

**COOPERATIVE ASSOCIATION OF BOSNIA AND HERZEGOVINA
S A R A J E V O**

GENERAL LAW ON COOPERATIVES

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I BASIC DEFINITION

Article 1.

A cooperative (organisation) is the form of voluntarily associated members (further in the text : cooperators) in order to fulfill (meet) their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

Article 2.

Cooperative organisation is based on the following principles :

- voluntary and open membership
- democratic member control
- members' economic participation and contribution referring to benefits or damages covering
- business autonomy , independence and members information
- c-operation among cooperatives and concern for community

Article 3.

A cooperative organisation (society) can be of general or specialized type.

Article 4.

Purpose of a cooperative society is to use all the equipment and means jointly among the members in order to improve and develop their activities and increase or enlarge results of these activities.

The very activities are defined by cooperative regulations.

Article 5.

Cooperative business associations perform the same duties for their member organisations as the cooperative do for their individual members (cooperators) , therefore have to follow the same rules valid for the cooperatives, if not specified otherwise.

Article 6.

Depending on a very purpose of establishing / founding or business resources , cooperatives can be established by contributions or other personal property share of the cooperative members, according to the agreement on founding the association as well as to cooperative rules.

Individual members founding share is also defined by a/m agreement and cooperative rules.

Article 7.

In legal proceedings a cooperative declares in own name and own interest. A cooperative deals businesses quoted in the previous article with its cooperative members only.

Businesses quoted under Item 1. of the Article can be arranged under certain conditions with other legal entities and physical persons (un-member deals) :

1. If provided by cooperative regulations
2. If a cooperative regulations provide periodical controlling by a competent cooperative association
- 3.

Incomes from the Item 3. of the Article are specially determined and book-keeping registered by a cooperative , net- income of which is directly allocated for development of the cooperative and its members.

Article 8.

In legal proceedings a cooperative takes responsibility for its obligations by its property (assets).

The obligations which could not have been covered by a cooperative property, are taken by its members on a joint solidarity basis, with amount of their membership contribution at least – if the very agreement on founding, or cooperative rules do not predict a greater amount for that responsibility.

Cooperative rules define conditions and a term – which can not be shorter that one year period , within which a cooperative member whose status was ceased , still has got a responsibility to the cooperative's obligations occurred during his membership.

Article 9.

By cooperative rules each cooperative has to define a zone (area) of its activities according to permanent residence of its members.

II ESTABLISHING A COOPERATIVE

Article 10.

At least five physical and legal persons can establish a cooperative , if they fulfill conditions of the cooperative rules. Cooperative rules can provide that only physical persons become members.

Contract / agreement on establishing a cooperative can provide a greater number of founders.

Article 11.

A cooperative is established by signing of a contract which should include the following provisions :

1. On a title and seat of it
2. On the founders' names, profession and addresses
3. On name of the person to deal businesses of an interim manager
4. On cooperative activities
5. On required resources amount for establishing the cooperative, as well as the way of getting it
6. On amount and form of individual founder deposits (contributions) , or resources amount of individual founder
7. Cooperative members responsibilities to the cooperative obligations
8. Ways and terms of payment
9. Way to call for meetings and an obligatory term within which the founders have to organize constituent assembly , as well as way of making decisions
10. Other issues relevant to establishing a cooperative

Article 12.

At the constituent assembly of a cooperative , cooperative rules are formulated and passed by decision of the founders' majority votes.

The founders , who do not agree with cooperative rules , can cease their membership by a written notice to the Board – till the date of listing the cooperative into the Register of Companies.

At the constituent assembly of a cooperative , its bodies can be elected , or the founders can decide to make these elections separately , but should not delay it longer than 30 days from the date of constituent assembly session.

Article 13.

Cooperative rules are consisted of the following regulations :

1. Firm / title and seat of a cooperative
2. Cooperative activity
3. Cooperative principles
4. Status changes and cessation of a cooperative
5. Representing and presenting a cooperative
6. Conditions and terms of getting a cooperative status
7. Conditions and terms of cesation of a cooperative status
8. Form and amount of a deposit (contribution) for a cooperative member and payment terms
9. Terms of payment
10. Cooperative members responsibility to obligations of a cooperative
11. Other cooperative member rights and duties
12. Distribution of profit , namely income surpluses in respect to expences , losses covering in course of business deals
13. Part of gain (profit) , namely income surpluses which are allocated to capital reserves
14. Elections, recalls (cancellations) and scope of cooperative bodies powers
15. Way of decision making by a cooperative assembly ; election, recall ;rights and duties of a cooperative representatives in case that they are members of the assembly
16. Return of a member share / deposit
17. Cooperative ledger / book
18. Cooperative audition
19. Cooperative members informing and a business secret
20. Mutual cooperatives collaboration and cooperative education / training
21. Other issues relevant for cooperative businesses

Article 14.

