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QUARTERLY PROJECT REPORT

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LEGAL and REGULATORY REFORM PROJECT

CONTRACTOR: East West Management Institute
CONTRACT NUMBER: EPE-1-04-95-00075-00
TASK ORDER NUMBER: 04
TASK TITLE: Legal and Regulatory Reform Project
STRATEGIC OBJECTIVES: 1.1; 1.4
COTR: NICHOLAS KLISSAS
CHIEF OF PARTY: Lois Cohen, ESQ.
REPORTING PERIOD: October through December 1999
DATE: January 10, 2000

The Follow-On of the Legal and Regulatory Reform Project (“the Project”) continues to have four interwoven objectives for both the Federation of Bosnia and Herzegovina (FBiH) and the Republika Srpska (RS), designed to stimulate the growth of an emerging market:

- to provide comprehensive reform of commercial and non-banking laws and financial activities;
- to provide comprehensive reform of the accounting and auditing profession and standards;
- to ensure the sustainability of the FBiH Securities Commission; and
- to educate and train designated individuals, establish associations and foster their growth as well as the development and growth of governmental awareness of effective capital market tools to create and sustain economic growth.

I	CHAMPIONS	
	2	
II	COMMERCIAL LAW ACCOMPLISHMENTS	2
III	ACCOUNTING AND AUDITING ACCOMPLISHMENTS	7
IV	CAPITAL MARKETS ACCOMPLISHMENTS	11
V	STAFFING MATTERS	15

I CHAMPIONS

The Project brings to your attention that FBiH Securities Commission represents a champion.

II COMMERCIAL LAW ACCOMPLISHMENTS

Members of the Commercial Law team participated in and completed the following tasks from October through December 1999.

Federation of Bosnia and Herzegovina

Law on Business Companies

Conducted with local legal staff a seminar entitled "Practical Application of the Law on Business Companies" for the Chamber of Commerce of Tuzla. 50 business people, lawyers and judges attended the seminar, held at the Chamber of Commerce in Tuzla. Presenters at the seminar were Dr. Jozo Sovic of the Economics Faculty, Sarajevo University; Mr. Sead Delic, Assistant to the Minister, Ministry of Energy, Mining and Industry of FBiH; Ms. Amela Alihodzic, project senior attorney; and Geoffrey Mazullo, project corporate governance expert. A copy of the seminar program was attached to the October 1999 monthly report. **(Deliverable)**

Conducted with local legal staff a seminar entitled "Practical Application of the Law on Business Companies" for the Chamber of Commerce of Zenica-Doboj Canton. Forty six business persons, lawyers and judges attended the seminar, held at the Chamber of Commerce in Zenica. Presenters at the seminar were Dr. Jozo Sovic of the Economics Faculty, Sarajevo University; Mr. Sead Delic, Assistant to the Minister, Ministry of Energy, Mining and Industry of FBiH; Ms. Amela Alihodzic, project senior attorney; and Geoffrey Mazullo, project corporate governance expert. A copy of the seminar program was attached to the October 1999 monthly report. **(Deliverable)**

Conducted on November 23 with local legal staff a roundtable on "Disclosure Requirements for Joint Stock Companies in the FBiH in compliance with the Law on Business Companies and the Law on Securities." Nine members of the legal, banking and business community attended the roundtable, held in Sarajevo. **(Deliverable)**

Conducted with local legal staff a seminar entitled, "Practical Application of the Law on Business Companies" in Sarajevo. Sponsors were the Chamber of Commerce of Bosnia and Herzegovina and the Chamber of Commerce of the Canton Sarajevo. Presenters at the seminar were Dr. Jozo Sovic of the Economics Faculty, Sarajevo University; Mr. Sead Delic, Assistant to the Minister, Ministry of Energy, Mining and Industry of FBiH; and project staff. Over 100 businesspeople, lawyers, trade union members and representatives of NGOs attended the seminar and the media reported on the event. A copy of the seminar program was attached to the December 1999 monthly report. **(Deliverable)**

Conducted with local legal staff a seminar entitled "Corporate Governance in FBiH: Practical Application of the Law on Business Companies" at the Economics Faculty in Zenica. 35 students attended the seminar. **(Deliverable)**

