following documentation:

- a) a request for verification of the Frozen Foreign Currency Accounts;
- b) the original passbook of the claimant or other original bank documents, contract or card establishing the Frozen Foreign Currency Account;
- c) the final and binding court decision on inheritance, if the Frozen Foreign Currency Account has been inherited;
- d) the ID or the passport of the claimant;
- e) the birth certificate for the minor claimant;
- f) the power of attorney certified by the authorized body if the proxy is to act on behalf of the claimant;
- g) the ID or the passport of the proxy;
- h) legally valid gift contract if the Frozen Foreign Currency Account has been gifted to another person; and
- i) any other document that may facilitate verification, including receipts, invoices or any other types of documents that may evidence the amount and ownership of the Frozen Foreign Currency Account deposit.

(2) If the original passbook has been lost or destroyed or the claimant filing the request does not possess one or more documents referred to in the Paragraph (1) above, he or she shall be entitled to file a request for verification and produce any other documents or other evidence that demonstrates proof of the claim for Frozen Foreign Currency Accounts.

(3) Requests for verification of the Frozen Foreign Currency Accounts shall be submitted in the forms prescribed by the implementing regulations of the Entities and the District.

**Article 13**  
**(Claimant Identity)**

Along with the request for verification, documents must be submitted to the Agencies that sufficiently establish the identity of the claimant:

- a) If the original holder has died, the claim for the Frozen Foreign Currency Accounts may be inherited and proved by submission of the legally valid court decision on inheritance.
- b) If the right to Frozen Foreign Currency Account has been gifted to another person, the claim shall be proved by submission of the legally valid gift contract.

- c) If the proxy is acting on behalf of the claimant or is accepting cash payment on behalf of the claimant, then an original certified power of attorney is required to be submitted that will be kept by the Agencies.

### **CHAPTER III - VERIFICATION OF CLAIMS BY AGENCIES**

#### **Article 14 (Receipt of the Request)**

- (1) The claimant must file a request for verification of Frozen Foreign Currency Accounts within the time limits established in Article 17 of this Law, and along with the request shall submit his or her original documents and passbook.
- (2) The Agencies will register the claim and assign a unique identifying number to each claim and then the Agencies shall stamp the request for verification and a stamped copy must be given to the claimant. This stamped copy of the request for verification shall constitute the filing receipt for the claim.
- (3) All original documents, except for the passbook, and the documents required in Article 12 of this Law shall be copied by the Agencies and returned to the claimant at the time the claim is submitted. The passbook may be retained by the Agencies until the completion of the verification procedure. However, the claimant has the right to provide a certified copy of the entire passbook to the Agencies and thereafter to keep possession of the original passbook.
- (4) Upon the completion of the verification procedure, if the claim has been granted, the verification certificate referred to in Article 6 of this Law shall be issued by the Agencies and the passbook shall be stamped and returned to the claimant.

#### **Article 15 (Verification Procedure)**

- (1) Upon submission of the claim, the Agencies shall in due course verify the validity of information from the documents submitted by the claimants pursuant to Article 12 of this Law.
- (2) The Agencies shall verify individual claims by matching them, insofar as possible, against information provided by the banks described in Article 8 of this Law. With respect to claims, which cannot be verified from the database, the Agencies will verify the claim on the basis of documents submitted in accordance with Article 12 of this Law.
- (3) If the Agencies find that some information is missing, or a document on the basis of which the actual state of accounts of the Frozen Foreign Currency Accounts can be determined that has not been provided, claimant or the proxy shall be requested in writing to deliver additional information or documents within 30 days but in any



event not longer than the deadline for filing a request for verification as set out in Article 17.

(4) If, upon expiration of the deadline the Agencies do not receive the requested information or documents or if on the basis of the obtained information and documents it is not possible to verify either the identity of the claimant or the amount of the Frozen Foreign Currency Accounts claim, the Agencies shall deny the verification request.

(5) After the verification procedure has been completed for each individual claim, the Agencies are required to inform the claimant by mail whether the request has been granted or denied.

(6) An appeal to the Commission for Verification of the Frozen Foreign Currency Accounts (hereinafter referred to as: the Commission) as a second-instance body in the verification procedure in the Entities and the District may be filed against the Agencies' decision. The decision of the Commission is final and binding, and an appeal cannot be filed against it, but an administrative dispute may be instituted before a competent court.

(7) During the Frozen Foreign Currency Account verification procedure, the Agencies and the Commission are required to act pursuant to the Law on Administrative Procedure of the Entities and the District.