A cooperative is treated as established, vesting a legal entity position, by registering at the Commercial Court (into a Register).

Registration application should be submitted to an authorized court within 30 days from the date of holding the constituent assembly .

Together with a registration application there should be submitted the following :

- 1) a foundation charter
- 2) cooperative regulations
- 3) minutes from the constituent assembly
- 4) other documents and evidences in conformity with law and regulations by which the registration can be made
- 5) A cooperative can be registered regardless if it is already having employees or not

III GETTING AND CEASING OF A COOPERATIVE MEMBER STATUS

1. GETTING THE STATUS

Article 15.

Physical persons – founders of a cooperative get the status of a cooperative member by the very establishment of a cooperative.

Article 16.

If a cooperative already exists , a cooperative member status can be realised by submitting an application together with a signatory declaration of accepting all the rights , duties and responsibilities of a membership – as defined in a contract on establishing , i.e. in cooperative regulations.

A membership admission form includes especially the following : an evidence on payment i.e. deposit or membership fee , a signatory declaration of readiness to pay / deposit in due time , together with a declaration on accepting provisions of a contract on establishment, i.e. cooperative regulations referring to responsibility for cooperative, expressing awareness of all cooperative responsibilities that had occurred before own signing of an application.

Additional rules for getting a cooperative member status – with all rights and duties , are defined by a cooperative regulations.

Article 17.

A decision on a cooperative membership status is made by a cooperative body appointed in accordance with cooperative regulations.

Within 30 days from receipt, a cooperative is obliged to inform the applicant in a written form if the application is accepted.

If a cooperative does not proceeds in accordance with the Item 2 of this Article , the application should be regarded as unaccepted (rejected).

An unaccepted applicant has the right to lodge a complaint to the assembly within a period defined by cooperative regulations.

If a membership application is accepted , the applicant has to sign an admission declaration after which a cooperative member status has been gotten.

Article 18.

Basic property obligations which a cooperative member is taking over by entering a membership, are defined by cooperative regulations. Cooperative regulations can provide a condition that one member is allowed to have more than one share, or that a member is obliged to take part with shares in such extent as being predicted by the regulations.

Cooperative assembly has no powers of imposing obligation of complete collaboration with a cooperative, without having such agreement by all cooperative members.

Article 19.

Nobody is allowed to be a member of two or more cooperatives with the same own property or the same business deals simultaneously.

2. CESSATION OF THE STATUS

Article 20.

A cooperative member status is ceased by leaving the cooperative , expelling or by the very death of a member , after which all the shares can be transferred to other member or a third party, and finally by cessation of the very cooperative organisation.

Article 21.

A cooperative member can leave the cooperative by submitting a written notice .

The membership status is ceased by the date of accepting this written notice, if cooperative regulations do not define some dismissal period.

If a cooperative member still has some debit service liabilities toward a cooperative, the membership status can be ceased after meeting the debit – but not before expiration of the dismissal period.

Article 22.

A cooperative member can be expelled from a cooperative due to reasons defined by cooperative regulations.

A decision on expelling is made by a body defined by cooperative regulations.
The decision has to be explained.

A complain against the decision can be lodged to a cooperative body by a member , within period defined by cooperative regulations.

A decision on the cooperative member complain is to be made by a competent cooperative body within period defined by cooperative regulations.

If the decision is not made within the period quoted under Item 5 of this Article, the complain will be treated as rejected.

The membership status ceases by the date quoted in a decision on expelling.

If a cooperative member has lodged a complain against the decision for expelling, the status lapses by the date of making decision on rejecting the complain , and if the decision on complain has not been made within period quoted under Item 5 of this Article, the status is lost by the date of this term lapse.

Article 23.

Inheritors of a died cooperative member can take over the membership status, with the rights and duties of the died member , if cooperative body decides so and if they satisfy the conditions for getting a cooperative member status.

Article 24.

In course of a fiscal year , cooperative member is permitted to transfer in a written form the own shares in favour of somebody else, without discussing reasons of breaking membership and property issues , in case that a receiver of the shares takes over the membership. When a receiver of the shares has already a membership status, these shares are treated as additional shares. Cooperative regulations can define additional conditions.

Individual business shares can also be transfered to the third parties by a cooperative member.

Article 25.