Conducted with local legal staff a seminar entitled "Corporate Governance in FBiH: Practical Application of the Law on Business Companies" at the Economics Faculty in Sarajevo. 100 students attended the seminar. **(Deliverable)**

European Union (EU) Directives

Prepared an analysis of European Union (EU) Company Law Directives 68/151/EEC and 78/855/EEC, comparing them to the FBiH Law on Business Companies. A long-term goal would be full harmonization of that Law with the EU Directives. A copy of our analysis was attached to the November 1999 monthly report. **(Deliverable)**

Prepared a table and analysis of EU Company Law Directives 82/891/EEC and 77/91/EEC, comparing them to the FBiH Law on Business Companies. A long-term goal would be full harmonization of that Law with the EU Directives. A copy of our analysis was attached to the December 1999 monthly report. **(Deliverable)**

Corporate Governance

Geoff Mazullo delivered a presentation entitled "Corporate Governance – Updating the German Model" at the Second International Symposium on Finance, Accounting and Auditing under Current Conditions. The symposium, held in Neum, was organized by the Association of Auditors and Accountants of the FBiH. The audience of more than 420 included accountants, auditors, bankers, academics and government officials from the FBiH and Croatia. A copy of the symposium program in local language was attached to the October 1999 monthly report. **(Deliverable)**

Delivered a presentation entitled "Improving Corporate Governance in BiH" at the international conference on Combating Organized Crime in the Balkans. The conference, organized by the United Nations Mission in BiH, was held on October 27 and 28 in Sarajevo. The audience of more than 370 included government officials, policemen, members of the judiciary, academics and members of the legal and business communities from both FBiH and RS. A copy of the conference program in English was attached to the October 1999 monthly report. **(Deliverable)**

Conducted with local legal staff a seminar entitled, "Corporate Governance in International Comparison and in FBiH" in Sanski Most. The local sponsor was the Sanski Most branch of ABS Banka d.d. Sarajevo. 42 businesspeople, lawyers and municipal officials attended the seminar, held at the Agricultural School in Sanski Most. Cantonal radio and television reported on the event. This was the third seminar held in cooperation with the bank, following successful seminars held in Visoko in June and Tesanj in September. An evaluation of the seminar was attached to the November 1999 monthly report. **(Deliverable)**

Draft Law on Procedure of Legal Entities' Entry into Court Register and the draft Decree on Entry of the Companies and other Legal Entities Running Business Activities into the Court Register

Completed translation into English of the Ministry of Justice's draft Law on Procedure of Legal Entities' Entry into Court Register and the draft Decree on Entry of the Companies and other Legal Entities Running Business Activities into the Court Register. Subsequent to translation, we provided the Ministry with written comments. The Decree will implement the Law on Entry of Legal Entities in the Court Register. Forwarded these translations to Norbert Feldhofer and Almedina Suvalija at the Office of the High Representative (OHR). **(Deliverable)**

Both Houses of the FBiH Parliament passed the Law on Procedure of Legal Entities' Entry into the Court Register. The final version of the Law included three technical, non-substantive amendments. **(Deliverable)**

Draft Law on Registered Pledges

Worked with the FBiH Federation's Ministry of Justice Working Team on the draft Law on Registered Pledges and the Pledge Registry. The team considered the comments of the Government's Legislative Commission, some of which it accepted, and amended accordingly. The draft, as amended, has been submitted to the Government. **(Deliverable)**

In early November, the draft Law on Registered Pledges on Movables and Shares was discussed at the Government session. The draft was then sent back to the FBiH Ministry of Justice for consideration of the changes proposed by the Legislation Office. The Project met with the Working Team and agreed on some of the technical changes proposed by Legislation Office. However, the Project strongly objected to the changes proposed to Article 36, because this would alter the basic concept of the law regarding a central database. Accordingly, we prepared a memorandum of explanation for the Legislation Office. The final version of the Draft was finalized and sent to the Government on November 10, to be discussed at the next Parliamentary Session. An English-language translation of the final draft of the Law was attached to the November monthly report. **(Deliverable)**

Met with representatives of World Learning to coordinate World Learning's proposed collateral lending study tour to Poland in February. Provided pre-departure orientation materials: relevant Polish legislation translated into local language. **(Deliverable)**

