



Market Profile Bosnia & Hercegovina

Global Securities Services

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Banking that matters.



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1. Overview

1.1. GEOPOLITICAL DATA

Time Zone:	GMT + 1
Daylight Saving Time:	YES
Currency:	B&H Mark (BAM)
Banking Holidays:	Link
EU Membership:	NO
Schengen Zone:	NO



1.2. G30 COMPLIANCE

Trade comparison by T+1 for direct market participants	YES
Trade comparison for indirect participants	NO
Central securities depository	YES
Trade netting system	NO
Delivery vs. payment	YES
Same day funds	YES
Rolling settlement T+2	YES
Securities lending and borrowing	YES
ISIN	YES

1.3. COUNTRY RATINGS

Rating Agency	Issuer Default Rating Foreign Currency, LT	Outlook
Fitch	NR (not rated)	NR (not rated)
Moody's	B3	Stable
Standard & Poor's	B	Stable

2. Regulation and supervision

2.1. REGULATORY/SUPERVISORY BODIES

Supervision of financial markets is carried out by the following institutions:

- **Ministry of Finance:**
The Ministry of Finance and Treasury of Bosnia and Herzegovina is involved in the implementation of legislation, regulations and administrative supervision. The Ministry monitors all economic areas and activities, especially concerning the implementation of laws and regulations, and issues recommendations on the implementation of laws and regulations to other entities.

At the political entity level, the Ministry of Finance of Federation of Bosnia and Herzegovina and the Ministry of Finance of Republika Srpska are involved in the preparation of draft laws on finance and financial policy, supervision of regulations regarding the tax and contribution system and policies, the banking system, capital market, property and personal insurance, non-depository financial institutions, foreign transactions, credit relationships and external debt, etc.

- **Central Bank:**
The Central Bank of Bosnia and Herzegovina maintains the monetary stability by issuing domestic currency according to the currency board arrangement. The Central Bank defines and monitors the implementation of monetary policy, supports and maintains payment and settlement systems and coordinates the activities of the entity banking agencies.
- **Securities Commission:**
 - **Securities Commission of the Federation of BiH**
Is responsible for passing regulations on the conditions and methods of securities issuances and the conditions and rules of securities trading; enforcement of standards of disclosure of the business operations of securities trading participants to investors and the public; standards of corporate governance and standards of protecting the rights of investors and enforcement of laws and other regulations on securities issuance and trading; control of operations of the stock exchange, Registry of Securities, professional intermediaries, depository banks and fund management companies and investment funds; taking measures from the authority of the Commission, pursuant to the law and other regulations; performance of other activities and tasks pursuant to the law and other regulations.
 - **Securities Commission of the Republic of Srpska**
Is responsible for passing regulations on the RS securities market operation; prescribing the conditions, issuing method and trading of securities; issuing licenses for the establishment of investment funds and investment fund management companies and other authorized participants in the securities market as well as supervising their operations; monitoring compliance with rules for ordinary trading and fair competition in securities trading; organizing, undertaking and supervising measures for ensuring the efficient functioning of the securities market and the protection of investors' interests; prescribing elements of mandatory disclosure to investors and the public; suspending the issuance and trading of particular securities and undertaking other activities in case of manipulation; implementing activities if provisions and regulations of the law have been violated, issuing fines for violations and undertaking other measures for which the Commission is authorized; providing information on the activities of the securities market and disseminating such information; cooperating with cognate international organizations.

2.2. KEY MARKET REGULATIONS

Below you will find a list of the key market regulations. For a complete list with up to date information on the acts please refer to the GSS Website (<http://gss.unicreditgroup.eu>) or contact your local GSS Relationship Manager.

Regulation	Main Focus
Law on Companies in FBiH	Regulates creation of companies, capital issues, management and legal forms, issue of new shares, corporate actions etc.
Law on Companies in RS	Regulates creation of companies, capital issues, management and legal forms, issue of new shares, corporate actions etc.
Law on Securities Market in FBiH	Regulates issuance of securities, authorized market participants, stock exchange and CSD activities.
Law on Securities Market in RS	Regulates issuance of securities, authorized market participants, stock exchange and CSD activities.
Law on Investment Funds in FBiH	Defines activities and establishment of investment funds and fund management companies.