By the date of membership cessation , all the rights and duties of a cooperative member are stopped, with exception for property rights and duties defined by the very agreement on establishing a cooperative , cooperative regulations and this Law.

IV - COOPERATIVE MEMBERS BOOK

Article 26.

A cooperative is obliged to keep the cooperative members book regularly.

The membership book should consist of : name, address and profession of a cooperative member , date of entering the membership, form and amount of recorded shares and fees, date and amount of payment, date and way of membership cessation , date of shares return and other data being of relevance to a cooperative , in accordance with cooperative regulations.

A cooperative is obliged to keep this book permanently.
The cooperative members book has the value of a public document.

Cooperative creditors and other persons having legal interest can demand inspection of the book.

V - PROFESSIONAL AND OTHER DUTIES AT THE COOPERATIVE

Article 27.

A cooperative member can have professional and other duties at the cooperative in accordance with his professional abilities and cooperative regulations.

For carrying out professional and other duties of a cooperative , there can be engaged persons outside the cooperative organisation, or by giving the task to other legal and physical persons.

Article 28.

A person employed in the cooperative can become its member by paying in, or entering a share in accordance with cooperative regulations.

VI – COOPERATIVE CONTROL AND COOPERATIVE BODIES

Article 29.

A cooperative is controlled by its members.

Cooperative members have equal voting rights (one member , one vote).

Article 30.

However, It is possible to weight voting rights for cooperative control, according to quantity criteria (referring to extent of cooperative collaboration) or quality criteria (referring to type of duties of a member as a collaborator), or according to a subscribed shares.

Voting shares limit for an individual cooperative member of a total votes in an assembly consisted of more than 50 members – according to Item 1 of this Article , is 5 % maximum.

Even lower limit can be defined by cooperative regulations .

Article 31.

Cooperative bodies are : assembly, board, audit and control committee – if provided by regulations , and a cooperative manager , if this Law does not regulate differently.

The president and Board members, a cooperative manager, a president and members of the Audit & Control Committee are elected for a term defined by cooperative regulations – which can not be longer than five years, but with a possibility of re-election.

1. Cooperative Assembly

Article 32.

Cooperative Assembly consists of the all cooperative members.

The Assembly :

- 1) formulates cooperative regulations
- 2) defines business policy of a cooperative
- 3) decides on status changes and cooperative cessation
- 4) decides on establishing a cooperative enterprise or other organisation forms
- 5) approves annual accounts and reports on business deals
- 6) approves the development programmes and plans
- 7) decides on profit distribution, namely income surpluses in respect to expenses, as well as on covering the losses or deficits

- 8) elects or recalls the president and members to the Board or Auditing Committee
- 9) elects or relieves cooperative managers , if cooperative regulations do not provide responsibility of some other cooperative body
- 10) approves standing orders
- 11) decides on other issues defined by the law, the contract on establishing or cooperative regulations

Article 33.

When a cooperative consists of more than 300 members, cooperative regulations can define that the assembly activities are carried out by the cooperative representatives' assembly , in which case it should consist of at least 30 representatives as physical entities.

Cooperative members representatives are elected for a not longer than five year term, with a possibility of re-election.

Number of representatives, the very term and way or procedure of election , as well as the issues referring to rights and duties of the assembly members – cooperative representatives are defined by cooperative regulations.

Article 34.

The Assembly meets once a year at least.

Sessions of the Assembly, way of work and making decisions , as well as all other issues relevant to activities of the assembly are defined by cooperative regulations.

Article 35.

For the issues like adoption of cooperative regulations , status changes and cessation , distribution of profit i.e. income surpluses over the losses or deficits , election and recalling of the president and board members, the president and members of the Audition Committe, as well as election or recalling of cooperative managers (if authorized by the regulations) – the assembly is making decisions by majority votes of its members total number , if cooperative regulations do not provide other ways of decision making.

2. Board

Article 36.

The Board consists of at least three members.

The members are chosen from cooperative members structure.

Cooperatives with less than 25 members do not have the board.

Article 37.

The Board has the following powers :

- 1) realizes the cooperative business policy
- 2) considers and suggests to the assembly adoption og annual account
- 3) adopts periodical account

- 4) prepares suggestions on decisions of the assembly and carries out the decisions made by the assembly
- 5) prepares reports on business, resources balance and performance balance as well as realisation of business policy
- 6) suggests distribution of profits, income surpluses over the expences and the way of covering the losses or deficits
- 7) passes investment decisions in accordance with foundation charter and cooperative regulations
- 8) passes the own standing orders
- 9) carries out all other activities regulated by the law , contract on founding or cooperative regulations.