Participated in the Selection Committee Meeting for the upcoming World Learning stud tour to Poland entitled, "Collateral Lending Enforcement." 46 persons were nominated and 14 were selected (seven persons from each entity, including one representative from each entity's Ministry of Justice). A copy of the participant list was attached to the December 1999 monthly report. **(Deliverable)**

The Project prepared the following study tour outline and described each component to the participants. Percentages indicate the amount of the total time dedicated to each component: Procedures for registering collateral (30%); Access to the registry by appropriate parties (5%);

Database management (30%); Legal framework for seizing collateral (5%); Operating procedures for seizing collateral and transferring to creditor in case of default and the role of enforcement offices and under which conditions do they intervene (10%); Time limits on various actions (10%); and official transfer of property to the creditor (10%). **(Deliverable)**

Published article on collateral lending in *Glasnik*, the magazine of the Chamber of Economy of Bosnia and Herzegovina. This article, which serves as an “information packet” on the activities of the commercial law section, was originally scheduled to be published in the “Privatization Newsletter”. Unfortunately, the publication of the newsletter was terminated before the article could be published. **(Deliverable)**

Meetings

Met staff of the Organization for Security and Cooperation in Europe (OSCE) and briefed them on the commercial law environment in Bosnia and Herzegovina. **(Deliverable)**

Met Laurel Rose, German technical assistance agency GTZ, to discuss our experience in regard to drafting the Law on Registered Pledges on Moveables and Shares. **(Deliverable)**

Advised members of the GTZ team, Julia Tumler and Laurel Rose, on the legal environment in Bosnia and Herzegovina and referred them to other projects dealing with specific matters of interest (e.g. USAID Privatization Project for advise concerning land privatization). **(Deliverable)**

Attended a press conference launching a book entitled, “The World Bank and the International Monetary Fund,” written by Dr. Tufik Burnazovic, University of Sarajevo and Dr. Imsir Imsirovic, President of the Cantonal Chamber of Commerce of Tuzla-Podrinjsko Canton. The Project has worked closely with both of these local experts on corporate governance and commercial law training.

Local legal staff attended sessions of the House of Peoples on November 4 and 17, 2000. **(Deliverable)**

Attended a Round Table organized by the Office of the High Representative (OHR), together with eight other international agencies involved in drafting commercial laws in Bosnia and Herzegovina. The goal of these meetings is to coordinate technical assistance activities. The next meeting is scheduled for the first week of March 2000. **(Deliverable)**

Attended a meeting with Mike Sarhan (USAID Mission in BiH), Joan Edwards (Overseas Private Investment Corporation - OPIC) and Edin Fetahovic (US Embassy). Briefed the meeting on the state of commercial laws in the FBiH, including contract law, securities legislation, collateral lending company registration and the judicial system. **(Deliverable)**

Met Joshua Rosenbaum, Senior Private Sector Specialist, International Finance Corporation (IFC) London, to discuss IFC's plans to commence a Balkan-wide project focusing on corporate governance in 2000. Briefed Mr. Rosenbaum on the activities of the three components of our Project. **(Deliverable)**

Republika Srpska

Law on Enterprises

Produced the following for transmittal to the Working Team of the RS Ministry of Industry and Technology: an analysis of all four European Union (EU) Company Law Directives in relation to the Law on Enterprises; an analysis of Corporate Governance; a Model Charter; and language for the Law to assign regulatory responsibility over corporate governance to the Securities Commission. **(Deliverable)**

Met with the Working Team of the Ministry of Industry and Technology on October 27, 1999. At this meeting, the Working Team agreed: to accept many of our team's suggestions regarding the EU Directives **(Deliverable)**; to accept the Model Charter presented by the Project; and to add an article to the Law on Enterprises that grants the Securities Commission regulatory authority over corporate governance.

