

LAW
ON ELECTRONIC MONEY
CHAPTER I
GENERAL PROVISIONS

Subject of the Law

Article 1

This Law shall stipulate the definition of electronic money, the activities of issuing electronic money, electronic money institutions, requirements for founding, operations and termination of operations of electronic money institutions, supervision of operations of electronic money institutions and protection of rights and interests of electronic money holders.

Meaning of individual definitions

Article 2

(1) Definitions used in this Law shall have the following meaning:

- 1) electronic money shall mean an electronically (including magnetically) stored monetary value that constitutes a monetary claim against the issuer of that money, and is issued after the receipt of funds for the purpose of executing payment transactions and is accepted by a private individual or a legal entity who/which is not the issuer of that money, whereby electronic money does not include digital record of currency that was not issued and whose value is not guaranteed by the central bank or other public sector body, and which does not have the legal status of money or currency,
- 2) electronic money institution is a legal entity based in Republika Srpska, to which the Banking Agency of Republika Srpska (hereinafter: the Agency) has issued a license to issue electronic money, in accordance with this Law,
- 3) holder of electronic money (hereinafter: holder) shall mean a private individual or a legal entity to whom/which electronic money is being issued or has been issued, i.e. a private individual or a legal entity who/which addressed the issuer of electronic money for the purpose of issuing that money, as well as any other private individual or legal entity who/which has monetary claim referred to in Item 1) of this Paragraph,
- 4) holder, a private individual, is a person who is a user of electronic money financial services, and who concludes a contract on issuing electronic money for purposes that are not intended for his/her business or other commercial activity,
- 5) distributor is a private individual or a legal entity that carries out the distribution and/or purchase of electronic money in the name and on behalf of the electronic money institution, but which does not provide payment services on its behalf,
- 6) average unused electronic money is the average total amount of financial obligations related to issued electronic money at the end of each calendar day in the previous six months and is calculated in accordance with this Law,

7) electronic communication network and electronic communication network service shall have the meaning as determined in the law governing electronic communications.

(2) Particular definitions that are defined in the laws governing the operations of banks, payment transactions and internal payment transactions shall have the same meaning also in this Law, unless otherwise specified.

Monetary value not considered electronic money

Article 3

(1) In terms of this Law, the following is not considered electronic money:

1) monetary value stored on instruments that can only be used on a limited basis and that meet one of the following conditions:

1. enable the holder to purchase goods and services exclusively at the premises of the issuer of that instrument or, in accordance with the contract with that issuer, at a limited network of sellers of goods and services or for a limited selection of goods and services,
2. to be issued by the Ministry of Finance, bodies of local self-government units in Republika Srpska or entities with public powers for special social purposes for the acquisition of certain goods or services from a seller which has a contract with the issuer,

2) monetary value used to execute a payment transaction performed by a provider of electronic communication networks or services that are provided with electronic communication services for the user of that network or service, whereby the user pays-in the funds to that provider in advance, namely:

1. for the purchase of digital content and voice services, regardless of the device used to purchase or use digital content, which are charged to the user together with electronic communication services, or
2. which are performed using or via an electronic device for charitable purposes or for the purchase of tickets (public transport tickets, parking tickets, tickets for certain services, etc.), and which are charged to the user together with electronic communication services, provided that:
 - the amount of an individual payment transaction from Sub-item 1 and 2 of this Item does not exceed 100 KM and
 - the total amount of payment transactions of an individual user does not exceed 600 KM per month.

(2) The entities referred to in Paragraph 1, Item 1), Sub-item 1) of this Article shall be obliged to inform the Agency when the total amount of executed payment transactions from Paragraph 1, Item 1), Sub-item 1 of this Article during the previous 12 months exceeds 2,000,000 KM, as well as on the total value of payment transactions executed during the previous 12 months, in the manner and within the period determined by the Agency.

(3) The Agency is authorized to, on the basis of the notification from Paragraph 2 of this Article, verify the fulfillment of the conditions for the application of exemptions established by this Article.

(4) The entities referred to in Paragraph 1, Item 2) of this Article shall be obliged to inform the Agency about the performance of the services they provide.

CHAPTER II

ELECTRONIC MONEY ISSUANCE OPERATIONS

Electronic money issuers

Article 4

(1) The electronic money institution (hereinafter: the institution) in Republika Srpska may be:

1) bank, namely:

1. a bank seated in Republika Srpska,
2. a bank seated in the Federation of Bosnia and Herzegovina or Brcko District of BiH through organizational unit in Republika Srpska,

2) microcredit organization, namely:

1. a microcredit organization seated in Republika Srpska,
2. a microcredit organization seated in the Federation of Bosnia and Herzegovina or Brcko District of BiH through organizational unit in Republika Srpska,

3) electronic money institution, namely:

1. an electronic money institution seated in Republika Srpska,
2. an electronic money institution seated in the Federation of BiH or Brcko District of BiH through organizational unit in Republika Srpska, which obtained a license for issuing electronic money by a competent authority in the Federation of BiH or Brcko District of BiH,

4) the Ministry of Finance and authorities of local self-government units in Republika Srpska, when they issue electronic money within their exclusive competences established by a special law governing the competences and powers of these authorities.

(2) The bank shall issue electronic money in accordance with the license issued according to the provisions of the law governing its operations.

(3) The microcredit organization shall issue electronic money in accordance with the license issued according to the law governing its operations, and after submitting a notification to the Agency about the intention to start issuing electronic money, no later than six months before the day of the start of issuance.

(4) The provisions of this law are accordingly applied to the operations of a microcredit organization as an issuer of electronic money, which stipulate the management system in the electronic money institution, receipt of holders' funds, protection of holders' funds, issuance of electronic money through a business unit, issuance of electronic money through a representative and outsourcing, distribution and purchase of electronic money through a third party and the responsibility of the organization.

(5) The issuance of electronic money, within the meaning of this law, performed by the Central Bank of BiH is carried out in accordance with the regulations governing its competences and powers.

(6) With the exception of issuers from Paragraph 1 of this Article, it is prohibited for other entities to issue electronic money, as well as to operate and advertise in a way that leads or may mislead that it is about issuing electronic money.

(7) The Agency may stipulate special requirements and methods of protection of funds received by banks in exchange for issued electronic money.

Contract on electronic money issuance

Article 5

(1) With the contract on the issuance of electronic money, the issuer shall be obliged to issue electronic money to its holder in the nominal value of the funds received, and the holder shall be obliged to deposit the funds with the issuer.

(2) Before concluding the contract, the issuer shall be obliged to inform the holder on the conditions for issuing and purchasing electronic money, as well as all fees charged.

(3) In the contract on the issuance of electronic money, the conditions for the issuance and purchase of electronic money, as well as all associated fees, must be clearly stated.

(4) On matters of the legal relation between the issuer and the holder from the contract on the issuance of electronic money, which are not regulated by this law, the provisions of the law governing the obligation relations in connection with the order contract shall be applied.

(5) The provisions of the contract on the issuance of electronic money that are in conflict with the provisions on the protection of the private individual holder stipulated by this law are null and void.

Electronic money issuance

Article 6

The issuer shall be obliged to, immediately after receiving the funds, issue electronic money in the amount of the funds received.

Prohibition of payment of interest to the holder

Article 7

Issuers must not pay interest or give any other financial benefit to the holder for holding electronic money for a certain period.

Amendments to the contract elements and contract termination

Article 8

Amendments to the elements of the electronic money issuance contract and termination of the electronic money issuance contract are subject to the provisions of the Banking Law, which regulate the modification of contract elements, as well as the provisions of the Law on Obligations.

Acceptance of electronic money

Article 9

- (1) Electronic money may be accepted by any private individual or legal entity who/which is not the issuer of that money.
- (2) The issuer may accept electronic money that it has issued, and it can also accept electronic money that has been issued by another issuer of that money.