Regulation	Main Focus
Law on Investment Funds in RS	Defines activities and establishment of investment funds and fund management companies.
Law on Takeover of Shareholding Companies in FBiH	Regulates takeover of shareholding companies in FBiH.
Law on Takeover of Shareholding Companies in RS	Regulates takeover of shareholding companies in RS.
Rulebook on Securities Intermediation Services	Regulates custody and depository services in the market of FBiH.
Rulebook on Custody Operations	Regulates custody services in the market of RS.

2.3. SELF-REGULATORY ORGANISATIONS

The Banks Association of Bosnia and Herzegovina is a non-governmental, non-political and non-profit Association that has been established by commercial banks, voluntarily based on their initiative. It was founded in 2004 by all registered banks in Bosnia and Herzegovina. The Association is financed by its bank members and represents their common interests by:

- Defining mutual goals of its members and other participants in the banking business and adjusting individual interests towards one joint interest;
- Promoting and applying best practices in the banking business based on the best ethical, professional and technical standards of the profession;
- Promoting transparency and fair business competition in banking;
- Initiating a permanent dialogue and partnership in the business sector with the regulatory and other public institutions in order to improve business competition in the economy of Bosnia and Herzegovina;
- Strengthening the banking sector, supporting the financial system's stability and enhancement of the business environment to further the economic and social development of Bosnia and Herzegovina;
- Compliance with and harmonisation of interests, initiatives and activities of the Association and its members with the interests, initiatives and activities of other similar business associations and organizations in Bosnia and Herzegovina, as well as corresponding with international professional and business associations;
- Actively contributing to the process of Bosnia and Herzegovina's EU membership application and also to its global economic integration.

3. Trading

3.1. COMMONLY TRADED INSTRUMENTS

Equities		Money Market instruments	
<input checked="" type="checkbox"/>	Ordinary shares	<input type="checkbox"/>	Certificate of deposits
<input checked="" type="checkbox"/>	Preferred shares	<input checked="" type="checkbox"/>	Commercial papers
<input type="checkbox"/>	Employee shares	<input type="checkbox"/>	REPO transactions
<input type="checkbox"/>	Interest bearing shares		
Government debt		Corporate debt	
<input checked="" type="checkbox"/>	Government bonds	<input checked="" type="checkbox"/>	Corporate bonds
<input type="checkbox"/>	Treasury bonds	<input type="checkbox"/>	Mortgage bonds
<input checked="" type="checkbox"/>	Treasury bills	<input type="checkbox"/>	Convertible bonds
<input type="checkbox"/>	Treasury notes	<input type="checkbox"/>	Exchangeable bonds
<input checked="" type="checkbox"/>	Municipal bonds		
Derivatives		Other instruments	
<input type="checkbox"/>	Options	<input type="checkbox"/>	Exchange traded funds
<input type="checkbox"/>	Futures	<input checked="" type="checkbox"/>	Investment funds
<input type="checkbox"/>	Warrants	<input type="checkbox"/>	Eurobonds funds
		<input type="checkbox"/>	Depository receipts
		<input type="checkbox"/>	Commodities

3.2 SARAJEVO STOCK EXCHANGE – SASE

Legal name	Sarajevska berza - burza d.d. Sarajevo
Website	http://www.sase.ba
Ownership structure	9.89% Istanbul Stock Exchange 5,01 % Central Registry Agency Turkey 5,01 % Takasbank Turkey 80.09% Local brokers and banks, legal entities and natural persons
Trading members	Brokers and banks Following types of membership are available: Direct membership
Traded instruments	Equities, bonds (corporate bonds, government bonds, municipal bonds) treasury bills, commercial papers
Traded method	Two trading algorithms are used on SASE: Continuous Trading Method (MFTS - Multi-Fixing Trading Schedule) and auctions. The Continuous Trading Method (MFTS) is applied to the Official market, the Free market Sub-segments ST1 and ST2, the Free Market for bonds and the Free market for other securities, while the Auction Trading Method is applied to less liquid securities listed on the Free

market Sub-segment ST3 and to shares of companies in bankruptcy proceedings.