Subsequently, on November 18, 1999, we received the Working Team's package of amendments to the Law and noted that the above-mentioned article was not included. The Project responded immediately, by fax, to emphasize the importance of adding this provision. **(Deliverable)**

Traveled to the RS to meet with members of the Ministry's Working Team, Veljko Dukic and Deva Uzelac (on November 22, 1999). Despite our efforts, during a very long meeting, Mr. Veljko Dukic remained determined to not introduce this provision into the Law on Enterprises. He claimed that he understands the role of the Securities Commission and the concept of corporate governance; he also noted that he attended the April 1998 "Introduction to Corporate Governance" seminar conducted by Geoffrey Mazullo in Banja Luka. **(Deliverable)**

Drafted with the USAID Mission a joint letter to the Ministry to outline our position and underscore the importance of corporate governance. **(Deliverable)**

Corporate Governance

Geoffrey Mazullo delivered a presentation entitled, "Improving Corporate Governance in BiH" at an international conference on Combating Organized Crime in the Balkans. The conference was organized by the United Nations. The audience of more than 370 included government officials, policemen, members of the judiciary, academics and members of the legal and business communities from both the Federation and the RS. **(Deliverable)**

The Project conducted a seminar entitled "Introduction to Corporate Governance" in Banja Luka for the Institute of Economics (which is attached to the Directorate for Privatization). 22 two

specialists from the Institute, Directorate and USAID projects in the RS attended the seminar. **(Deliverable)**

Draft Law on Registered Pledges

Finalized the draft of the RS Law on Registered Pledges and Pledge Registry with the Working Team of the Ministry of Justice. The Working Team accepted all of the changes the project introduced. Accordingly, the draft of the RS Law now bears the same format as the draft FBiH Law. **(Deliverable)**

Attended in Banja Luka a seminar conducted by Norwegian Register Development (NRD), on "Integrated Register Operation in Republika Srpska". One of the topics covered was the Register on Pledges on Movable Property. The Commercial Law Component of the Project cooperates very closely with NRD. **(Deliverable)**

The final version of the Draft Law on Registered Pledges on Movables and Shares was prepared and sent to the Government on November 11 to be discussed at its next session. An English-language translation of the final draft of the Law was attached to November 1999 monthly report. **(Deliverable)**

In order to maintain our regular contacts with RS legal experts, we sent the final version of the draft Law on Registered Pledges on Movable and Shares to Dusko Medic, Deputy Prosecutor in the RS. Mr. Medic is also a member of the Working Team appointed by the Ministry of Justice to work with Norwegian Registry Development project.

Challenges

In the FBiH, the Project continued work on a comparative analysis of the EU Company Law Directives and the FBiH Law on Business Companies with a long-term goal of harmonization of the latter with EU standards.

In the RS, the Project continued efforts to convince the Working Group established by the Ministry of Industry and Technology to propose an amendment to the Law on Enterprises that would give the Securities Commission authority to establish corporate governance standards.

With regard to the Draft Law on Registered Pledges in both the FBiH and the RS, the Project continued to maintain regular contacts with both Ministries of Justice and monitor sessions of both Parliaments to ensure that introduced amendments do not change the basic concepts and/or important provisions of these laws.

IV ACCOUNTING AND AUDITING ACCOMPLISHMENTS

Members of the Accounting and Audit Team participated in and completed the following tasks from October through December 1999.

Federation of Bosnia and Herzegovina

Education

LRRP staff members performed lectures at the training program for Certified Auditors in the BiH. A migration of this program to a “world-class” standard, such as ACCA or CGA is currently under discussion with the IAA. **(Deliverable)**

Geoff Mazullo presented a lecture on the role of corporate governance to the annual symposium of the Association of Accountants and Auditors of the Federation of B I H (AAA/FBiH) in Neum, in October. We were not able to distribute the recently approved Code of Ethics (based on IFAC) at this event. **(Deliverable)**

Continuing Professional Education (CPE) Seminars

In October, conducted the following seminars in cooperation with JAFIS:

ACS 102 Purchasing and Production Cycle seminars in Sarajevo and Travnik: 39 participants.

AS 101 Financial Auditing I in Orasje: 30 participants.

AS 102 Financial Auditing II in Gorazde: 20 participants. **(Deliverables)**

Conducted an internal control seminar entitled “Purchasing and Production Control” for accountants from the public enterprise, Elektroprivreda, other NGOs, and several smaller for profit enterprises. **(Deliverable)**

Working together with SFOR Business Consulting, the Operational Auditing Seminar was revised and is ready for implementation. This new seminar draws upon materials of the US Institute of Internal Auditor and Institute of Fraud Examiners and now places more practical emphasis on subject matters. **(Deliverable)**

Book Study Programs

The auditing program and financial management program were both conducted from October through December.