Article 38.

The Board can make decisions if more than a half of members are present at the session.

The Board makes decisions by majority votes of present members , if some other qualified majority is not provided by cooperative regulations.

Article 39.

The Board president and members are solidary responsible for damages occurred by their decision , in case that such decision was made by gross error or intentionally.

Persons from the Item 1 of this Article are not responsible for damages if they declared against making a decision , which was recorded in the minutes.

3. Audit Committee

Article 40.

At least three members shouldbe in the Audit Committee.

The members are chosen from the cooperative members structure. Other details , especially those referring to term duration and expiration are defined by cooperative regulations.

Article 41.

Audit Committee :

- 1) Controls legality (regularity) of the board and managers work
- 2) Inspects periodical and annual accounts and decides on their regularity
- 3) Identifies regularity of business books(records) and other cooperative documents with possibility of demanding an expert assessment
- 4) Inspects cooperative business and balance reports submitted to the assembly
- 5) Examines auditor reports and suggests necessary measures for irregularities elimination
- 6) Considers suggestions for profit or income surpluses distribution,
- 7) Informs the cooperative assembly, as well as the board and cooperative managers about results of controlling
- 8) Submits annual report of own activities to the assembly
- 9) Elaborates own standing orders
- 10) Carries out other duties too, determined by this Law and cooperative regulations.

Article 42.

The president and Audit Committee members are solidary responsible for damages occurred by their decision, in case that such a decision was made by gross error or intentionally.

Persons from the Item 1 of this Article are not responsible for the damages if they declared against such a decision, which was recorded in the minutes.

Article 43.

The Board and cooperative manager - if there is a manager in a cooperative, are obliged to inform Audit Committee about cooperative business deals, as well as to enable it an undisturbed work.

The Committee has to demand calling for a session of the assembly if in course of the control there has been found a violation of cooperative interests or serious irregularities in the cooperative work.

Article 44.

The Committee makes decisions if more than a half of its members attend the session.

The Committee decides by majority votes of present members, if other conditions are not provided by cooperative regulations.

All other issues like meeting, way of work and decision making of the Audit Committee are defined by cooperative regulations.

4. Cooperative Manager

Article 45.

In case that cooperative regulations predict a post of cooperative manager, this person organizes and leads cooperative businesses, represents the cooperative, takes care of legality and is responsible of legal work of the cooperative, dealing all other jobs defined by law, founding charter and cooperative regulations.

Besides of a subscription as a member, a cooperative manager can register certain amount of cooperative shares as untransferable, by which they are a guarantee for carrying the function during its term.

A cooperative manager can be resolved of the duty in case of business losses, non-compliance of the law, incapacity or any other reasons defined by cooperative regulations. The manager is responsible materially too for the decisions which have caused material damages to the cooperative.

Until appointing a new manager, an Acting manager is elected by the Board or Audit Committee – in case that a cooperative has less than 25 members.

5. Election Restrictions

Article 46.

The President and members of the Board, a cooperative manager and president with members of Audit Committee can not be the persons sentenced for criminal acts against

economy and official duty which caused legal consequences of the sentence – as long as these consequences are lasting.

The cooperative manager can not be elected for the Board president or president and member of the Audit Committee.

The Board member can not be elected for the Audit Committee member.

6. A Competition Clause

Article 47.

The president and members of the Board or Audit Committee as well as a cooperative manager can neither do businesses for own or the interest of others – if the business belongs to the cooperative activity, nor they can be cooperative members or employed at another cooperative, namely the owners and employers of an enterprise or some other legal entity which carries the same or similar activity as the cooperative – if it is found by cooperative regulations.

Through cooperative regulations and a collective agreement the restrictions of the Item 1 of this Article can be related to cooperative members and individuals employed at the cooperative.

If the president, members of the Board, Audit Committee or a manager violate restrictions of the Item 1 of this article, the cooperative can relieve them of their duty, and if the restriction refers to cooperative members and employees too, the cooperative can remove them, or pronounce termination of their employment.

For violating the restrictions from the Item 1 of this Article, some other measures can be provided by the cooperative regulations.

Cooperative regulations can determine that restrictions from the Item 1 of this Article continue to last, even after cessation of the status from this Item, but not longer than for two years.

VI - COOPERATIVE PROPERTY

Article 48.

A cooperative uses its members' subscription (share) funds and cooperative property resources, as well as resources of state property and other national and international legal or physical entities resources.

Article 49.

A cooperative uses the property created on a basis of cooperative membership subscriptions.