Redemption of electronic money

Article 10

- (1) Issuers shall be obliged to, at the request of the holder, without delay, pay out or transfer funds in the amount of the nominal value of the electronic money that the holder possesses (redemption of electronic money).
- (2) The holder may request a full or partial redemption of electronic money if such redemption is required before the contract concluded with the issuer expires.
- (3) If the holder requests the redemption of electronic money on the day of the expiration of the contract on the issuance of electronic money or within one year after the expiration of the contract, the issuer shall be obliged to perform the full redemption of electronic money.
- (4) If on the expiry date of the contract concluded with the institution for the issuance of electronic money that performs other activities not related to the issuance of electronic money, or within one year after the expiration of the contract, the holder requests the purchase of electronic money from this institution, and it is not known in advance which part of the funds should be used as electronic money, that institution for the issuance of electronic money shall be obliged to carry out the redemption of electronic money in the amount that the holder of that money requested.
- (5) When purchasing electronic money, the issuer may charge a fee and other costs from the holder only if it is agreed upon, and if:
 - 1) the holder requested redemption before the contract on issuing electronic money expired,
 - 2) the holder terminated the contract on the issuance of electronic money before the agreed date of expiration of that contract,
 - 3) the holder requested redemption after the expiration of one year from the date of termination of the contract on the issuance of electronic money.
- (6) The issuer shall be obliged to ensure that the amount of fee from Paragraph 5 of this Article corresponds to its actual costs.
- (7) The issuer and the holder which is not a private individual, and accepts electronic money, may agree on different terms of the right to redemption than those established in this Article.
- (8) The issuer shall not be obliged to redeem electronic money from Paragraph 1 of this Article if the holder's request is submitted five years after the date of termination of the contract on issuing electronic money.

Confidentiality and protection of electronic money data

Article 11

The provisions of the law regulating internal payment transactions, which regulate the confidentiality of data, shall be applied to the confidentiality and protection of electronic money data.

Protection of rights and interests of holders

Article 12

(1) In exercising the rights and interests of a private individual holder, the issuer shall be obliged to comply with the provisions of this law, other regulations or general business conditions governing electronic money, contractual obligations and good business practices related to the obligations from the contract on the issuance of electronic money.

(2) If the issuer does not comply with the obligations from Paragraph 1 of this Article, a private individual holder has the right to protect his/her rights and interests.

(3) The provisions on the protection of the rights and interests of users of banking and other financial services, especially the provisions on information in the negotiation phase and the delivery of a standard information sheet, as well as on the right to object, established by the laws regulating internal payment transactions and the operations of banks, shall be accordingly applied to the protection of the rights and interests of private individual holders.

CHAPTER III

REQUIREMENTS FOR THE ESTABLISHMENT, BUSINESS OPERATIONS AND TERMINATION OF OPERATIONS OF THE ELECTRONIC MONEY INSTITUTION

Electronic money institution

Article 13

(1) An electronic money institution (hereinafter: the institution) is a business company with its registered office in Republika Srpska that has a license to provide electronic money issuing services (hereinafter: the license), issued by the Agency.

(2) The institution is established in the legal form of a joint stock company or a limited liability company.

(3) In addition to issuing electronic money, the institution may perform the following activities:

1) the provision of payment transaction services (payment services) that are related to the issuance of electronic money in accordance with the law governing internal payment transactions and this law,

2) operational and auxiliary activities directly related to the issuance of electronic money or the provision of payment services in accordance with this law,

3) other activities, which are not listed in Items 1 and 2 of this Paragraph, in accordance with the regulations of Republika Srpska.

(4) Payment services from Paragraph 3, Item 1) of this Article include:

- 1) services that enable the pay-in of cash to a payment account and all activities required for keeping an account for performing payment transactions (payment account) that are used for payment in accordance with the Law on internal payment transactions,
 - 2) services that enable the pay-out of cash from a payment account and all activities required for keeping an account for performing payment transactions (payment account) that are used for payment in accordance with the Law on internal payment transactions,
 - 3) services of executing payment transactions, including the transfer of funds from the payment account, that is, to the payment account, namely by:
 1. debit transfer (direct debit), including one-off direct debit,
 2. using a payment card or similar instrument,
 3. credit transfer (transfer of approval).
 - 4) services of issuing or accepting payment instruments on the basis of which it is possible to execute payment transactions, in accordance with the regulations governing payment transactions,
 - 5) money remittance transfer services where the institution receives funds without opening a payment account for participants in the payment transaction, solely for the purpose of making those funds available to the payee, i.e. for the purpose of transferring those funds to an organization authorized to perform payment transactions, which makes the funds available to the payee,
 - 6) services of execution of payment transactions in which the payer gives consent for the execution of a payment transaction with a telecommunication, digital or information technology device, and the payment is made to the operator of the telecommunications, digital or information technology network, which acts only as an intermediary between the user of payment services and the seller of goods or service provider.
- (5) The institution may only keep accounts for payment transactions (payment accounts) that will be used for payment in accordance with the Law on internal payment transactions, except in the case where another law stipulates otherwise. Funds in these accounts are not considered a deposit within the meaning of the Banking Law of Republika Srpska
- (6) The institution cannot engage in accepting holdings, except in the case where another law stipulates otherwise.

Hybrid institution

Article 14

- (1) An institution that also carries out other activities, in accordance with a special law regulating those activities, is a hybrid institution.
- (2) A hybrid institution shall be obliged to meet the following requirements:
 - 1) to perform other activities in a way that does not threaten the stability and security of the part of its business operations that relate to the issuance of electronic money, nor does it hinder the supervision of its business operations in accordance with this law,

2) that persons responsible for conducting operations related to the issuance of electronic money have a good business reputation, appropriate knowledge and experience in issuing electronic money,

3) to organize operations and manage electronic money issuance activities in Republika Srpska and to provide at least part of electronic money issuance services in Republika Srpska,

4) that, taking into account the requirements of reliable management of electronic money issuing operations, it has established an effective and reliable management system with a transparent organizational structure and a clearly defined and consistent division of responsibilities, an effective risk management system, and appropriate internal control mechanisms, which include at least the functions of risk control, internal audit and monitoring of the legality of operations (compliance function),

5) to meet other requirements established by this law.

(3) The hybrid institution shall be obliged to establish a special organizational unit for the performance of electronic money issuance operations, to appoint a responsible person who directly manages electronic money issuance operations, and to provide special records and data on the operations of that organizational unit in the business books, i.e. to separately record business changes arising from the provision of electronic money issuing services in its business books.

(4) The provisions of this law that refer to institutions shall also apply to hybrid institutions, unless certain provisions of this law stipulate otherwise.

(5) If the Agency determines that the hybrid institution's other activities threaten the stability and security of the part of its business operations related to the issuance of electronic money or that they hinder the supervision of its business operations in accordance with this law, it is authorized to require the hybrid institution to establish a separate legal entity for the performance of electronic money issuance operations.

Application of laws governing companies

Article 15

The provisions of the Law on companies shall be applied to matters not regulated by this law.

Management body members in institution

Article 16

(1) A member of the institution's management body must have a good business reputation for managing the institution.

(2) A member of the institution's management body cannot be a person:

1) who has been legally sentenced for a criminal offense to an unconditional prison sentence or has been legally sentenced for a criminal offense that makes him/her unfit to perform that function,

2) who has been issued with a measure prohibiting him/her from performing a calling, activity or duty that makes him/her unfit to perform this function,

3) who, on the day of the revocation of the operating license of the legal entity, i.e. on the day of the introduction of temporary administration or initiation of bankruptcy or compulsory liquidation

proceedings against the legal entity, was authorized to represent and act upon that legal entity or was a member of its management body, except for the temporary administrator,

(3) The person who directly manages the operations of electronic money issuance in the institution (hereinafter: the manager), in addition to the conditions from Paragraphs 1 and 2 of this Article, must have the professional qualifications and experience necessary for managing that institution, and:

1) adequate education,

2) at least three years of experience in a managerial position in an entity from the financial sector or in a company whose activity is similar to the institution's operations.