Settlement agent	Registry of Securities in FBiH (RVP)
Clearing agent	Registry of Securities in FBiH (RVP)
Trading hours	All securities from 09:00 to 13:30
Settlement cycle	T+2 All securities

3.3 BANJA LUKA STOCK EXCHANGE – BLSE

Legal name	Banjalucka berza hartija od vrijednosti a.d. Banja Luka
Website	http://www.blberza.com
Ownership structure	43.16% Green Blue JSC Banja Luka 56.84% Local brokers and banks
Trading members	Brokers and banks Following types of membership are available: Direct membership
Traded instruments	Equities, bonds (corporate bonds, government bonds, municipal bonds) treasury bills, investment funds
Traded method	The trading methods used on the BLSE are: Continuous trading and single price auction (fixing).
Settlement agent	Central Registry of Securities JSC Banja Luka (CRHOV)
Clearing agent	Central Registry of Securities JSC Banja Luka (CRHOV)
Trading hours	All securities from 08:30 to 13:00
Settlement cycle	T+2 All securities except T-bills T+0 T-bills

3.4 OTC TRADING

OTC trading for money market instruments (Treasury bills issued by the Government, banks or other financial institutions; commercial bills; certificates of deposit issued by banks or other financial institutions) and financial derivatives are regulated by the Federation of BiH. However, trading on this market has not been practiced so far.

4. Clearing

4.1 REGISTRY OF SECURITIES IN THE FEDERATION OF BIH – RVP

Clearing and settlement is performed by the Registry of Securities in the Federation of BiH for trades executed on the Sarajevo Stock Exchange. RVP has opened special purpose cash accounts with the Central Bank of Bosnia and Herzegovina, which is used for clearing and settlement of securities related transactions. Members of the clearing and settlement system (custody banks and brokers) transfer funds to these cash accounts in accordance with market deadlines (by 10:00 on T+2).

Legal name	Registar vrijednosnih papira u Federaciji BiH
Website	http://www.rvp.ba
Ownership structure	75.04% Federation of BiH, Securities Commission 24.96% Local banks and brokers
Clearing members	Following types of membership are available: <ul style="list-style-type: none">• Direct membership- members are custody banks and brokers
Scope of services	RVP performs the following services: <ul style="list-style-type: none">• Registration of the securities• Safekeeping of the data on the securities• Opening and keeping the accounts• Clearing and settlement• Operations of a depository• Takeovers• Payments to the holders of shares• Payments to the holders of bonds• Issuing reports
Risk model	In order to ensure the fulfilment of all transactions, RVP applies risk management methods which include: <ul style="list-style-type: none">• RVP maintain a guarantee fund comprised of fixed and variable contributions of participants. Guarantee Fund is used to cover participants' short cash positions at 10:00 am on T+2.• RVP will initiate buy-in procedures if a participant fails to cover the securities short position by 10:00 am on T+2

4.2 CENTRAL REGISTRY OF SECURITIES JSC BANJA LUKA - CRHOV

Clearing and settlement is performed by the Central Registry of Securities Banja Luka for trades executed on the Banja Luka Stock Exchange. CRHOV has opened special purpose cash accounts with the Central Bank of Bosnia and Herzegovina, which are used for clearing and settlement of securities related transactions. Members of the clearing and settlement system (custody banks and brokers) transfer funds to these cash accounts in accordance with market deadlines (by 10:00 on T+2).

Legal name	Centralni registar hartija od vrijednosti a.d. Banja Luka
Website	http://www.crhovrs.org
Ownership structure	<p>33.50% Shares fund of RS JSC Banja Luka</p> <p>24.50% Banja Luka Stock Exchange</p> <p>42.00% Local brokers and banks</p>
Clearing members	<p>Following types of membership are available:</p> <ul style="list-style-type: none"> • Direct membership- members are custody banks and brokers
Scope of services	<p>CRHOV performs the following services:</p> <ul style="list-style-type: none"> • Registration of the securities • Safekeeping of the data on the securities • Opening and keeping the accounts • Clearing and settlement • Operations of a depository • Takeovers • Payments to the holders of shares • Payments to the holders of bonds • Redemption of the open-ended fund units • Issuing reports
Risk model	<p>In order to ensure the fulfilment of all transactions, CRHOV applies risk management methods which include:</p> <ul style="list-style-type: none"> • CRHOV maintain a guarantee fund comprised of fixed and variable contributions of participants. Guarantee Fund is used to cover participants' short cash positions at 10:00 am on T+2. • CRHOV will initiate buy-in procedures if a participant fails to cover the securities short position by 10:00 am on T+2