#### **Article 16**

##### **(Commission for Verification of the Frozen Foreign Currency Accounts)**

There will be at least one Commission established in each Entity and one Commission in the District. The Commissions shall each be composed of 5 members appointed by the Entity Governments and the Assembly of the District. The Commission shall be composed of at least one member from the Entity Ministry of Finance and the Revenue Administration of the District, one member from the Ministry of Justice in the Entities and the Legal Department of the District and the remaining three members shall be determined by the Entity Governments and the Assembly of the District. The Entity Governments and the District Assembly may appoint additional Commissions depending upon the number of appeals filed.

#### **Article 17**

##### **(Deadlines)**

(1) Deadline for filing of requests for verification of the Frozen Foreign Currency Accounts is a six months from the day of entry into force of this Law, and the Agencies are required to complete the verification procedure within nine months from the entry into force of this Law.

(2) Verification completed until the day of entering into force of this Law shall be accepted as a legally valid referred to this Law.

**Article 18**  
**(Cash Payments)**

(1) Every 60 days during the verification procedure, the Entities and the District will publish notices with the identifying number of each individual claim granted and ready for cash payment in the Official Gazettes and two daily newspapers of general circulation.

(2) If the verification of the individual claim is completed and the claimant agrees with the amount verified by the Agencies, the claimant must sign the verification certificate. The claimant, after signing the waiver giving up any right to appeal shall be paid a maximum of KM 100 or the total amount of the claim up to KM 100. After the completion of the verification procedure, the Agencies shall compile a register of all verified claims and amounts.

(3) In addition, all individual claimants listed on the Register, upon presentation of the verification certificate shall be paid a maximum of KM 1000 or the total amount of the claim up to KM 1000, which includes the amount paid pursuant to paragraph (2) of this Article, by the end of 2007, and the remainder of all outstanding claims shall be settled through the issuance of bonds in accordance with this Law. The Agencies shall enter on the verification certificate the payment of the amount up to KM 1000 and shall calculate the remaining amount of the outstanding claim, which shall be settled through the issuance of bonds. The claimant must provide the name of their bank and the bank account number to the Agencies, which will be entered onto the verification certificate and added into the Register.

(4) Cash payments from paragraphs (2) and (3) of this Article shall be made pursuant to procedures and in a manner defined in Regulations of the Entities and the District.

(5) The liabilities for Frozen Foreign Currency Accounts that have never been converted shall be converted into KM at the official rate of the Central Bank of Bosnia and Herzegovina (hereinafter referred to as: Central Bank) that is valid on the date of the entry into force of this Law. Those Frozen Foreign Currency Accounts that have already been converted shall be deemed converted as of the date of their original conversion.

**Article 19**  
**(Verified Claims)**

(1) The Agencies shall record the amount of the Frozen Foreign Currency Accounts verified in the Register.

(2) A verification certificate shall be issued by the Agencies to each claimant.

(3) After finalization of the verification procedure, the Frozen Foreign Currency Accounts verified pursuant to the Law shall be decreased for that part of the liabilities settled by cash payment and shall be recorded in the Register and on the verification certificate under Paragraph (2) of this Article.

**Article 20**  
**(Disputed Claims)**

(1) The Agencies are also required to maintain a register of disputed claims, which shall include all claims submitted to the Commissions as disputed, as well as all cases pending before the courts. This register shall include the information identifying the person claiming the Frozen Foreign Currency Accounts, identifying the deposit account information and the amount of the deposit.

(2) Upon a final decision by the Commission, the Commission shall submit a copy of its decision to the Agencies and thereafter the provisions of Article 18 of this Law shall apply.

(3) As court decisions on disputed claims are finalized and become enforceable they are to be submitted to the Agencies by the claimant along with a request for verification within 15 days and are to be settled pursuant to this Law.

(4) If the verification procedure has been completed before a court decision becomes enforceable, the claimant shall submit the final enforceable court decision to the Ministry of Finance of the Entities or to the Revenue Administration of the District for verification and settlement in accordance with this Law.

**SECTION THREE - ISSUANCE OF BONDS**

**Article 21**  
**(Bond Terms)**

(1) The liabilities that have not be paid in cash, in accordance with Article 18 of this Law, shall be settled through issuance of Bonds. All Bonds shall simultaneously be issued in electronic form within 90 days after the last cash payment is made as provided for by Article 18 paragraph (3) of this Law, but in no event later than March 31, 2008 and under the following terms and conditions:

a) shall have maturity not to exceed 13 years, but not later than December 31, 2020, and the Council of Ministers of Bosnia and Herzegovina shall enact a Decision defining schedule for the bonds per each year of maturity;

b) shall bear interest at the rate of 2.5%;”

c) may provide for early redemption.