(4) The Agency shall issue a prior consent for the performance of the function of manager in the institution.

(5) The Agency shall issue an act that regulates in more detail the requirements that the manager is obliged to fulfill, as well as the documentation that proves the fulfillment of those requirements.

Revocation and termination of the consent for a manager

Article 17

(1) The Agency shall revoke the consent to perform the function of a manager if:

1) it was obtained on the basis of inaccurate and untrue documentation or untrue data essential for the performance of that function,

2) the manager no longer meets the requirements stipulated by this law and the Agency's regulation.

(2) The Agency may revoke the consent to perform the function of a manager if:

1) the manager violated his/her duties and thereby endangered the liquidity or solvency of the institution,

2) it failed to ensure the implementation or failed to implement the supervisory measures ordered by the Agency.

(3) In case the Agency revokes the consent to perform the function of the manager, the body that appointed him/her shall be obliged to immediately, and no later than within five days from the day of consent revocation, make a decision on the dismissal of the manager and appoint a new manager as the acting manager.

(4) The consent to perform the function of a manager shall cease to be valid if:

1) the person is not appointed or does not take up the position of the manager within six months from the day of consent issuance or

2) the employment contract of the person in the institution expires, on the day the of contract expiration.

(5) In order to implement the procedures from this Article, the Agency shall supervise the work of managers to the extent and in a way that enables verification of the facts and circumstances from Paragraphs 1 and 2 of this Article.

Qualifying holding in the institution

Article 18

- (1) A legal entity or private individual that intends to acquire a 10% or more holding in the capital or voting rights in the institution, or that intends to acquire a holding of less than 10% that enables the effective exercise of influence on the management of the institution or on the business policy of that institution, is required to obtain the prior consent of the Agency for this acquisition.
- (2) A person who has acquired a qualifying holding in the institution must obtain the prior consent of the Agency for any further direct or indirect increase in holding in the capital or voting rights, which acquires or exceeds 20%, 30% and 50% of the holding in the capital or voting rights in that institution.
- (3) A legal entity holder of a qualifying holding shall be obliged to inform the Agency about its planned participation in the procedure for changing the status of the institution.
- (4) The provisions of the law regulating the operations of banks shall be applied accordingly on obtaining consent for the acquisition of a qualifying holding in the institution, deadlines for acquisition, termination of the validity of consent, information on the reduction of holding, on the acting of several persons as one acquirer, restrictions on mutual holding, assessment of fulfillment of the criteria for the acquisition of a qualifying holding, deciding on the acquisition of a qualifying holding, acquisition of a qualifying holding without the consent of the Agency, request for submission of information, reporting on a qualifying holding, legal consequences of acquisition without prior consent, revocation of consent for acquisition of qualifying holding, the termination of the validity of consent for the acquisition of qualifying holding.
- (5) The Agency shall stipulate the information and documentation that the acquirer of the qualifying holding is obliged to submit with the request for the issuance of the prior consent for the acquisition of the qualifying holding.

Additional data and documentation for issuing consent for acquiring qualifying holding

Article 19

- (1) In addition to the stipulated documentation for issuing consent for the acquisition of a qualifying holding, the Agency may request other data and documentation that it deems necessary for deciding on the issuance of consent, including information stipulated by the law regulating the anti-money laundering and financing of terrorist activities, which is collected by the regulated entities of that law.
- (2) When deciding on the issuance of consent for the acquisition of a qualifying holding, the Agency shall examine the sources of funds with which the applicant intends to acquire a qualifying holding in the institution, and may also check other data submitted by the applicant.

Alienation, i.e. reduction of a qualifying holding

Article 20

- (1) If a person who has acquired a qualifying holding in the institution intends to completely alienate the acquired qualifying holding, i.e. to reduce it below the amount for which it received this consent, it must notify the Agency beforehand, specifying the amount of the remaining holding in the institution.
- (2) If the person referred to in Paragraph 1 of this Article has completely alienated the holding in the institution or reduced it below the amount of qualifying holding, the consent ceases to be valid, and if it

reduced it below the amount for which consent was issued, but not below the amount of qualifying holding, the consent is still valid only for the remaining amount of qualifying holding.

Exceptions in hybrid institution

Article 21

(1) At the request of a person who intends to acquire a qualifying holding in a hybrid institution, the Agency may assess the scope of application of the provisions of Articles 18 to 20 of this law on such acquisition.

(2) When deciding on the request of a person who intends to acquire a qualifying holding in a hybrid institution, the Agency shall take into account the legal form, type and scope of other activities performed by the hybrid institution, as well as the legal form, type and scope of activities performed by the person who intends to acquire a qualifying holding, and assess the possibility of whether that person has a negative impact on conscientious and reliable management in the hybrid institution.

License for issuing electronic money

Article 22

(1) A company that intends to issue electronic money shall be obliged to, along with the request for obtaining a license, submit the following to the Agency:

- 1) confirmation of registration in the register of business entities,
- 2) founding act, i.e. statute,
- 3) assessment of the risks to which it will be exposed as an institution,
- 4) the list of activities from Article 13, Paragraph 3 of this law, performed by the institution,
- 5) the institution's business program, which regulates the method and conditions of issuing electronic money,
- 6) financial statements for the last three years, if applicable,
- 7) the business plan of the institution with the projection of income and expenses for the period of the first three years of operations, on the basis of which it can be concluded that this institution will be able to ensure the fulfillment of the appropriate organizational, personnel, technical and other conditions for stable and safe operations,
- 8) proof that it has the stipulated amount of initial capital at its disposal,
- 9) the projection of the amount of capital requirements in the first year of operations, and if applicable, the method of assessing the portion of funds that is assumed to be used for the issuance of electronic money for the purpose of calculating capital requirements,
- 10) description of established procedures for monitoring, resolving and acting on security incidents or security-related complaints from the holder, including the procedure for reporting incidents,
- 11) description of the process established for storing, supervising, monitoring and restricting access to sensitive payment data,

12) description of procedures for maintaining business continuity, including clear identification of critical activities, effective contingency plans and a procedure for regular testing and review of the adequacy and effectiveness of these plans,

13) description of the planned measures for the protection of the holders' funds,

14) description of management system and internal control system, including description of information systems,

15) description of the internal control measures established in order to fulfill the obligations established by the regulations governing the anti-money laundering and financing of terrorism,

16) description of the organizational structure, including data on the planned issuance of electronic money through business units, as well as data on the outsourcing of certain operational activities related to the issuance of electronic money,

17) description of the established procedures and mechanisms of internal controls and internal audit for the purpose of protecting the interests of holders and for the purpose of ensuring the continuous, stable and safe issuance of electronic money, and in connection with Items 8) to 11) of this Paragraph,

18) data on persons who are members of the applicant's management body, with data and evidence that these persons have a good business reputation, appropriate professional qualifications and experience in accordance with Article 16 of this law,

19) data on persons with qualifying holding at the applicant, the amount of their holding, as well as evidence of the suitability of those persons to ensure stable and safe management of the institution in accordance with Article 18 of this law,

20) data on the external auditor who performs the audit of the financial statements of the applicant in the year in which the application is submitted, if the audit of financial statements is mandatory for that applicant in accordance with the law,

21) data on persons closely related to the applicant and a description of that relationship,

22) address of the applicant's headquarters.

(2) A company that performs other activities, in accordance with the special law that regulates these activities, and intends to issue electronic money, must attach the following to the application for obtaining a license:

1) founding act with registered activity of issuing electronic money,

2) the decision to establish an organizational unit for the performance of electronic money issuance,

3) data on persons who are responsible for conducting business operations related to the issuance of electronic money, with data and evidence that these persons have a good business reputation, appropriate professional qualifications and experience in accordance with Article 16 of this law, and data on persons who are members of the management body of the applicant, with data and evidence that these persons also have a good business reputation,

4) the decision on the registration of the organizational unit of the institution in the register of business entities,

5) other documentation according to Paragraph 1 of this Article.