5. Settlement

5.1 REGISTRY OF SECURITIES IN THE FEDERATION OF BIH - RVP

Legal name	Registar vrijednosnih papira u Federaciji BiH
17f-7 eligibility	YES
Website	http://www.rvp.ba
Ownership structure	75.04% Federation of BiH, Securities Commission 24.96% Local banks and brokers
Scope of services	The activities performed by the Registry are defined by the Law on the Securities Market of FBiH and the Law on Registry of Securities. The Registry performs operations related to registering, safekeeping and maintaining data on securities and transfer operations in accordance with the law regulating the issuance and trading of securities. It also performs clearing and settlement operations.
Accounts held	The Registry opens and maintains the following account types: <ul style="list-style-type: none">• Omnibus securities account opened in the name of the custody bank• Segregated securities account opened in the name of beneficial owner
Eligible instruments	All securities defined by the Securities Market Law.
Level of dematerialisation	According to Article 4 of the Law on the Securities Market in FBiH, all securities are issued in dematerialised form as electronic records, kept on securities accounts within the information system of the Registry of Securities.
Stock Exchange Settlement	<ul style="list-style-type: none">• Standard T+2 mandatory settlement for equities and bonds• SASE delivers a report on matched transactions to the Registry of Securities in FBiH on T+0• The Registry submits to each member a report on the amount of net debts/claims by 9:00 on T+1• Members are required to pay the net debt amount into the clearing and settlement account of the Registry latest by 10:00 on T+2• On T+2 the Registry transfers securities from seller's account into buyer's account, as well as funds from its account with the Central Bank to the seller's cash account• Settlement is final by 13:00 on T+2
OTC Settlement	Regulated by the by-laws, but not practiced yet. It is expected to be introduced in the following period.
Settlement Protection	A Guarantee Fund is established at CSD level, comprised of member contributions (fixed portion/equal contribution for each member in addition to the variable portion). The fund is used to meet the liabilities of a member by first using that member's contribution and then utilising other members' contributions. The defaulting member is required to repay the funds utilised in addition to a default interest payment and a monetary fee. The fund would be activated on T+2 to meet the net financial obligations relating to securities settlement. Please note that custody banks are members of the clearing and settlement system and are liable for settlement.

Investor Protection According to Article 35 of the Rulebook on Securities Intermediation Services, issued by the Securities Commission of FBiH which regulates the custody business in FBiH, “securities in the account with the custody bank are the client’s property and shall not be included in the property of the custody bank, its assets if in liquidation, or in its bankruptcy estate, nor can they be used for seizures related to claims against the custody bank”.

In accordance with Article 197 of the Law on Securities Market “securities and monetary assets of the owner of the securities and members of the Depository shall not constitute its property and shall not be part of bankruptcy or liquidation estates and shall not be subject to enforcement against the Depository”.

Identified Risk None

5.2 CENTRAL REGISTRY OF SECURITIES JSC BANJA LUKA - CRHOV

Legal name Centralni registar hartija od vrijednosti a.d. Banja Luka

17f-7 eligibility YES

Website <http://www.crhovrs.org>

Ownership structure

33.50%	Shares fund of RS JSC Banja Luka
24.50%	Banja Luka Stock Exchange
42.00%	Local brokers and banks

Scope of services The Central Registry performs the following activities:

- Registration and safekeeping of securities, i.e. data on securities, security holders and all transactions pertaining to transfer of ownership;
- Registration and keeping data referring to defining ownership or other rights contained in securities;
- Maintaining security holder accounts and issuing certificates on account balances;
- Transfer, depositing, settlement and clearing based on transactions;
- Other operations of the registry, depository and clearing of securities regulated by the Securities Commission.

Accounts held The Central Registry opens and maintains the following account types:

- Omnibus securities accounts opened in the name of the custody bank
- Segregated securities accounts opened in the name of beneficial owner

Eligible instruments All securities defined by the Securities Market Law

Level of dematerialisation RS is a fully dematerialised market. (According to Article 2 of the Law on the Securities Market in RS “a security shall be a transferable document in dematerialized form – electronic form”.)