(2) The final amount of bonds for the Entities and the District shall be determined after finalization of the verification procedure in accordance with this Law.

**Article 22**  
**(Bond Issuance)**

(1) The verification certificate shall constitute evidence of the amount of bonds to be issued to each claimant. The amounts set out in each verification certificate, along with the name, address, bank and bank account number of each claimant as well as any additional information that may be required, will be entered into the bond

ownership Official Registry maintained by the Central Bank. At the time the bonds are issued, the amount of bonds will reflect the value of KM to EURO at the official rate of the Central Bank that is valid on that date. Thereafter, the Central Bank through the Bank from Article 6, paragraph (3) of this Law will issue a physical confirmation of bond ownership to each holder. This confirmation shall constitute evidence of the issuance of bonds to the holders. Thereafter, the bonds will be in electronic form and fully negotiable.

(2) The Agencies shall have a duty to cooperate and to make the Register and the database itself available to the Central Bank Official Registry.

### **Article 23 (Issuing Authority)**

(1) The Bonds will be issued by Bosnia and Herzegovina on behalf of the Entities and the District in accordance with the provisions of this Law.

(2) The principal and interest on these bonds shall be directly paid out of the Entities and District portion of funds from the Treasury Single Account of Bosnia and Herzegovina. A separate escrow account and debt service account for the Frozen Foreign Currency Bonds shall be established in the Central Bank for this purpose and administered by the Ministry of Finance and Treasury of Bosnia and Herzegovina.

(3) In accordance with Article 21 of this Law, payment into the escrow account and debt service account will be based upon an amortization schedule prepared after verification is completed and the amount of bonds is finalized.

(4) Settlement of the Frozen Foreign Currency Accounts from paragraph (2) above shall be guaranteed by Bosnia and Herzegovina in accordance with the Law on Debt Issuance, Debt and Guarantees of Bosnia and Herzegovina.

## **SECTION FOUR - APPLICATION OF PROVISIONS**

### **Article 24 (Contract with the Agencies)**

The mutual rights and obligations from the verification procedure, the Entity Ministries of Finance and the District Revenue Administration shall arrange by a contract with the Agencies.

**Article 25**  
**(Reporting of Information)**

(1) The Agencies are required to deliver information on the amount of the Frozen Foreign Currency Accounts verified pursuant to this Law to the Ministries of Finance of the Entities and to the District Revenue Administration.

(2) The Entity Ministries of Finance and Revenue Administration of the District, each within their scope of authority, are required to regularly make records of the liabilities pertaining to the Frozen Foreign Currency Accounts on the basis of the received information from Paragraph (1) of this Article into their Treasury General Ledgers.

**Article 26**  
**(Implementing Regulations)**

Governments of the Entities and the Assembly of the District or the bodies authorized by them shall adopt implementing regulations on the verification procedure as required.

**SECTION FIVE - TRANSITIONAL AND FINAL PROVISIONS**

**Article 27**  
**(Enforceable Court Decisions)**

(1) The enforcement of court decisions held by judgment creditors for Frozen Foreign Accounts shall also be subject to verification in order to register claims, which shall be proved by submission of the enforceable court decisions.

(2) Judgment creditors are required to submit those court decisions to the Agencies along with the request for verification. The provisions of this Law providing for write off of interest, cash payments and issuance of bonds shall also apply.

**Article 28**  
**(Pending Court Proceedings)**

All cases that were not yet concluded in a legally binding manner on the date of entry into force of this Law shall be ex officio transferred by the respective court for verification and settlement pursuant to this Law.

**Article 29**  
**(Legislation of the Entities and the District)**

The Entities and the District shall pass their legislation, within 90 days from the day of entry into force of this Law, to regulate in more details the subject of this Law.

**Article 30**  
**(Entry into Force and Publication)**

This Law shall enter into force on the day following its publication in the “Official Gazette of Bosnia and Herzegovina.”

Parliamentary Assembly  
of Bosnia and Herzegovina No 291/06  
April 13, 2006  
Sarajevo

Chairman of the  
House of Representatives  
of the Parliamentary Assembly  
of Bosnia and Herzegovina  
Martin Raguz

Chairman of the  
House of People  
of the Parliamentary Assembly  
of Bosnia and Herzegovina  
Mustafa Pamuk