(3) In terms of this law, close relation means a relationship between two or more legal entities or private individuals when:

1) one of them, directly or indirectly through holding in a subsidiary company, has the right or possibility to exercise at least 20% of the voting rights in the legal entity, i.e. ownership of at least 20% of the capital in the legal entity,

2) one of them has a controlling interest in another legal entity,

3) there is a permanent relation of these persons with the same third party on the basis of controlling interest.

(4) The Agency shall issue an act that regulates in more detail the conditions and manner of license issuing.

Deciding on the request for obtaining a license

Article 23

(1) The Agency shall make a decision on issuing a license at the request of the institution within 60 days from the day of receipt of the proper request.

(2) If the request contains formal deficiencies that prevent acting or if the request is incomprehensible or incomplete, the Agency shall be obliged to request from the institution to remove the deficiencies, no later than one month from the date of submission of the request.

(3) If the institution eliminates the deficiencies within the deadline, the request is considered to be in order.

(4) If the institution fails to eliminate the deficiencies within the deadline, the Agency shall reject the request as irregular.

Issuing license

Article 24

(1) The license shall be issued for an indefinite period and is not transferable to other persons.

(2) The license determines the activities that the institution may perform.

(3) The institution shall be obliged to ensure the fulfillment of all the requirements under which the license was granted during its operations.

(4) The decision on granting the license shall be published on the Agency's website.

(5) The institution shall submit an application for registration of activities in the register of business entities to the competent authority for the registration of business entities, no later than within 30 days of obtaining the license.

(6) The institution shall be allowed to start issuing electronic money only after registering that service as an activity in the register of business entities with the competent authority for registration of business entities.

Rejecting the request for obtaining license

Article 25

- (1) The Agency shall reject the request for obtaining a license if it determines that the applicant does not meet the requirements and has not submitted the documentation for the issuance of the license, which are stipulated by this law.
- (2) The Agency shall reject the request for obtaining a license if it assesses:
 - 1) that due to the applicant's close relation with other persons, the supervision of the institution in accordance with this law would be impossible or significantly hindered, or
 - 2) that the performance of the Agency's supervisory function would be hindered or impossible due to the relation of the institution with other legal entities or private individuals with headquarters, i.e. domicile or residency in another country or if there are other reasons why it is not possible to carry out the Agency's supervisory function in accordance with the law,
 - 3) that due to the applicant's business activities that are not related to the issuance of electronic money, the stability and security of the institution's operations would be threatened or that, due to these activities, the supervision over the institution in accordance with this law would be significantly hindered.
- (3) The Agency shall adopt an act regulating in more detail the procedure of rejecting the request for obtaining license.

Termination of license validity

Article 26

- (1) The license shall cease to be valid:
 - 1) by revoking the license,
 - 2) if the institution has not submitted an application for registration of activities in the register of business entities within 30 days from the date of obtaining the license,
 - 3) by initiating bankruptcy or liquidation proceedings against the institution.
- (2) If there are reasons for the termination of the validity of the license from Paragraph 1, Items 2) and 3) of this Article, the Agency shall issue a decision determining that the license has ceased to be valid.

Institution's business operations

Article 27

- (1) The institution shall be obliged to operate at all times in accordance with the organizational, personnel, technical and other requirements established by this law and other regulations.
- (2) The institution shall be obliged to establish, maintain and improve reliable, efficient and comprehensive management and internal control systems that ensure responsible and reliable management of the institution.
- (3) The management system and internal control system must be commensurate with the nature, scope and complexity of the services provided by the institution.

(4) Management system and internal control system in particular include:

- 1) an organizational structure with precisely and clearly defined, transparent and consistent divisions and delimitations of activities, as well as duties and responsibilities related to the issuance of electronic money,
- 2) effective and efficient procedures for identifying, measuring and monitoring the risks to which the institution is exposed or could be exposed, as well as for managing these risks, i.e. reporting on them,
- 3) appropriate internal control mechanisms that include at least risk control functions,
- 4) appropriate accounting procedures, internal audit procedures and procedures for monitoring business legality (compliance function), as well as other procedures.

(5) The institution shall be obliged to organize work and conduct business operations at the headquarters of the institution and to provide at least part of the electronic money issuing services in Republika Srpska.

(6) The Agency shall stipulate the manner and requirements for establishing, maintaining and improving the management and internal controls system.

Core capital

Article 28

(1) The amount of the paid-in core capital of the institution is at least 700,000 KM and its payment must be paid in full in cash at the time of establishment.

(2) The institution that performs several activities or operations for which different amounts of core capital are stipulated shall be obliged to provide core capital according to the highest stipulated amount.

(3) The institution shall be obliged to maintain the stipulated amount of capital in its operations, which cannot be less than the amount determined in Paragraph 1 of this Article.

(4) The institution shall be obliged to, without delay, inform the Agency about the reduction of the capital below the amount of the core capital from Paragraphs 1 and 2 of this Article.

Institution's minimum capital

Article 29

(1) The institution shall be obliged to, for the sake of stable and safe operations and the fulfillment of obligations to creditors, during its operations, maintain capital that at no time can be lower than the amount of core capital stipulated in Article 28 of this law or the amount of the institution's capital requirement, depending on which amount is higher.

(2) The institution's capital requirement for the activity of issuing electronic money amounts to at least 2% of the average amount of unused electronic money.

(3) Average unused electronic money is the average total amount of financial obligations related to issued electronic money at the end of each calendar day in the previous six months.

(4) The average amount from Paragraph 3 of this Article shall be determined on the first day of the month for the previous six months, and shall be used to calculate the capital requirement for issuing electronic money for that month.

(5) If the institution performs other activities from Article 13, Paragraph 3, Items 2) and 3) of this law, and the amount of the average amount of unused electronic money is not known in advance, the Agency may by means of a decision give consent to use the amount of the part of the funds that is assumed to be used for issuing electronic money instead of this average as the basis for calculating the capital requirement for issuing electronic money,

(6) Along with the request for granting the consent from Paragraph 5 of this Article, the institution shall be obliged to provide the Agency with evidence that it is not possible to determine the average amount of unused electronic money in advance, as well as evidence that part of the funds can be objectively assessed based on historical data.

(7) If the period in which it operates is not long enough to calculate the average of unused electronic money, the institution may use the projected amount of unused electronic money determined in its business plan instead of this average as the basis for calculating the capital requirement for issuing electronic money, with prior notification to the Agency, which may request correction of the unrealistically projected amount.

(8) The Agency shall adopt an act regulating the elements and method of calculating the institution's capital and capital requirements, as well as the method and deadlines for reporting on the method of calculating that capital and capital requirements.

Change in the amount of minimum capital

Article 30

(1) The Agency may order the institution to increase its capital from Article 29, Paragraph 1 of this law up to 20% in relation to the sum of capital requirements calculated in accordance with Article 29, Paragraph 2 of this law, that is, in accordance with Paragraph 5 when it is applicable.

(2) At the institution's request, the Agency may allow a reduction of the capital from Article 29, Paragraph 1 of this law up to 20% in relation to the sum of the capital requirements calculated in accordance with Article 29, Paragraph 2 of this law, i.e. in accordance with Paragraph 5 when it is applicable, whereby this capital cannot be lower than the amount of core capital from Article 28 of this law.

(3) The Agency shall decide on changes to the amount of minimum capital referred to in this article, taking into account the functioning of the management system and the internal control system, especially risk management in the institution, as well as data on losses in the business operations of that institution.

Receipt of holder's cash funds

Article 31

(1) Cash funds received for the purpose of issuing electronic money are not considered a deposit within the meaning of the law governing the operation of banks.

(2) The institution cannot perform the activity of receiving deposits in the sense of the law governing the operation of banks.