These activities were bi-weekly and extended over 10 to 14 weeks. An extreme amount of interest was generated. As mandated by the USAID LRRP task order, we obtained positive media publicity from the book study programs. **(Deliverable)**

We successfully integrated selected professors into this program, with a view toward transferring presentation technology (Power Point, lecture methods, etc) and encouraging local academic championing of education reform. This contributes towards achievement of the educational reform portion of the task order. **(Deliverable)**

Also integrated Project staff members from the Banja Luka office into this program: for example, they lectured at our Book Study programs in Mostar and Sarajevo. We view this as a strategic move towards bringing together our educational efforts on a routine basis.

Cost Accounting

In December, the Cost Accounting Book Study program was launched in five cities in the FBiH. Over one hundred persons representing business and governmental agencies. **(Deliverable)**

Privatization Investment Funds

Began preparation for a seminar on auditing private investment companies. Identified an AICPA manual and began translation. This activity supports the task order requirement to ensure that a solid base of securities regulation enforcement is established.

Self -Regulatory Development

Members of JAFIS, the FBiH self-regulatory organization (SRO), participated in the Annual Symposium of the Association of Accountants and Auditors of Republika Srpska in Teslic. Approximately 1,700 professionals from throughout the RS attended this event. In addition, extensive discussions were conducted with the President and the General Secretary of the Serbian Association of Accountants and Auditors. They were provided with copies of the FBiH Standards on Accounting and Auditing and several examples of LRRP training materials.

Representatives of JAFIS and the AAA/RS established a foundation for cooperation, which included harmonization of requirements for professional certification and continuing education.

Media representatives from SFOR were present; interviews were conducted with the President of the AAA/RS, the RS Minister of Finance Kondic, and several other attendees. This will result in an article being published in the SFOR youth orientated publication on the need for IAS and ISA or economic reform and progression in the RS. **(Deliverable)**

JAFIS membership more than doubled in October 1999 due to intensive promotional efforts. In November, the membership grew to 430. The magazine, Tax Advisor, a respected professional journal, distributed membership applications throughout the FBiH. **(Deliverable)**

In December, the distribution of JAFIS members was as follows:

Canton	Percentage
Una Sana	11%
Gorazde	2%
Sarajevo	29%
Posavina	1%
Central Bosnia	5%
Herceg Bosna	3%
Tuzla	23
Neretva	6%
Zenica/Doboj	12%
W. Herzegovina	3%

The current occupational distribution was:

Public Accounting	80 members
Government	150 members
Industry/Commerce	40 members
Education	50 members
International, NGOs, students, etc	120 members

JAFIS has approximately 30 honorary members in the RS.

Following a review of the quality and professionalism of various providers of professional educational materials, a working agreement was established between JAFIS and the firm Revicon. Revicon began providing material support to JAFIS, including a computer, consultation on business planning, use of personnel and access to their distribution network. Revicon will continue to work together with JAFIS in revenue generating activities such as publications, training, and symposiums. This contributes to the task order goal of self-sustainability of the SRO.

Worked with JAFIS to add several benefits to JAFIS membership. Each member was provided with an E-mail address. Developed a "how-to" manual for accessing E-mail and distributed this manual as part of the new member information package. Also included in this package are the code of ethics, the charter, the organization's by-laws, and other professional literature.

JAFIS established a website and in October distributed its first electronic newsletter to members. In addition to receiving current information, members were provided with several audit programs tailored to meet local needs. In November, the Accounting Professional Code of Ethics, prepared by the Project, was added to the JAFIS website and the second edition of the membership newsletter was distributed. In December, the website was upgraded to include: a counter that can

determine the number of visitors to the site; and a membership application can be downloaded by potential members.

JAFIS assumed “ownership” of all seminar materials, CPE, and Book Study Programs. Their education committee reviewed and approved the content, style, and methodology.

Throughout the period, co-sponsored several accountants/auditors roundtables were co-sponsored with JAFIS. At these events topical matters were discussed, which included audit programs, current tax issues and continuing development of the profession.