The subscriptions from hereinafter Item are movable property and real estate, financial resources, securities and all other property rights.

The securities from the same Item (financial or non-financial) are expressed in financial values, together with book-keeping revaluation in accordance with legal regulations and a decision by the cooperative members' assembly .
Revaluation from the previous Item can be performed by increasing nominal value of the existing subscriptions or by issuing new ones.

Article 50.

Resources created by work and business deals of a cooperative, or gained on other basis, are regarded as cooperative property.

Such property neither can be treated as shares of the members, nor it can be put into non-cooperative function.

Cooperative property – equipment and buildings etc. , if not used due to economical reasons, can be sold or rented , financial resources of which have to be allocated for cooperative development.

Cooperative property is kept in a separate fond.

Article 51.

Non-financial subscription value, from the Article 49 is valued by very founders and - after establishment of a cooperative, the body provided by cooperative regulations.

Article 52.

If a cooperative member places property right to one or more things, there are applied rules of a contract on buying and selling as regards to responsibility for material and legal shortages / shortcoming (?) of these things.

If a cooperative member places the right for using some things, becomes responsible for material and legal shortages of the things according to rules of a contract on renting i.e. servicing.

If a cooperative member places a claim , becomes responsible for its occurrence and recoverability.

Article 53.

The subscriptions (shares) can not be returned , bonded (mortgaged) or be a subject matter of fulfilling the members obligations during the membership status.

Article 54.

After cessation of the cooperative membership status, the shares are returned to the members or to their successors on the basis of a final annual statement.

The shares are returned in a form, terms and conditions defined by this Law and cooperative regulations.

The shares can not be returned before expiration of the cooperative member responsibility for the cooperative obligations.

Article 55.

The shares are kept under the cooperative member names.

Acooperative keeps records on cooperative members shares expressed in financial value, in a chronological order of their names.

A cooperative is not obliged to give any securities , but can issue certificates for these shares.

Cooperative shares are indivisible.

Article 56.

The cooperative shares do not bring dividends, but can bear some interests.

The interest for the cooperative member shares is defined by the Assembly , according to business statement , but can not be higher than the bank discount rate .

The interests from the previous Item can be paid off if the cooperative commercial transactions were positive.

**VIII – PROFIT SURPLUSES DISTRIBUTION
AND COVERING OF LOSSES**

Article 57.

Commercial transactions profit (gain) represents a surplus of the cooperative's income in respect to its expenses.

The cooperative income realized by business transactions with other legal and physical entities (Article 7 of the Law), as well as the subsidies by the state, non-governmental organisations and associations , can be spent only for material investments or permanent turnover means of the cooperative.

Article 58.

An equivalent amount of at least 5 % the cooperative membershares has to be given into a special capital reserves of the cooperative each year.

The means from the previous Item are being accumulated until reaching the highest amount of the cooperative property during its establishment.

The means from the Item 1 are used for returning the cooperative shares to its members when they want to terminate the membership, under the precondition that it does not bring the cooperative into a position of unfulfilling obligations towards its creditors, or a real value of the cooperative property at the moment of establishing – having returned the shares , is not reduced below 49 %.

Article 59.

Together with legally provided capital reserves, by means of cooperative regulations a cooperative can establish some other funds too.

Article 60.

A part of profit , namely the income surplus over the expenses which has not been directed to the funds, is distributed to the cooperative members in accordance with the Law and cooperative regulations.

Article 61.

The Assembly decides on the way of covering the losses or deficits – whether it will be done by obligatory reserves funds or some other funds and means provided for other purposes , or by the cooperative members shares.

IX – SCOPE OF ACTIVITY, HEAD OFFICE AND THE COOPERATIVE NAME

1. Scope of Activity

Article 62.

A cooperative carries out all the activities for which it was registered.

A cooperative can start its activities , can perform its activities , can change terms of its activities , when a competent body brings a decision on fulfilling the conditions referring to technical equipment , working protection and environmental protection as well as other prescribed conditions by the cooperative.

2. Head Office

Article 63.

The Head Office of a cooperative is a place where the essential cooperative activity is carried out.

If the activity is carried out at several different places , the seat – head office is determined by cooperative regulations.

3. The Cooperative Name (Firm)

Article 64.

The Firm is the name (title) under which the cooperative carries out its activities.

The firm consists of a sign for the cooperative type , a sign : “ cooperative”, a sign of the very cooperative name , and total liability sign and head office of the cooperative.

The right and obligation to use the sign “ cooperative” have only those cooperatives which had been established and still are doing their businesses in accordance with this Law.