Stock Exchange Settlement	<ul style="list-style-type: none"> • Standard T+2 mandatory settlement for equities and bonds. • BLSE delivers report on matched transaction to the Central Registry of Securities in RS on T+0. • The Central Registry submits to each member a report on the amount of net debts/claims latest by 09:00 on T+1. • Members are obliged to pay the amount of net debt into the clearing and settlement account of the Central Registry latest by 10:00 on T+2. • On T+2 the Central Registry transfers securities from seller's account into buyer's account, as well as funds from its account with the Central Bank to the seller's cash account. • Settlement is final on T+2.
OTC Settlement	N/A
Settlement Protection	<p>A Guarantee Fund is established on CSD level, comprised of member contributions (fixed portion/equal contribution for each member in addition to the variable portion). The fund is used to meet the liabilities of a member by first using that member's contribution and then utilising other members' contributions. The defaulting member is required to repay the funds utilised plus a default interest payment and a monetary fee. The fund would be activated on T+2 to meet the net financial obligations relating to securities settlement. Please note that custody banks are members of the clearing and settlement system and liable for settlement.</p>
Investor Protection	<p>According to the Law on Securities Market of RS Article 130, securities in the account with the custody bank are the client's property and shall not be included either in the property of the custody bank, its assets if in liquidation, or in its bankruptcy estate, nor can they be used for seizures related to claims against the custody contract.</p> <p>In accordance with the Law of the Securities Market, Article 206, "securities and funds of owners and members of the Registry shall not be included either in the Registry's property, or in its bankruptcy or liquidation estate, nor can they be used for distraint levied on the Registry".</p>
Identified Risk	None.

6. Payment System

6.1 GENERAL INFORMATION

The Central Bank of Bosnia and Herzegovina established an overall payment system, which was accompanied by the installation of electronic equipment, enabling interconnectivity of commercial banks and the Central Bank. Payments operations are performed by using two subsystems: Real Time Gross Settlement (RTGS) and Giro Clearing.

Transaction account numbers consist of four parts, with a total of sixteen digits.

The structure is as follows: XXX YYY ZZZZZZZZ KK.

The first part contains the bank number which is assigned based on the Central Bank of Bosnia and Herzegovina accounting number system. The second part contains the branch or sub-branch number of the bank which is assigned based on the location of the bank. The third part contains the client account number which is assigned by the bank. The fourth part contains control numbers which are assigned based on an algorithm of the Central Bank of Bosnia and Herzegovina.

The IBAN consists of the country code, two control numbers and the transactional account number (20 alphanumeric characters). The IBAN for Bosnia and Herzegovina is BA39.

6.2 LIMITATIONS, DEADLINES, CUT-OFF TIMES

Securities related payments are executed through the RTGS payment system maintained by the Central Bank. Settlement is mandatory. For trades executed on both stock exchanges, funds must be paid into the clearing and settlement account of the Registry at the latest by 10:00 on T+2.

Payment deadlines defined by the Central Bank of Bosnia and Herzegovina are as follows:

Giro Clearing - Settlement periods:

- settlement at 09:30 CET
- settlement at 11:30 CET
- settlement at 13:30 CET
- settlement at 15:30 CET

Real Time Gross Settlement (RTGS):

- until 16:00 CET

7. Securities Lending

7.1 SECURITIES LENDING

According to the Law on Securities Market in the FBiH, Article 88, securities lending/borrowing is permitted with the written permission of the securities owner. Lending is done between participants and the precondition is a valid agreement and an explicit written permission of the securities owner.

According to the Law on Securities in the RS, Article 126, “a stock exchange intermediary may grant and raise loans in securities only with the written consent of the securities owner”.

Transactions related to securities lending can be concluded only for the purpose of settlement of transactions on the stock exchange and any other regulated public market. The Securities Commissions of the FBiH and the RS prescribe closer conditions for securities lending and reporting to the Commission.

7.2 SHORT SELLING

Short selling is not available in the market.