JAFIS and the AAA / RS received invitations to attend a conference on “ The Role of the Municipal Finance Officer’s Associations in Strengthening Local Democratic Governance”. This event is viewed as an important opportunity in consolidating the “government accounting” aspects of both SROs.

LRRP representatives attended the meeting of the Regulatory Council of JAFIS and provided guidance on committee members and structure. Additionally, the Project assisted JAFIS in developing a three-year budget that targets financial independence by year three.

A joint delegation from the FBiH and the RS attended in Skopje, Macedonia the founding meeting to establish a Regional Federation of Accounting Associations for South Eastern Europe. Participating institutions included associations representing Albania, the Republic of Macedonia, Romania, Bulgaria and the Slovak Republic. International organizations attending including the Federation des Expert Compatibles Europea, the Foundation for Accountancy and Financial Management, the International Accounting Standards Committee, the International Federation of Accountants, the Organization for Economic Co-operation and Development, the Regional Federation of Accountants and Auditors “Eurasia”, and USAID.

Topics addressed at the meeting included: the road to IFAC membership; regulating the profession; the certification and training of accountants and auditors; the practice of accounting and auditing by professionals; and implementing international accounting standards and standards of audits.

In December, a joint delegation from the FBiH and the RS attended the first working group meeting of the OECD sponsored Regional Federation of Accounting Associations in Romania. A work plan for 2000 was resolved. The Association will have quarterly meetings and Bosnia and Herzegovina will be the site of a meeting in 2000.

Accounting Standards – Commentary and Implementation

In cooperation with REVICON and JAFIS, completed a detailed comparison of the FBiH Accounting Standards with former Yugoslav standards. In co-operation with REVICON and JAFIS, conducted five seminars for approximately 400 attendees on this comparison.

Consulted with the FBiH Securities Commission on: 1) determining the appropriate denomination for shares in FBiH Banks; 2) the selection of banks that will be entitled to be depositories for Privatization Investment Funds; and 3) the net asset value (NAV) computation for Privatization Investment Funds. **(Deliverable)**

Republika Srpska

Book Study Programs

Initiated three Book Study programs in the RS. Attendance and interest levels were high and the sessions were routinely visited by local media representatives.

In November, the RS Association of Accountants and Auditors published the RS Core Accounting Standards book and approved the non-core International Accounting and Audit Standards. In December, the second book of International Accounting Standards was published. This brought the RS into parity with the FBiH. **(Deliverable)**

SRO Development

As noted above, in November a joint delegation from the FBiH and the RS attended in Skopje, Macedonia the founding meeting to establish a Regional Federation of Accounting Associations for South Eastern Europe.

As noted above, in December a joint delegation from the FBiH and the RS attended the first working group meeting of the OECD sponsored Regional Federation of Accounting Associations in Romania.

Challenges

Within both entities, our challenge remains maintaining a high level of program activity, given the impending end of the project in February 2000. In the RS, the challenge is to hold the accounting and auditing leadership to committed deadlines.

Recommendations / Solutions

We are planning out beyond the dead line and have scheduled ongoing events that will have our staff committed until mid-February. This will insure commitment.

Ownership for activities should be passed to the SROs. SRO leadership must develop and implement a system of internal financial and management control as well as a right to independently audit activities.

V CAPITAL MARKETS ACCOMPLISHMENTS

Members of the Capital Markets team participated in and completed the following tasks from October through December 1999.

Federation of Bosnia and Herzegovina

Consulted with Price Waterhouse Coopers on the relationship of International Accounting Standards and the Opening Balance Sheet for Privatization. **(Deliverable)**

Ann Wallace delivered a presentation entitled, "The Securities Commission's Role in Preventing Fraud and Corruption" at an international conference on Combating Organized Crime in the Balkans. The conference, organized by the United Nations Mission in BiH, was held on October 27 and 28 in Sarajevo. The audience of more than 370 included government officials, policemen, members of the judiciary, academics and members of the legal and business communities from both the FBiH and the RS. A copy of the conference program in English was attached to the October 1999 monthly report. **(Deliverable)**

Coordinated FBiH Commissioner Domljan's trip to London to attend an international conference on Trade and Investment in Central and Eastern Europe and the CIS. **(Deliverable)**

Drafted policy statement regarding use of the FBiH Securities Commission's Conference Room by outside organizations. The Commission will use this room to generate income. **(Deliverable)**

Finalized draft Rules of Work (including concept paper) for the FBiH Securities Commission's Commission. **(Deliverable)**

Prepared final draft of the Regulation on the Registration of Issuers (including concept paper). **(Deliverable)**

Drafted Comments to the FBiH Securities Commission on their proposed Regulation on the Registration of Issuers.