On the request of competent bodies, an interested cooperative organisation or association , the registering court will eliminate a cooperative which was not established or does not work in accordance with the Law but uses the sign “ cooperative”.

A cooperative can have an abbreviated sign of the firm , with abbreviated signs of the cooperative type, of a “cooperative” or the total liability .

X - BUSINESS AND ACCOUNTING REPORTS

Article 65.

A cooperative keeps business records, makes and submits accounting statements and business reports in the way as prescribed by the accounting law.

Cooperative accounting statements revision is carried out with the revision law.

XI - COOPERATIVE CESSATION

Article 66.

A cooperative is ceased if :

1. a measure of prohibition to carry out activities is sentenced due to unfulfilling the conditions and if ,within a term determined by this measure, these conditions are not met or the activity is not changed ;
2. affiliated with other cooperative, joined to the other or divided into several new cooperatives ;
3. the term of its existence had expired before the assembly has made decision on continuation of its business ;
4. natural and other conditions for business activities stop to continue
5. a legal court decision evidences invalidity of the registration
6. the cooperative Assembly makes such decision
7. the cooperative members number is reduced under the number regulated for establishing a cooperative , and within six month period is not increased to the prescribed number , about what a cooperative is obliged to inform the court where it was registered ;
8. bankruptcy (business failure)
9. in accordance with the Article 74. Item 3 ;
10. some other cases defined by the law .

In cases from the Item 1 , number 1, 3 to 10 of this Article, the liquidation of a cooperative is carried out as a rule.

In the case from the Item 1 , number 6 of this Article , the Assembly can not decide on a cooperative cassation if a group pf cooperative members , not smaller than the number required for establishing that type of cooperative – before making a decision on cassation of the cooperative, declares in written form that the cooperative will not cease.

In the case from the previous Item election is carried out personally / named , while those who voted for the cooperative cessation are treated as having left the cooperative.

Article 67.

A cooperative loses the legal entity status by removal from the register.

The removal is announced in the *Official Journal of Bosnia and Herzegovina*.

In the case of cooperative cessation by its affiliation, joining or division , the cooperative property is transferred to its legal successors.

In other cases of the cooperative cessation, after compensation to the creditors and returning the member shares , the remaining cooperative property acquired before passing of the Law, if the cooperative's head office is in Republic of Srpska , as well as the property acquired before passing the Law on Cooperatives in Federation of B-H (Official Newspapers of Federation B-H No. 28 / 97) , if the cooperative's head office is in Federation of B-H , is not transferred to the members. Cooperative regulations define the property transition. The remaining property is distributed among the cooperative members, in accordance with cooperative regulations.

XII - COOPERATIVE UNIONS / ASSOCIATIONS

Article 68.

Cooperative associations carry out the following activities :

- 1) offering an expertised and other support during establishment as well as improvement of cooperative businesses ;

- 2) representing the cooperative interests before state bodies and institutions , banking and other financial organisations in the cooperative sector ;
- 3) organizing and encourageing of experts improvement , science-research work and informative –publishing as well as advertizing activities relevant for the cooperative development ;
- 4) making decisions on transition i.e. offering usage of cooperative property if available after cessation of a cooperative , in accordance with the Law ;
- 5) passing the rules of the cooperative union / association ;
- 6) organizing arbitration and regulate method of its work;
- 7) collecting data required for keeping cooperative statistics;
- 8) international representing of cooperatives and establishing international cooperative collaboration ;
- 9) organizing court of honour and defining its work ;
- 10) providing the cooperative audition ;
- 11) engagement on cooperative improvement
- 12) making evidence of cooperatives (registry) and cooperative statistics ;
- 13) dealing other cooperative businesses prescribed by the Law and cooperative regulations of the Association

Provisions of the Item 1 , numbers 4 and 10 , are exclusive competence of entities cooperative unions.

Provisions of the Item 1 , number 8 is exclusive competence of the Cooperative Association of B-H.

Article 70.

Cooperative Association (Union) is a legal entity.

The Association (Union) is established by cooperatives or other cooperative associations (unions) which make an agreement on establishing and adopt cooperative regulations.

The agreement defines tasks and business activities of the association (union) , the title (firm) and head office , as well as cooperative bodies, the membership status and other issues relevant for establishing the association.

Article 71.

Cooperative association (union) regulations define : tasks , duties and obligations of the association , its bodies and scope of their activities , way of election , terms and conditions of recalling , terms of office , way of representing cooperatives at competent bodies , openness to the public, way of performing professional and other tasks and other issues relevant for cooperative association activity.

Article 72.

Resources necessary for activities of the association are provided in accordance with an agreement on establishment.