Protection of holder's funds

Article 32

- (1) The institution shall be obliged to protect funds received in exchange for issued electronic money in the amount of unused electronic money by depositing it in a special account with a bank that has obtained the license from the Agency, and the exclusive purpose of this account is the protection of funds in accordance with this law and can only be used to hold these funds.
- (2) The amount of unused electronic money shall be calculated at the end of each working day.
- (3) When the funds referred to in Paragraph 1 of this Article are not received in cash, the institution shall take those funds into account of unused electronic money at the end of the working day on which the funds were paid into its payment account or, if applicable, at the end of the working day when those funds were made available to it in another way, and in both cases those funds are taken into account at the latest at the end of the fifth working day after issuing electronic money.
- (4) The institution shall be obliged to keep the funds from Paragraph 1 of this Article separately from its own funds and funds received from private individuals and legal entities on other grounds.
- (5) The institution shall keep a separate record of funds for each holder in relation to the execution of payment transactions.
- (6) The funds received in exchange for issued electronic money in the amount of unused electronic money from Paragraph 1 of this Article do not represent the assets of the issuer and do not represent its liquidation or bankruptcy estate, nor can they be subject to enforcement for the purpose of realizing claims against the issuer.
- (7) If the institution receives funds from the holder that are partly intended for issuing electronic money, and partly for other activities it performs, which are not issuing electronic money, it is obliged to protect part of the funds received in exchange for unused electronic money in the manner referred to in Paragraph 1 of this Article.
- (8) If the share of the funds referred to in Paragraph 7 of this Article is variable or not known in advance, the institution shall be obliged to protect the part of the funds that is assumed to be used for the issuance of electronic money, and which part can be realistically assessed based on data for previous periods.
- (9) The Agency may request a correction of the assessed amount of funds which is assumed to be used for the issuance of electronic money from Paragraph 8 of this Article.
- (10) The funds received from the holder in exchange for issued electronic money, which are deposited in a separate account with the bank, do not represent assets and do not represent the liquidation or bankruptcy estate of that bank.

Anti-money laundering and counter-terrorist financing

Article 33

The institution shall be obliged to fulfill obligations and activities in its operations, as well as to undertake measures and actions defined by the regulations governing the anti-money laundering and counter-terrorist financing.

Keeping record of business books and financial statements

Article 34

- (1) The institution shall be obliged to regularly, up-to-date and continuously keep business books and prepare accounting documents, value assets and liabilities, prepare and publish its financial statements in accordance with this law and the regulations governing accounting and auditing.
- (2) The institution shall be obliged to keep accounting documents, business books and financial statements in such a way that they truthfully and objectively show its operations and financial condition, on the basis of which it can be checked at any time whether the institution operates in accordance with the regulations and standards of the profession.
- (3) The institution shall be obliged to make appropriate entries in its bookkeeping, and to keep and archive them in accordance with this law and the regulations governing accounting and auditing.
- (4) The institution shall be obliged to:
 - 1) regularly reports to the Agency on the issuance of electronic money, as well as on compliance with the requirements established by this law and the Agency's regulation,
 - 2) inform the Agency on materially significant changes that affect or may affect the compliance of the institution's operations with the requirements established by this law, including changes related to outsourcing.
- (5) The Agency shall adopt an act stipulating the content and form of the reports from Paragraph 4 of this Article, the manner and deadlines for their delivery, as well as the manner and deadlines for the delivery of notifications on materially significant changes.

Archiving data and documentation

Article 35

The institution shall be obliged to keep the data and documentation created in relation to the issuance of electronic money for at least five years from the date of their creation, unless a longer archiving period is established by law.

Audit of financial statements

Article 36

- (1) The institution shall be obliged to provide an audit of its financial statements in accordance with the law governing accounting and auditing.
- (2) The institution shall be obliged to submit the following reports to the Agency within the time limit stipulated by the law regulating accounting and auditing:
 - 1) annual financial statements with the report of the audit firm,
 - 2) consolidated financial statements with the report of the audit firm, if it is required to prepare consolidated financial statements in accordance with the law governing accounting and auditing,
 - 3) annual report on operations and consolidated annual report on operations in accordance with regulations governing accounting and auditing.

(3) In addition to the report from Paragraph 2 of this Article, the hybrid institution shall be obliged to submit to the Agency separate accounting data related to the issuance of electronic money, with the report of the audit firm on these data within the deadlines defined in Paragraph 2 of this Article.

(4) The audit firm that audits the institution's financial statements shall be obliged to notify the Agency without delay on:

- 1) any fact that could constitute a violation of laws or regulations committed or being committed by the institution,
- 2) a materially significant change in the financial results recorded in the institution's unaudited annual financial statements,
- 3) circumstances that could lead to significant material loss for the institution or threaten the continuity of its business operations,
- 4) qualified opinion of the audit firm for the financial statements of the issuing electronic money institution.

(5) The audit firm shall be obliged to inform the Agency about the facts and circumstances referred to in Paragraph 4 of this Article, and if it learns about them during the audit of the financial statements of a legal entity that is closely related to the institution.

(6) Notification referred to in Paragraphs 4 and 5 of this Article is not considered a violation of data confidentiality and the audit firm cannot be held responsible for it.

(7) The Agency shall adopt an act that stipulates the method of conducting an external audit in the institution, the requirements and criteria that must be met by the audit firm for conducting the audit in the institution, and the content of the report on the performed audit.

Information system audit

Article 37

(1) The institution shall be obliged to hire an audit firm to audit the institution's information system and assess the condition of the information system and the adequacy of its management, and to submit to the Agency a report on the information system audit.

(2) The Agency shall adopt an act that stipulates the method of conducting the audit of the information system in the institution and the deadlines within which the institution shall be obliged to submit to the Agency a report on the audit of the information system.

Issuing electronic money through a business unit

Article 38

(1) The institution may issue electronic money through a business unit.

(2) The institution's business unit is its separate organizational unit that does not have the status of a legal entity, and through which this institution issues electronic money, in accordance with this law.

(3) In order to establish a business unit outside Republika Srpska, the institution shall submit to the Agency a request for approval, along with which it submits the following data and documentation:

- 1) name and address of the business unit,
- 2) description of the organizational structure of the business unit,
- 3) business plan of the business unit for the first three business years with a description of the services it intends to provide through the business unit,
- 4) data on persons who will manage the activities of the business unit, with data and evidence that these persons have a good business reputation, as well as appropriate professional qualifications and experience, in accordance with Article 16 of this Law.

(4) The Agency shall decide on the request from Paragraph 4 of this Article within three months from the day of receipt of the proper request.

(5) If the request referred to in Paragraph 4 of this Article is irregular, the Agency shall, within one month from the date of receipt of the request, inform the institution on how to modify the request, and in that case the deadline referred to in Paragraph 5 of this Article shall begin to run from the day when the orderly request was submitted.

(6) The Agency shall issue an act regulating in more detail the requirements and manner of issuing and revoking the consent from Paragraph 4 of this Article.

Issuance of electronic money through a representative and outsourcing of particular operational activities to another person

Article 39

(1) The institution cannot issue electronic money through a representative, distributor or third party acting on its behalf.

(2) The institution that intends to outsource particular operational activities related to the issuance of electronic money to another person shall be obliged to notify the Agency beforehand.

(3) The institution may outsource materially significant operational activities to another party if the following requirements are met:

- 1) the person to whom those activities are outsourced applies the appropriate level of internal controls, which is equal to the level of the internal control system of the institution that outsources those activities,
- 2) supervision of the institution in accordance with this law and monitoring of payment transactions will not be hindered,
- 3) the obligations and responsibilities of the members of the management body of the institution will not be transferred to other persons,
- 4) the obligations and responsibility of the institution towards the holders are not reduced,
- 5) even after the outsourcing of these activities, the institution fulfills the requirements of Article 22 of this law and operates in accordance with other provisions of this law.