8. Corporate actions

8.1 COMMON CORPORATE ACTION EVENTS

Mandatory events	Voluntary events
<input checked="" type="checkbox"/> dividend, cash	<input type="checkbox"/> exercise of rights
<input type="checkbox"/> dividend, option	<input checked="" type="checkbox"/> issue, priority
<input checked="" type="checkbox"/> dividend, stock	<input type="checkbox"/> exchange offer
<input checked="" type="checkbox"/> interest payment	<input checked="" type="checkbox"/> tender offer
<input checked="" type="checkbox"/> issue, bonus	<input type="checkbox"/> repurchase offer
<input type="checkbox"/> issue, rights	<input checked="" type="checkbox"/> shareholders meeting
<input checked="" type="checkbox"/> maturity	
<input type="checkbox"/> maturity final	
<input checked="" type="checkbox"/> merger	
<input type="checkbox"/> pari-passu	
<input type="checkbox"/> redemption, early	
<input checked="" type="checkbox"/> redemption, partial	
<input type="checkbox"/> spin-off	
<input checked="" type="checkbox"/> split	
<input type="checkbox"/> split, reverse	

8.2 DATING CONVENTIONS

Securities holders' entitlements are based on settled position as of the record date. A general rule regarding the time frames for the ex, record or pay date does not exist on the market.

8.3 SOURCES OF C/A INFORMATION

There is no centralised source of information on corporate actions in Bosnia and Herzegovina. Various sources of information are used such as stock exchanges' websites, CSDs' websites, daily newspapers and extensive communication with issuers.

8.4 LOCAL C/A SPECIFICS

- There is no centralized information source for corporate actions. Issuers announce information on corporate actions in daily newspapers and stock exchange websites.
- Participation in voluntary corporate actions usually involve delivery of hard copies of translated and notarized documents.
- The laws do not regulate dividend payment deadlines. The payments depend on the issuers.
- Central registries of securities act as paying agents for government bonds.
- Participation in the general meetings in Federation of BiH requires prior registration and delivery of documents prescribed by the issuer.
- Power of Attorneys are meeting specific and must be translated and notarized.

9. Proxy voting

9.1. GENERAL CHARACTERISTICS

All corporate action entitlements are based on the settled position on the record date. In case of an AGM, the issuer defines the record date in the public announcement. According to the Law on Companies, the record date for the AGM in FBiH is 30 days prior to the date of the AGM. In RS the record date is determined as follows: the right to participate in and vote during the meeting is based on the list of shareholders issued by the Central Registry of Securities 10 days before the meeting. The record date should be published in the announcement of the shareholder meeting.

Rights of shareholders are exercised at the general meetings, which are usually held on an annual basis. The meeting agenda must be communicated to the shareholders before the AGM.

Proxy voting is allowed based on written instructions and authorisation from the owner (a notarised Power of Attorney is required).

9.2. ANNOUNCEMENT

In FBiH, the announcement of an AGM must be published in at least one daily newspaper widely distributed throughout FBiH, stating the meeting agenda, 21 days prior to the ordinary meeting and 14 days prior to the extraordinary meeting. Shareholders or groups of shareholders that control more than 5% of the voting shares have the right to propose a change in the meeting agenda within at least 8 days from the announcement date in the daily newspapers.

In the RS, convening of the assembly is to be announced at least 30 days prior to the meeting in case of ordinary meetings or at least 15 days prior to the extraordinary meeting. Announcements are published in a way regulated by the company's statute. Shareholders or groups of shareholders that own at least 10% of the voting shares have the right to propose two new agenda points.

9.3. VOTING PROCESS

Proxy voting is allowed based on a written Power of Attorney. Please note that documentation requirements can vary from issuer to issuer.

In addition to notarized and translated Power of Attorney, issuers usually require notarized and translated proof of existence (the extract from the companies/court register), personal ID documents for natural persons and a registration form (prescribed by the issuer).

Power of Attorneys are meeting specific. In the Federation of BiH, shareholders and their representatives are required to register for the meeting 3 days prior to the meeting the latest and in Republic of Srpska on the day of the meeting (usually 30 minutes before the scheduled meeting time).