XIII - COOPERATIVE AUDITING

Article 73.

Cooperative auditing means examination of the following : the cooperative principles application by a cooperative , cooperative business activities with other cooperatives and members or third parties , property – legal relations and mutual relations inside a

cooperative (members and employed), as well as application of general and cooperative regulations in respect to very founding , organizing and entire business dealing of acooperative.

Article 74.

Cooperative auditing is obligatory for all cooperatives on regular or extra-ordinary basis.

Regular auditing is carried out every second year and the extra-ordinary one – by making a decision of cooperative bodies or on request of cooperative association , competent governmental bodies, certain number of cooperative members according to cooperative regulations or by cooperative creditors.

If a cooperative is not subjected to a regular cooperative auditing within term of the Item 2 of this Article, namely according to decision or request for carrying an extra-ordinary audition, a cooperative or association which is carrying out the audition , can submit a request on cessation of the cooperative.

Article 75.

Regular cooperative auditing costs are covered by the very cooperative, and the extra-ordinary cooperative auditing costs are covered by the claimant /applicant – in case of unfounded claim.

Article 76.

Cooperative auditing is carried out by the entity Cooperative Unions .

Article 77.

A cooperative has to place all papers and documents at disposal to the Union which carries auditing , as well as any other information useful for auditing and its report elaboration.

The entity Union can take part at sessions of the cooperative bodies if answers or comments on cooperative auditing are required.

Article 78.

The entity Cooperative Unions are obliged to make written reports on performed auditing.

The report from the Item 1 of this Article shall be consisted of a finding and estimation of the cooperative auditing issues.

The report consists of an explanation for the given estimation , too.

Article 79.

The entity Cooperative Unions are obliged to send the auditing report , together with remarks and instructions , to the cooperative and the Cooperative Union to which it is a member.

A cooperative can send to the entity Cooperative Union an objection referring to the auditing report, within 15 days from the date of receiving it.

Report on performed cooperative auditing is regarded as final by the expiry date for remarks submission, or the date when a cooperative is informed on its remarks rejection by the entity Cooperative Union.

Article 80.

Within 60 days from the date when the auditing report became final, a cooperative is obliged to inform the entity Cooperative Union on its actions referring to remarks and instructions of this report.

Article 81.

If the entity Cooperative Union estimates (finds out) that – according to cooperative auditing report , a criminal act (offence) or violation, it is obliged to notify initiation of procedure to a competent authority.

Article 82.

If - according to cooperative auditing report , entity Cooperative Union finds out that there are fulfilled conditions for cooperative liquidation , it will submit a cooperative liquidation notice to the registry court .

The entity Cooperative Union will inform the subjects from the Article 79 of this Law about submitting the notice from the Item 1 of this Article.

XIV PUBLIC AUTHORITY APPOINTMENT

Article 83.

Cooperative association of B-H has the following public authorities :

1. passes general rules according to which cooperative principles and other issues are applied in order to deal cooperative businesses properly ;
2. enacts rules which regulate conditions for the cooperative auditors , contents of the reports on performed auditing as well as other issues important for cooperative auditing ;
3. identifies methodology for keeping registers by Cooperative Association of B-H and other cooperative unions ;

Rules of the Association define which bodies of it have to pass regulations from the Items 1 and 2 of this Article.

Article 84.

Formal and legal supervision (control) of the entity Cooperative Unions functioning is carried out by competent entity level Juridical Ministry.

XV PENALTY CLAUSES

Article 85.

Fine in an amount from 500 up to 5.000 KM shall be for the following cooperative violations :

1. When dealing activities conditions for which are not fulfilled or the activity is not the subject of business for that type of cooperative; when starting activities , already dealing with or changing conditions of it - before a competent body brings a decisions on its fulfilling necessary conditions referring to technical equipment, labour protection and environmental protection and improvement as well as other prescribed conditions

(Article 62).

2. When a regular cooperative auditing has not been performed within a term regulated by law.

For the violating activities in the Item 1 of this Article a cooperative responsible person can be punished too with a fine ranging from 250 to 1000 KM.

Article 86.

With a fine ranging from 1000 to 10.000 KM the entity Cooperative Union can be punished for not providing cooperative auditing - regular and extraordinary ones , within the terms defined by Article 74. of the Law.

For the violating activities in the item 1 of this article a responsible person at the entity Cooperative Union can be punished with a fine ranging from 100 to 1000 KM.

Article 87.