(4) Materially significant operational activities of the institution are considered to be those activities whose improper or inappropriate performance or non-performance could significantly endanger the legality of

operations of that institution, its financial condition or the stability and security of the provision of electronic money issuing services of that institution, i.e. their continuity.

(5) The Agency shall issue an act that regulates the requirements for outsourcing in more detail and stipulate the deadline for the delivery of the notification referred to in Paragraph 2 of this Article.

Distribution and purchase of electronic money through a third party

Article 40

(1) The institution can carry out the distribution and purchase of electronic money through the distributor with whom it has concluded an agreement on the performance of these operations after informing the Agency about this and providing it with the following information about that person: name and surname, ID number and address of residence for private individuals, i.e. business name or title, registration number, ID number and address of the headquarters for legal entities and entrepreneurs.

(2) If it terminates distributing and purchasing electronic money through a distributor, the institution shall be obliged to notify the Agency thereof without delay.

(3) The institution shall be obliged to publish on its website and daily update the list with data from Paragraph 1 of this Article on all distributors.

Institution's responsibility

Article 41

(1) The institution that issues electronic money, that is, distributes and purchases electronic money in accordance with Articles from 38 to 40 of this law is responsible for the legal operations of the business unit and third parties, as well as for the legal performance of operations that it has outsourced to another person.

Establishment of a business unit of the institution in Republika Srpska with headquarters in Federation of BiH or Brčko District of BiH

Article 42

(1) An institution based in the Federation of BiH or Brčko District of BiH that has a license from the competent authority to issue electronic money may operate in Republika Srpska exclusively through a business unit.

(2) The business unit referred to in Paragraph 1 of this Article may start issuing electronic money in Republika Srpska upon obtaining the consent of the Agency and registration in the Agency's register.

(3) The establishment and operations of a business unit in Republika Srpska referred to in Paragraph 1 of this Article shall be permitted only under the condition of reciprocity under which it is possible in Republika Srpska for the institution that establishes the business unit.

(4) The business unit shall be established and operates in accordance with this law and the regulations governing the business operations of companies.

(5) All business units established by the institution referred to in Paragraph 1 of this Article in Republika are considered one business unit in terms of reporting and monitoring by the Agency.

(6) The business unit of the institution based in the Federation of BiH or Brčko District of BiH, which has received consent in accordance with Paragraph 2 of this Article, may issue electronic money only in the territory of Republika Srpska.

Requirement for establishment of a business unit of the institution in Republika Srpska with headquarters in

Federation of BiH or Brčko District of BiH

Article 43

(1) An institution based in BiH and outside Republika Srpska that intends to issue electronic money in Republika Srpska through a business unit must, in addition to the requirements from Article 22, Paragraph 1 of this law, shall also fulfill the following requirements:

- 1) that it is financially, managerially, organizationally, personnel-wise and technically capable of operating in accordance with the provisions of this law,
- 2) that it was established in the legal form of a joint-stock company or a limited liability company and that it has been registered in the appropriate register of business entities for at least three years.
- 3) that the requirements for the operation of the business unit in Republika Srpska are ensured in accordance with this law,
- 4) that the institution or persons referred to in Article 22, Paragraph 1, item 18) and 19) of this law are in no way related to money laundering and terrorist financing,
- 5) has a license to issue electronic money from the competent authority according to the headquarters,
- 6) has an act of the competent authority in the Federation of BiH or Brčko District of BiH approving the establishment of a business unit in Republika Srpska.

(2) The provisions of this law that refer to institutions based in Republika Srpska shall also apply to the operations of a business unit of the institution based in the Federation of BiH or the Brčko District of BiH, unless otherwise specified in certain provisions of this law.

(3) The Agency shall adopt an act that regulates in more detail the requirements for the establishment of a business unit, as well as the type of data, deadlines and method in which business units shall report to the Agency.

Content and method of keeping the register of institutions

Article 44

(1) The Agency shall keep the register of institutions.

(2) The following data shall be entered into the register:

- 1) data on institutions that have a license,
- 2) data on business units of institutions,
- 3) business units of institutions based in the Federation of BiH or Brčko District of BiH.

(3) The Agency shall regularly enter in the register of institutions all changes made in connection with the subjects of entry.

(4) The register of institutions shall be a public book and shall be kept in electronic form, and data from this register shall be available on the Agency's website.

(5) The Agency shall keep records of persons referred to in Article 3, Paragraph 1, item 2) of this law.

(6) The Agency shall issue an act regulating in more detail the requirements, content and method of keeping the register of institutions, as well as the method of deleting data from that register.

CHAPTER IV

SUPERVISION OF ELECTRONIC MONEY ISSUING OPERATIONS

Supervisory bodies

Article 45

(1) The Agency shall supervise the implementation of the provisions of this law by banks, i.e. microcredit organizations and other persons and undertake measures against them in the manner and in the procedure stipulated by the law governing the business operations of banks, i.e. the law governing the business operations of microcredit organizations, the law governing internal payment transactions, as well as this law and the regulations adopted on its basis.

(2) Supervision over the application of the provisions of this law at the institution shall be carried out by the Agency in accordance with the provisions of this law and the regulations adopted based on it, as well as the law regulating internal payment transactions.

(3) In the case of a hybrid institution, supervision shall be limited to the organizational unit of that institution that relates to the issuance of electronic money and the performance of operations referred to in Article 13, Paragraph 3, Items 1) and 2) of this law.

Method of conducting supervision

Article 46

(1) The Agency shall supervise the following institutions:

1) off-site - by collecting and analyzing reports and other documentation and data that the institution submits to the Agency in accordance with this law and other laws and regulations adopted on the basis of them, as well as other documentation, i.e. other business operation data available to the Agency,

2) on-site - by inspecting the business books and other documentation and data of the institution and its business units,

3) imposing supervisory measures.

(2) In the course of supervision, the Agency may, in the manner established in Paragraph 1 of this Article, supervise persons to whom the institution has outsourced certain operational activities in accordance with this law.

- (3) Persons subject to supervision from this Article shall be obliged to enable the Agency's authorized persons to carry out supervision without hindrance and to cooperate with them.
- (4) The Agency may authorize an audit firm or other professionally trained person to perform certain tasks related to supervision, and in that case the authorized persons have the same competences and duties as the Agency's authorized person.
- (5) In the case of on-site supervision, the Agency shall be obliged to inform the institution no later than 15 days before the start of supervision.
- (6) As an exception to Paragraph 5 of this Article, the Agency may decide that on-site supervision is carried out without notifying the institution if it assesses that the purpose of on-site supervision would be jeopardized by notifying it, and in that case the notice on on-site supervision is delivered to the supervised person immediately before the start of supervision.
- (7) Notification from Paragraphs 5 and 6 of this Article contain the subject of on-site supervision and the data that the institution over which on-site supervision is performed is obliged to prepare for authorized persons for the purposes of on-site supervision.
- (8) The Agency shall determine the frequency and scope of supervision over the institution, taking into account the type, scope and complexity of the electronic money issuing service and the risk profile.
- (9) For conducting supervision, the institution shall pay the Agency a supervision fee, the amount of which, the method of calculation and payment is stipulated by the Agency's tariffs.
- (10) The Agency shall issue an act which regulates in detail the procedure and manner of conducting supervision, ordering supervisory measures, and the issuer's obligations during and after the Agency's supervision.

On-site supervision over institution's operations

Article 47

- (1) The institution shall be obliged to allow authorized persons of the Agency to supervise its operations at the institution's headquarters and in other places in the cases stipulated by this law.
- (2) The institution shall be obliged to enable authorized persons to perform supervision of business documentation, financial and other reports, and other data and records, as well as supervision of the information system and technologies that enable the operation of the information system to the extent necessary for supervision, in the manner and within the deadlines in accordance with the provisions of this and other laws and regulations of the Agency.
- (3) The institution shall be obliged to provide authorized persons, upon their request, with business books and documentation in written or electronic form, as well as to provide them with access to the database system used by the institution for the purpose of monitoring computer programs.
- (4) The institution shall be obliged to provide the Agency with supervision over the person to whom it has outsourced operational activities in the part of that person's business operations, which relates to those activities, as well as to provide it with access to the business books and other documentation and data created in connection with the performance of these activities, which the person has at its disposal.