10. Income collection

10.1. DIVIDEND PAYMENTS

Dividends are generally payable on an annual basis (in cash or in shares). Dividend distributions are usually announced at the annual general shareholder meetings. Entitlements are determined according to settled positions as of record date. In the FBIH the record date is determined by the date of the written decision on payment of the dividend (the same date as the date of the written act). In the RS the record date must be included in the written decision on payment of the dividend. Dividends are distributed according to ownership records in the CSD on the record date. The client's account is credited on the same day of the actual receipt of funds. Funds are available for use the same day in accordance with the established cut-off times.

Announcements	Record date and any special procedures are usually set at the AGM of the issuer.
Dating Conventions	Shareholders are entitled to receive a dividend according to the settled position on the record date.
Payment Execution	Payment is executed on an actual basis. Pay date is not fixed.

10.2. INTEREST & MATURITY PAYMENTS

All the information about fixed income instruments, e.g. interest calculation details, record and payment dates for the whole lifecycle of the instruments, etc. are provided in the issue prospectus or in its terms. Entitlements are based on settled position on the record date. The amount is credited to the custodian's account and then booked on the client's cash account. The payment is done on actual basis. RVP and CRHOV act as paying agents for government bonds.

Announcements	Interest and maturity payment details are provided in the issue prospectus/decision.
Dating Conventions	Entitlements are based on a settled position on the record date.
Payment Execution	Payment is executed on an actual basis.

11. Taxation

11.1. WITHHOLDING TAX

According to the Law on Corporate Income Tax in the FBiH all foreign investors (non-resident legal entities) are liable for 5% withholding tax on dividend income, 10% on interest income arising from corporate bonds and 10% on the difference between the selling price and the purchase value of shares. Interest income derived from government bonds is tax exempt.

According to the Law on Corporate Income in the Republic of Srpska, withholding tax applies on dividend income at the rate of 10% and interest income arising from corporate bonds at the rate of 10%. Interest income from government bonds and bonds issued by cities and municipalities is exempt from withholding tax.

Tax Rates

Federation of BIH - Type of income	Tax rate
Dividend – foreign legal entities	5%
Dividend – individuals & domestic legal entities	0%
Interest on government bonds	0%
Interest on Corporate bonds – individuals & domestic legal entities	0%
Interest on Corporate bonds – foreign legal entities	10%
Income arising from shares trading– foreign legal entities	10%

Republic of Srpska - Type of income	Tax rate
Dividend – individuals & domestic legal entities	0%
Dividend – Foreign Legal entities	10%
Interest on government bonds and bonds issued by cities and municipalities	0%
Interest on Corporate bonds – individuals & domestic legal entities	0%
Interest on Corporate bonds – foreign legal entities	10%

Relief at Source

FBiH: In case where a DTT determines a lower tax rate or application of withholding tax exemption, the client must provide the following documents:

- Declaration for purposes of tax relief at source signed and stamped by the investor and the competent authority in the investor's country, or
- Declaration for purposes of tax relief at source signed and stamped by the investor and Certificate of Tax Residence (not older than one year) if verification by the competent authority is not possible

RS: In case where a DTT determines a lower tax rate or application of withholding tax exemption, the client must provide the following documents:

- Certificate of Tax Residence;
- Signed and stamped Statement on Income and Income Beneficiary;

The Statement is not required if the income is only taxable in the country of tax residence of the beneficiary of the income (the owner of the shares) - the Certificate of Tax Residence is sufficient in such case.

Tax Reliefs

Tax reclaims are handled on a best-effort basis. Each claim is treated on an individual basis supported by the local custodian. No standardised legal procedures have been put in place by the law.

11.2. CAPITAL GAINS TAX

FBiH: The Law on Corporate income in FBiH effective as of 5 March 2016 introduced the tax on income arising from trading with shares by foreign legal entities at the rate of 10%. The tax is applied to the difference between the selling price and the purchase value of shares. Although it has characteristics of the capital gains tax, the tax is declared as WHT.

RS: Amendments to the Law on Personal Income in RS which entered into force on 1 February 2011 have introduced the Capital Gains Tax at the rate of 10% on capital gains arising from the sale of stakes in legal entities, shares and other securities received by both resident and non-resident individuals. The Law on Personal Income in RS which came into force on 1 September 2015 introduced the Capital Gains Tax at the rate of 10% with respect to debt securities as well held by both resident and non-resident private persons, except the first trade with War Damage bonds issued by the Republic of Srpska.