Revised second draft of the Enforcement Rules (including concept paper) for the FBiH Securities Commission. **(Deliverable)**

Revised third draft of the Enforcement Manual for the FBiH Securities Commission. **(Deliverable)**

Revised draft of the Private Placement Regulation (including concept paper) for the FBiH Securities Commission. **(Deliverable)**

Prepared the final draft of a regulation on Conversions (including concept paper) for the FBiH Securities Commission. A copy of the Regulation was attached to the October 1999 monthly report. **(Deliverable)**

Coordinated meeting of the FBiH Securities Commission and Federal Banking Agency on the areas of mutual jurisdiction.

Prepared a Memorandum for Commissioner Domljan on the broad legal authority of the Commission along with a policy statement on implementing enforcement actions. **(Deliverable)**

Reviewed and analyzed letters from banks address to the FBiH Securities Commission, regarding potential violations of the Capital Markets Laws. Prepared for Commissioner Domljan a letter of response from the FBiH Securities Commission. **(Deliverable)**

Cooperated on corporate governance issues with the Project's commercial law component. Local legal staff attended a roundtable on "Disclosure Requirements for Joint Stock Companies in the FBiH in compliance with the Law on Business Companies and the Law on Securities." **(Deliverable)**

The Project finalized the first draft of the Regulation on the Format and Content of an Abridged Prospectus for the Issuance of Securities through Private Placement. **(Deliverable)**

USAID Briefings

Prepared briefing book for USAID Washington on the Project's work in capital markets and commercial law in both the FBiH and the RS.

Briefed the Project's COTR USAID Washington on the Project's work in capital markets.

Prepared briefing paper for USAID Mission on issues related to technical assistance provided the FBiH Securities Commission. **(Deliverable)**

Met with the USAID Privatization Project to discuss future joint technical assistance for the FBiH Securities Commission.

Meetings

Met and worked with the Economic Representative of the Office of the High Representative (OHR) to identify major economic issues in the FBiH on including issues regarding the disappearance of state capital in BiH.

Briefed (two meetings) British Know How Fund on issues relating to: a) identifying the appropriate trading system for Bosnia and Herzegovina; and b) the status of the development of capital markets in the Federation and the Republic of Srpska. **(Deliverable)**

Met with and coordinated with SFOR on training the FBiH Securities Commission on understanding financial statements. **(Deliverable)**

Briefed the International Office of Migration (IOM) on the problems related to the registration of legal entities in the FBiH.

Attended meeting with the OHR on the status of the laws affecting private investment in the Federation. Recommendations for the preparation of the checklist of laws sent to the OHR.

Met with the USAID Mission and representatives of the British Know How Fund regarding the procurement of equipment for the Securities Registry.

Republic Srpska

Coordinated with USAID Public Education Project on developing one brochure on Capital Markets and another on the Securities Commission. **(Deliverable)**

Discussed with the Ministry of Justice the Supreme Court's recent decision regarding the privatization of state property.

Developed a local internal briefing report on articles of interest in the daily newspapers in the RS in order to improve understanding of events affecting capital markets.

Made preliminary arrangements with a member of SFOR for the training program on "Understanding Financial Statements." **(Deliverable)**

Prepared a three-month budget and a one-year budget for the RS Securities Commission to present to Parliament. **(Deliverable)**

Finalized arrangements with Colonel Buxton, of SFOR, for upcoming training programs on "Understanding Financial Statements" **(Deliverable)**

Prepared first draft of a Capital Markets brochure for dissemination to the general public in the RS. **(Deliverable)**

Researched Parliament proceedings and reviewed video of Parliament session on the vote of the proposed Securities Commissioners. Prepared two briefing reports for USAID Sarajevo and Banja Luka. **(Deliverable)**

Researched prices and prepared a detailed price list and summary of equipment to be procured by USAID for the RS Securities Commission. **(Deliverable)**

Discussed draft By-Laws for the RS Securities Commission with the proposed President of the RS Securities Commission President. **(Deliverable)**

Held four working sessions with the proposed RS Securities Commissioner President to review start up materials. These included a Work Plan, Budgets, Oath of Office, Mission Statement and By-Laws. Also discussed logistical arrangements such as potential office space. Discussed substantive issues including topics of upcoming World Learning study tours and promised

amendment of the Law on Enterprises to grant regulatory authority over corporate governance to the Securities Commission.