(5) Authorized persons shall perform on-site supervision on weekdays during working hours, and when it is necessary due to the scope and nature of the supervision, they can also perform it outside of working hours.

(6) The institution shall be obliged to provide, at the request of authorized persons of the Agency, during the supervision procedure:

- 1) access to all organizational units and premises of the institution, while adhering to its security procedures,
- 2) a special room for performing supervision tasks,
- 3) copies of documents related to the subject of supervision,
- 4) direct communication with members of the management body in the institution and employees in the institution in order to obtain the necessary clarifications.

Minutes on supervision

Article 48

(1) Authorized persons of the Agency shall draw up minutes on the performed supervision.

(2) The minutes on the performed supervision shall also be drawn up when irregularities in the institution's operations are determined during the off-site supervision procedure.

(3) The Agency shall submit the minutes on the performed supervision to the institution.

(4) The institution has the right to submit objections to the submitted minutes within 15 days from the day of receiving the minutes.

(5) If the institution does not submit objections to the minutes within the stipulated time limit or with its objections, it does not dispute the findings from the minutes, which established irregularities in business operations, the Agency shall impose an appropriate measure to the institution stipulated by this law.

Appendix to the supervision minutes

Article 49

(1) If the review of the institution's objections to the minutes determines its justification, the Agency shall prepare an appendix to the minutes.

(2) The appendix to the minutes shall be submitted to the institution within 15 days from the day of receipt of objections to the minutes.

(3) If, by considering the institution's objections to the minutes, it is determined that they are not justified or that they are partially justified, the Agency shall issue a conclusion.

(4) No separate appeal is allowed against the conclusion from Paragraph 3 of this Article.

Administrative procedure

Article 50

- (1) On the basis of the competences established by law, the Agency shall resolve administrative matters by applying the provisions of the regulations governing the general administrative procedure, as well as the rules of supervision and profession, unless otherwise specified by this law.
- (2) In the procedure referred to in Paragraph 1 of this Article, the Agency shall decide with a ruling, which is final.
- (3) An administrative dispute may be initiated against the ruling referred to in Paragraph 2 of this Article, and a lawsuit against the ruling does not delay its execution, and the dissatisfied party may pursue its property-legal claim in civil proceedings.
- (4) In an administrative dispute against the ruling referred to in Paragraph 2 of this Article, the court cannot, in a procedure with full jurisdiction, resolve an administrative matter for the resolution of which the competence of the Agency is determined by this law.
- (5) If the court annuls the Agency's ruling, the plaintiff's rights are limited to compensation for damage caused to it by the execution of that ruling.

Supervisory measures

Article 51

- (1) In the supervision of the institution's operations, the Agency may impose the following supervisory measures on the institution:
 - 1) give a recommendation,
 - 2) issue a written warning,
 - 3) order the removal of illegalities and irregularities,
 - 4) issue a misdemeanor order,
 - 5) temporarily suspend the issuance of electronic money and the execution of related payment services,
 - 6) revoke the license.

Recommendations

Article 52

- (1) If, during the supervision of the institution's operations, the Agency identifies deficiencies or inconsistencies in its operations, which do not have the significance of violations of regulations, the Agency shall issue recommendations to the institution for their elimination, in order to improve operations, financial stability and position, as well as to mitigate the risks to which the institution is exposed or may be exposed in its operations.
- (2) The recommendation contains a deadline for the elimination of deficiencies, that is, inconsistencies from Paragraph 1 of this Article, as well as a deadline in which the institution must submit to the Agency a report on eliminated deficiencies, that is, inconsistencies, with appropriate evidence.

Written warning

Article 53

If, during the supervision of the institution's operations, irregularities are identified, and their nature and scope do not have a significant impact and harmful consequences, the Agency may issue a written warning to the institution.

Eliminating illegalities and irregularities

Article 54

(1) The Agency shall order the institution by means of a ruling to eliminate illegalities and irregularities identified in the supervision procedure if:

- 1) the institution fails to act in accordance with the recommendation and written warning from Articles 52 and 53 of this law,
- 2) identifies a violation of this law in the institution's operations.

(2) By means of the ruling from Paragraph 1 of this Article, the institution is ordered to implement one or more of the following activities:

- 1) harmonize its operations with this law and the regulations adopted on the basis of this law,
- 2) increase the amount of capital, in accordance with the provisions of this law,
- 3) undertake appropriate measures for the protection of holders, in accordance with this law,
- 4) dismiss the members of the management body, i.e. the institution's person responsible, if they act contrary to the provisions of this law,
- 5) order the termination of the contract with the person to whom it has outsourced certain operational activities if the requirements for the performance of those activities established by this law are not met,
- 6) undertake or suspend certain activities.

(3) In the ruling ordering the elimination of illegalities and irregularities, the Agency shall set a deadline for their elimination, as well as for submitting a report to the Agency on the measures undertaken with appropriate evidence that the illegalities and irregularities have been eliminated.

License revocation

Article 55

(1) The Agency shall issue a decision on license revocation and deletion from the register of companies in the following cases:

- 1) if it determines that the institution has not started issuing electronic money in Republika Srpska within 12 months from the date of granting this license or that it has stopped issuing electronic money for a period longer than six months,
- 2) if the institution submits a request for license revocation in the manner and within the terms determined by the Agency,

- 3) if it determines that the license was given on the basis of false information.
- (2) The Agency may issue a decision on license revocation if:
- 1) it determines that the institution no longer meets the conditions from Article 22 of this law,
 - 2) it determines that the continuation of issuing the institution's electronic money would threaten the stability of the payment system,
 - 3) it determines that the institution's activities are related to money laundering or terrorist financing,
 - 4) it determines that the institution has not executed orders and measures from Article 54 of this law within the deadline,
 - 5) it determines that the institution does not maintain the minimum capital in accordance with the provisions of this law,
 - 6) it determines that the institution has seriously violated the provisions of this law, or regulations adopted on the basis of this law,
 - 7) the institution does not allow the Agency to supervise its operations.
- (3) The decision on license revocation shall be published in the "Official Gazette of Republika Srpska" and on the Agency's website.

The Agency's discretionary right

Article 56

- (1) The Agency shall decide on the measure it undertakes towards the institution based on a discretionary assessment of:
- 1) severity of identified irregularities,
 - 2) demonstrated readiness and ability of the members of the management body to remove the identified irregularities,
 - 3) other important circumstances under which the irregularity was committed.
- (2) When assessing the severity of identified irregularities, the following shall be assessed in particular:
- 1) degree of exposure of the institution to certain types of risks,
 - 2) the impact of the committed irregularity on future operations, i.e. the performance of the institution's business operations,
 - 3) the number of identified irregularities and their mutual dependence,
 - 4) duration and frequency of committed irregularities,
 - 5) the legality of the business operations, that is, the performance of the institution's business operations.
- (3) When assessing the demonstrated readiness and ability of the institution's bodies to remove identified irregularities and illegalities, the following shall be assessed in particular:

- 1) the ability of these persons to identify, measure, monitor, assess and manage risks in the institution,
- 2) efficiency in eliminating previously identified irregularities, and especially in implementing measures from Article 54 of this law,
- 3) informing persons with qualifying holding and the management body of the institution about difficulties in business operations, i.e. performing the operations of that institution,
- 4) degree of cooperation with authorized persons during supervision.

Unauthorized issuance of electronic money

Article 57

- (1) If there is a suspicion that a legal entity or private individual which/who is not the issuer is engaged in the issuance of electronic money, and for which activities the Agency's license is required, the Agency is authorized to perform on-site and off-site inspection of whether these persons issue electronic money.
- (2) The provisions on supervision established by this law shall be applied accordingly to the inspection referred to in Paragraph 1 of this Article.
- (3) If the inspection from Paragraph 1 of this Article identifies that these persons are unauthorized in issuing electronic money, the Agency shall submit a report to the competent authority for unauthorized issuance of electronic money.
- (4) The Agency shall be obliged to publish on its website and in the media a warning about the unauthorized performance of the activity of issuing electronic money.