Tax Rates	Republic of Srpska 10% - domestic and foreign individuals
Relief at Source	N/A
Tax Reliefs	N/A

11.3. STAMP DUTY

There is no stamp duty applicable to securities related transactions.

- Tax Rates N/A
- Tax Reliefs N/A

11.4. OTHER TAXES

VAT was introduced in BiH on 1 January 2006, replacing the sales tax on goods and services. It was introduced at a single rate of 17%. Financial and cash services are exempt. However, the VAT rate of 17% applies to safekeeping fees (according to the Law on VAT in BiH, Article 25).

11.5. TAX RECLAIM PROCESS

Tax reclaims are handled on a best-effort basis. Each claim is treated on an individual basis supported by the local custodian. No standardised legal procedures have been put in place by the law.

11.6. DOUBLE TAXATION TREATIES

Due to the amount of data, for the most up to date DTTs please refer to our website: <http://qss.unicreditgroup.eu>

DTTs are listed in the /MARKET/DOCUMENTS section.

12. Disclosure requirements

12.1. OBLIGATIONS FOR ISSUERS

Securities Commissions of the Federation of BiH and Securities Commission of the Republic of Srpska have published rulebooks on reporting which regulate the disclosure requirements for issuers. In addition to the regulator's requirements, the Stock Exchange Rules also require issuers to publish financial reports on a regular basis and inform the public on any significant events which occur.

12.2. OBLIGATIONS FOR INVESTORS

According to the Law on the Securities Market in the FBiH, Article 248, the securities owner is required to publish a notification in case of acquiring more than 5% of all voting rights, or if the stake exceeds or falls below 1/10, 1/5, 1/4, 1/3, 1/2 and 2/3 of all voting rights. The securities owner must notify the Securities Commission in writing within eight days. Also, the notification must be published in a daily newspaper distributed throughout the FBiH.

According to the Law on Securities in the RS, Article 290, the Registry shall notify an issuer and the Commission in writing and to make the data on the acquisition of shares public in the following cases:

- If a person acquired 5% or more shares with voting rights or rights incorporated in such shares;
- If a person's ownership of any class of shares of the issuer with voting rights increases up to or over 5%, or a level divisible by 5% of that class of shares;
- If a person's ownership of shares with voting rights decreases to a level dividable by 5% or less than 5% of that class of shares.

The Registry must notify/publish such data three days after the transaction took place.

12.3. VIOLATION CONSEQUENCES

The Securities Market Law in the FBiH foresees a monetary fine in the amount of BAM 15,000 - BAM 200,000 for legal entities in case the disclosure is not published and the Securities Commission is not informed in accordance with Article 248. A fine in the amount of BAM 500 - BAM 10,000 shall be imposed on a private individual if the owner of the shares does not publish data on the acquisition of shares and does not inform the Securities Commission in the way described in Article 248.

13. Account management

13.1. COMMON ACCOUNT STRUCTURES

Custodians offer the following possibilities for a securities account structure:

- In the name of the underlying client (segregated account) - available in FBiH and RS.
- In the name of the custody bank (omnibus account) - available in FBiH and RS.

Segregated Accounts

Segregated accounts at CSD level are opened in the name of the beneficial owner. Account opening documentation identifying the beneficial owner must be presented to the CSD when opening a segregated account in the CSD system.

Nominee/Omnibus Accounts

Omnibus accounts at CSD level are opened in the name of the sub-custodian only. The CSD in the Republic of Srpska offers the possibility of having multiple omnibus accounts at the CSD level. In the Federation of BiH the sub-custodian can have only one omnibus account. Please note that only client assets are held on the omnibus account. The nominee principle is recognised in Bosnia and Herzegovina.

13.2. KYC/AML REQUIREMENTS

In accordance with the Law on The Prevention of Money Laundering and The Prevention of Terrorism Financing both Banking Agencies laid down decisions on minimal standards of banks activities in order to prevent money laundering and terrorism financing. The Ministry of Security also laid down the Rulebook on risk assessment, data, information, documentation, identification methods and other indicators necessary for effective implementation of The Law on The Prevention of Money Laundering and Terrorism Financing.

14. Disclaimer

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UniCredit Bank d.d.
as of 31 March 2022



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