Prepared a training program request for the upcoming World Learning study tour on the “Operations and Regulation of Privatization Investment Funds.” Forwarded our recommended candidates for the study tour. **(Deliverable)**

Briefed proposed Securities Commission President Branka Bodroza on preparation work to be accomplished by the Securities Commission team recently appointed by the Government.

Translated the Organization for Economic Co-operation and Development’s (OECD) booklet, “OECD Principles of Corporate Governance” for the Minister of Industry and Technology and the Ministry’s Working Team. **(Deliverable)**

Drafted a second letter to Minister of Industry and Technology Banjac on the need for an amendment to the Law on Enterprises to delegate supervision and regulation of corporate governance to the Securities Commission. Presented letter to the Minister along with a translated copy of OECD Principles of Corporate Governance, and a chart comparing OECD principles to the Law on Enterprises’ provisions on Corporate Governance. **(Deliverable)**

Meetings

Briefed the British Know How Fund on issues regarding their proposed trading systems and Stock Exchanges in the RS and the FBiH.

Prepared briefing report for USAID (Sarajevo and Banja Luka) on the draft Law on Registered Pledges, the Law on Enterprises and the status of all three components of the Project in the RS. **(Deliverable)**

Briefed USAID (Sarajevo and Banja Luka) on the European Union Representative Jan Willem Blankert’s position on nominating and funding a Securities Commissioner. **(Deliverable)**

Briefed USAID (Banja Luka) and nominated Securities Commission President on Parliament vote on proposed Securities Commissioners.

Accompanied USAID Mission to meeting with Deputy High Representative for Economic Affairs Johnson and Prime Minister Dodik on the appointment of the Securities Commission.

Prepared a briefing report for USAID (Sarajevo) on compensation, space requirements, equipment and start up materials for the RS Securities Commission. Included were plans to help the Commission at the beginning of their tenure and information on the upcoming Parliament vote on members of the Commission. **(Deliverable)**

Briefed USAID (Sarajevo and Banja Luka) on the issue of part-time Securities Commissioners in the RS and training people with no prior knowledge or experience on how to become Securities Commissioners. **(Deliverable)**

Briefed USAID, OHR and the nominated Securities Commission President on the three-month, one-year and fully operational budgets for the RS Securities Commission.

In separate meetings, briefed Minister of Finance Kondic, Advisor to the Prime Minister Mitrovic, and Professor Tomas of the USAID Macro Economic Project, on the need to have members of Parliament understand the importance of formally appointing the current nominees to the RS Securities Commission.

Prepared a briefing report for USAID Sarajevo on a meeting with Finance Minister Kondic on the need to have members of Parliament understand the importance of appointing the RS Securities Commissioners. **(Deliverable)**

Met with and briefed the British Know How Fund on the proposed RS Securities Commissioners and Securities Commission Team appointed by the Government, broker training and licensing, regulations of the Securities Commission and separate Stock Exchanges and trading systems for each entity.

Briefed Minister of Industry and Technology Banjac, along with USAID representatives Michael Kerst and Vladimir Milin, on the need for an amendment to the Law on Enterprises to delegate supervision and regulation of corporate governance to the Securities Commission.

CHALLENGES

For the Government to propose a roster of Securities Commissioners that will be approved by the Parliament.

V STAFFING MATTERS

Lois Cohen arrived in Sarajevo on October 10, 1999, to replace Richard Wasilewski as Chief of Party.

Charles Schwartz, head of the Legal Reform segment of the Commercial Law Component, left the project the first week in November 1999.

Ann Wallace, head of the Capital Markets Component, left the project on November 19, 1999.