CHAPTER V

PENAL PROVISIONS

Violations of electronic money issuers

Article 58

- (1) A fine of 5,000 KM to 25,000 KM shall be imposed on the issuer from Article 4, Paragraph 1, Item 1) to 3) of this law if:
 - 1) within an appropriate period, before concluding the contract on the issuance of electronic money, on the conditions of issuance and purchase of electronic money, fails to inform the holder on the conditions of issuance and purchase of electronic money, as well as all the fees charged (Article 5, Paragraph 2),
 - 2) the contract for issuing electronic money does not clearly state the conditions for issuing and purchasing electronic money, as well as all related fees (Article 5, Paragraph 3),
 - 3) immediately after receiving funds, fails to issue electronic money in the amount of funds received (Article 6),
 - 4) pays interest or provides any other material benefit to the holder for holding electronic money in a certain period (Article 7),

- 5) accepts electronic money that it did not issue, and did not conclude a contract on accepting that money with another issuer (Article 9, Paragraph 2),
- 6) purchases electronic money or charges a fee for this purchase contrary to this law (Article 10),
- 7) does not comply with the obligations on the protection of the rights and interests of holders who are private individuals stipulated by this law (Article 12, Paragraphs 1 and 3).

(2) For the misdemeanor from Paragraph 1 of this Article, the responsible person of the issuer shall be fined from 1,000 KM to 5,000 KM.

Violations of electronic money issuer in the field of data confidentiality

Article 59

For non-compliance with the provisions of Article 11 of this law, the provisions of the law governing internal payment transactions, which stipulate misdemeanor penalties for committed misdemeanors in the area of data confidentiality, shall apply.

Institution's violations

Article 60

(1) An institution shall be fined from 5,000 KM to 25,000 KM for a violation if it:

- 1) performs activities of issuing electronic money and other activities contrary to this law (Article 13),
- 2) the function of manager in the institution is performed by a person who did not receive the prior consent of the Agency (Article 16, Paragraph 4),
- 3) performs activities that are not specified by the license (Article 24, Paragraph 2),
- 4) fails to establish, maintain and improve comprehensive systems of management and internal controls (Article 27, Paragraphs 1 to 4),
- 5) fails to organize work and fails to conduct business operations at the headquarters of the institution and fails to provide at least part of the electronic money issuing services in Republika Srpska (Article 27, Paragraph 5),
- 6) fails to maintain the amount of capital in accordance with this law (Article 29, Paragraph 1),
- 7) fails to maintain the level of capital requirement for the activity of issuing electronic money in accordance with this law (Article 29, Paragraph 2),
- 8) acts the opposite of the obligation defined by this law (Article 31, Paragraph 2),
- 9) fails to protect funds received in exchange for issued electronic money in accordance with this law (Article 32, Paragraph 1),
- 10) fails to fulfill the obligations defined in the stipulated provisions (Article 32),
- 11) fails to keep business books and fails to prepare accounting documents and financial statements (Article 34, Paragraphs 1 to 3),

- 12) fails to report, i.e. fails to inform the Agency in accordance with established obligations (Article 34, Paragraph 4),
- 13) fails to keep data and documentation created in connection with the issuance of electronic money in accordance with this law (Article 35),
- 14) fails to provide an audit of its financial statements and fails to submit reports to the Agency in accordance with this law (Article 36),
- 15) establishes a business unit outside Republika Srpska without obtaining the consent of the Agency (Article 38),
- 16) issues electronic money through a representative, distributor or third party acting on its behalf (Article 39, Paragraph 1),
- 17) fails to previously notify the Agency of the intention to outsource the performance of certain operational activities related to the issuance of electronic money to another person (Article 39, Paragraph 2),
- 18) outsources materially significant operational activities to another person contrary to this law (Article 39, Paragraph 3),
- 19) fails to inform the Agency about the intention to carry out the distribution and purchase of electronic money through the distributor and fails to provide information about the distributor (Article 40, Paragraph 1),
- 20) fails to notify the Agency, without delay, of the cessation of distribution and purchase of electronic money (Article 40, Paragraph 2),
- 21) fails to publish on its website and fails to update daily the list with data on all distributors (Article 40, Paragraph 3),
- 22) fails to enable on-site supervision and fails to cooperate with authorized persons of the Agency in accordance with this law (Article 47).

(2) For the misdemeanor referred to in Paragraph 1 of this Article, the responsible person of the institution shall be fined from 1,000 KM to 5,000 KM.

Violations by an institution based in the Federation of BiH or Brčko District of BiH

Article 61

(1) An institution based in the Federation of BiH or Brčko District of BiH shall be fined from 5,000 KM to 25,000 KM if it establishes a business unit in Republika Srpska without the consent of the Agency (Article 42, Paragraph 2).

(2) For the misdemeanor referred to in Paragraph 1 of this Article, the responsible person of the institution with its seat in the Federation of BiH or Brčko District of BiH shall be fined from 1,000 KM to 5,000 KM.

Violations of other legal entities

Article 62

- (1) A fine of 5,000 KM to 25,000 KM shall be imposed on another legal entity for a misdemeanor if it:
- 1) fails to inform the Agency about the completed payment transactions established by this law (Article 3, Paragraph 2),
 - 2) fails to inform the Agency about the performance of services in accordance with this law (Article 3, Paragraph 4),
 - 3) acts contrary to the prohibition on issuing electronic money established by this law (Article 4, Paragraph 6).
- (2) For the misdemeanor referred to in Paragraph 1 of this Article, the responsible person of another legal entity shall be fined from 1,000 KM to 5,000 KM.

Violations regarding acquisition of qualifying holding

Article 63

- (1) A legal entity will be fined from 2,500 KM to 12,500 KM for a misdemeanor if it:
- 1) acquires qualifying holding in the institution contrary to this law (Article 18, Paragraphs 1 to 3),
 - 2) fails to comply with the requirements stipulated by this law in acquiring qualifying holding (Article 18, Paragraph 4).
- (2) For violations from Paragraph 1 of this Article, the responsible person in the legal entity shall be fined from KM 1,000 to KM 5,000.
- (3) A fine of 1,000 KM to 5,000 KM shall be imposed on a private individual for a misdemeanor if he/she:
- 1) acquires qualifying holding in the institution contrary to this law (Article 18, Paragraphs 1 to 3),
 - 2) fails to comply with the requirements stipulated by this law in acquiring qualifying holding (Article 18, paragraph 4).

Misdemeanor proceedings

Article 64

- (1) Misdemeanor proceedings shall be initiated and conducted in accordance with the regulations governing misdemeanor proceedings.
- (2) Determination of responsibility and imposition of measures in accordance with this law does not exclude determination of responsibility and imposition of measures established by other laws.
- (3) If the institution fails to fulfill its obligations and tasks in its operations, as well as fails to undertake the measures and actions defined by the regulations governing the anti-money laundering and financing of terrorist activities, the Agency shall undertake measures and inform the competent authorities about suspected money laundering and financing of terrorist activities, issue misdemeanor orders or initiate misdemeanor proceedings in accordance with the law.

CHAPTER VI
TRANSITIONAL AND FINAL PROVISIONS

Adopting by-laws

Article 65

The Agency shall adopt the by-laws stipulated by this law within six months from the date of its entry into force.

Entry into force

Article 66

This law shall be published in the “Official Gazette of Republika Srpska” and shall enter into force six months after its publication.

Number: 02/1-021-1487/23

Date: 22 December 2023

PRESIDENT OF THE
NATIONAL ASSEMBLY

Nenad Stevandić

[duly signed and sealed]