With a fine ranging from 500 to 5000 KM can be punished a cooperative violations for :

1. not keeping, or keeping but not orderly the cooperative members book (Article 26, Item 1) ;
2. not enabling a cooperative representative or some other person of legal interest to inspect the book (Article 26 , Item 5) ;
3. using the mark “cooperative” together with its trade name, although neither founded nor dealing businesses in accordance with the Law ; or even founded and dealing in accordance with the Law but not using the mark “ cooperative” with its trade name (Article 64, Item 3) ;
4. not informing the registration court - within the legally defined term, about reduction of cooperative members number under the prescribed one for starting a cooperative (Article 66 , Item 7) ;

For the violating activities in the Item 1 of this Article a responsible person of a cooperative, and for the activity in Item 1 , number 3 of this Article - the responsible person of the legal entity with a fine ranging from 100 to 1000 KM.

XVI TRANSITIONAL AND CONCLUDING PROVISIONS

Article 88.

A cooperative can use resources of the state property under different conditions. The state property resources used by a cooperative under different conditions neither can be alienated nor mortgaged.

Article 89.

Provision of the Law , according to which legal position of an enterprise (company) is defined , are also applied to : very activity , seat , firm and its registration number , bodies responsibility to illegitimate decisions, cooperative losses responsibility of members to the its bodies, restriction referring to board members election, representing , procuration, information, business secret, competition clause and expired debts, if not regulated otherwise by the Law .

Article 90.

By the date of the Law entering into force, already existing cooperatives and their unions / associations continue to work in the way and under the conditions according to which they were registered .

The existing cooperatives and cooperative unions / associations are obliged to harmonize / coordinate their organisation , property status, business deals and by- laws to this Law provisions within period of one year from the date of its validity.

The existing cooperatives and cooperative unions / associations , which do not act according to the provisions of the Item 2 of this Article, will be stopped in their work and be removed from the court register after completion of liquidation procedure.

Article 91.

Companies or parts of the companies which were established from previous cooperative organisations, can be organized into a cooperative again by respecting regulations of the Law and personal voting among workers , cooperative members and cooperants.

Article 92.

If the procedure of very establishment or changes in status of a cooperative and a cooperative association, as well as election procedure of bodies and bringing the cooperative rules or any other by- laws of a cooperative , namely an association , has happened on the date when the Law entered into force, they have to be finished / completed according to the provisions of this Law.

Article 93.

Assets pooled by the cooperatives through different contracts , self-management agreements or contracts on labour and resources pooling for building processing or other industrial capacities, have to be turned back to cooperatives - associates , by issuing shares with no compensation , from the very users of pooled assets , when they transform into a public limited company (joint stock corporation).

When the pooled assets user from the Item 1 of this Article is transformed into a limited liability company , the cooperative pooled assets are registered as its' founding deposit to this company.

Article 94.

Currently used cooperative property becomes a cooperative property when this Law is passed .

Article 95.

The property which used to be in possession of cooperatives or their associations after July 1st , 1953 – which was , however, given without compensation to other non-cooperative users (neither cooperatives nor cooperative associations) due to organisational or status changes , has to be turned back to a cooperative of the same sector , as it used to be , namely to a cooperative union / association, which is acting the role of associations to which the property once belonged , and if the same cooperative is not existing any more , the property is given to one which deals in the same region where the former cooperative used

to deal, or to the cooperative union which is in function of the association - member of which the former cooperative used to be.

The cooperative or the association mentioned in the former Item (in the heregoing text : *applicant / claimant*), put a claim for its property return from the legal entity which took over the property without compensation - or from its legal successor (in the heregoing text : *property return obligator*).

In case that an agreement on property return can not be found within a 90 days-period from the date of submitting a claim from the Item 3 of this Article, the *claimant* has the right to initiate an administrative procedure at a competent municipality body , within two year period from the date of passing the Law or the date of establishing a new cooperative.

Administrative dispute can be sued against this procedure secondary decision .

Article 96.

In case that the property mentioned in the Article 95 can not be returned in the same form as it was transferred without compensation , *the claimant* has the right to demand an equivalent financial value of the property , if an agreement with *the obligator* can not be made about the property return by other things or rights.

Financial equivalent from the Item 1 of this Article is determined according to commercial value of the property at the moment of its return.

Article 97.

By the date of passing this *Law* , validity of the *Law on Agricultural Cooperatives in Republic of Srpska* (Official Gazette of RS No. 18 / 99) as well as validity of the *Law on Cooperatives in Federation of BH* (Official Gazette of FBH No. 28 / 97) is terminated .

Article 98.

This *Law* comes into force on the eighth day from its publishing in a corresponding *Official Gazette of B-H*.

