

Pursuant to the provisions of Article 75, paragraph 2 and Article 76, paragraph 2 of the Law on Investment Funds (Official Gazette of FBH, 85/08), the Securities Commission of the Federation of Bosnia and Herzegovina, at its 412<sup>th</sup> session held on July 31, 2014, adopted the following

**Rulebook  
on Permitted Investments and Investment Restrictions of Closed-end Investment Funds  
with Public Offering**

**Article 1**

This Rulebook regulates the permitted investment and restrictions on investing assets of closed-end investment funds with public offering (hereinafter: the Fund).

**Article 2**

(1) Permitted investments of Fund's assets as referred to in Article 75, paragraph 1, items a) and b), and Article 76 of the Law on Investment Funds (hereinafter: the Law) shall mean investments in securities, stakes or shares of an investment fund envisaged in the investment strategy and investment goals defined in the prospectus, statute and other bylaws of the Fund that meet the following requirements:

- a) they are freely transferrable;
- b) they may be reliably assessed;
- c) they have the potential to increase the Fund asset value by increasing the investment fair value and/or accrue yield from interest or dividend in accordance with the analysis made;
- d) that the investment risk is adequately taken into account and controlled by the risk management system established by the fund management company;
- e) they meet the liquidity requirements;
- f) the financial status and business success reports, and other relevant information on the issuer of securities in which investment is made, are publicly available and audited by the authorized independent auditor;
- g) they were issued by open-end joint stock companies in accordance with the Law on Securities Market (Official Gazette of FBH, 85/08 and 109/12), provided that the transactions do not involve related parties referred to in Article 2 of the Law.

(2) Investments referred to in paragraph 1 of this Article must meet the requirements set out in items a), b) and c), and at least two of the remaining requirements set out in items d) through g).

(3) When assessing the investment liquidity referred to in paragraph 1, item f) of this Article, the fund management company shall take into consideration at least the following available information:

- a) the number of securities issuer;
- b) the number of securities owners;
- c) the trading quantity and value;
- d) information on business operations of the issuer and the yield from securities issued previously;

e) information on supply and demand, in order to determine the marketability of securities.

(4) The fund assets, either directly or indirectly via related parties, may be invested in shares of other closed-end investment fund in accordance with the restrictions prescribed by Law, only if the available indicators of business results of the closed-end investment fund confirm that the net asset value has increased, observed in the increasing investment value and a positive financial result of the closed-end investment fund.

(5) In addition to requirements set out in paragraphs 1 and 2 of this Article, Fund assets may be invested in debt securities issued by business companies, provided that:

a) the business company has had a positive business result in the three years prior to the issuance of securities, and

b) that the expected effects of Fund's investment into debt securities issued by business companies exceed those of other possible placements of Fund assets in the same period.

### **Article 3**

(1) Permitted investments of Fund's assets referred to in Article 75, paragraph 1, items a) and b), and Article 76 of the Law on Investment Funds mean investments in money market instruments that meet the following requirements:

a) they mature within 12 months, as of the date of issuance or investment;

b) they have a fixed yield or yield subject to changes to the money market conditions;

c) their value can be reliably determined at any given time;

d) they are freely transferrable and may be sold at a limited cost within a short period of time, under market conditions, that are suited to the conditions for concluding a transaction between well-informed and unrelated parties willing to execute a transaction;

e) meet the market liquidity requirements;

f) that the information on issuance and financial status of the issuer is up-to-date, regular and publicly available;

g) that they are in accordance with the investment strategy and investment goals as defined in the prospectus, statute and other bylaws of the Fund;

h) that the investment risk is adequately taken into account and controlled by the risk management system established by the fund management company.

(2) Investments referred to in paragraph 1 of this Article must meet the requirements set forth in items a), b), c), and d), and at least two of the remaining requirements set out in items e) through h).

(3) When assessing the investment liquidity referred to in paragraph 1, item e) of this Article, the fund management company shall take into consideration at least the following available information:

a) issuance volume;

b) frequency of transaction execution and listing of sale or purchase bids for the said money market instrument, in accordance with the acceptable range in the sense of quantity of securities issued and prices achieved as defined in the analyses of the fund management company, including the information for previously issued securities of the same issuer;

c) information on supply and demand.

### **Article 4**

(1) In addition to requirements set out by the provisions of these Rules, Fund assets may be invested, as referred to in Article 75, paragraph 1, items a) and b), and Article 76 of the Law on Investment Funds, in organized markets abroad, only if the markets are subject to supervision and regulation by a competent authority, and if the credit rating of the securities issuer whose securities are purchased on behalf and for the account of the Fund, within investment classes, according to the rating by widely recognized rating agencies.

(2) Investments referred to in paragraph 1 of this Article may be realized provided that they have the potential, according to analyses made, to increase the investment fair value and/or accrue yield from interest or dividend.

#### **Article 5**

(1) Provisions of these Rules shall apply to Fund investments as of the date of coming into force of these Rules.

(2) The fund management company shall harmonize the existing assets of funds with the provisions of these Rules in accordance with the harmonization plan to be submitted to the Commission within three months from the date of coming into force of these Rules.

(3) The deadline for the asset harmonization in accordance with the plan referred to in paragraph 2 of this Article shall be one year from the date of coming into force of these Rules.

(4) After the expiry of the deadline, the company shall, when calculating the management fee, decrease the net asset value of the fund by the value of assets that have not been harmonized with the provisions of these Rules.

(5) The Commission shall restrict the managerial rights for assets that are not harmonized with the provisions of these Rules within the set deadline.

#### **Article 6**

In the event of failure of the fund management company to comply with the provisions of these Rules, the Commission shall take measures in accordance with Article 44, item d), Article 223 and/or Article 227 of the Law.

#### **Article 7**

As of the date of coming into force of these Rules, the Rules on investments of closed-end investment funds with public offering (Official Gazette of FBH, 53/13) shall cease to be valid.

#### **Article 8**

These Rules shall come into force on the eighth day from the date of their publishing in the Official Gazette of the Federation of Bosnia and Herzegovina.

Pursuant to the provisions of Article 75, paragraph 2 and Article 76, paragraph 2 of the Law on Investment Funds (Official Gazette of FBH, 85/08), the Securities Commission of the Federation of Bosnia and Herzegovina, at its 464<sup>th</sup> session held on December 10, 2015, adopted the following

**Rules  
on Changes and Amendments to the Rules on Permitted Investments and Investment  
Restrictions of Closed-end Investment Funds with Public Offering**

**Article 1**

In Article 2, paragraph 1, item c) is amended as follows:

“that they have the potential to increase the Fund asset value by increasing the investment fair value or accrue yield from interest or dividend in accordance with the analysis made;”

In Article 2, paragraph 1, item f) is amended as follows:

“the financial status and business success reports, and other relevant information on the issuer of securities in which investment is made, are publicly available”.

In Article 2, paragraph 3, item f) is replaced by item e).

In Article 2, paragraph 3, item d) is deleted.

In Article 2, paragraph 3, item e) shall become item d).

In Article 2, paragraph 4, the words “only if the available indicators of business results of the closed-end investment fund confirm that the net asset value has increased, observed in the increasing investment value and a positive financial result of the closed-end investment fund” are deleted.

In Article 2, paragraph 5 is deleted.

**Article 2**

After Article 3, Article 3a is inserted as follows:

**“Article 3a**

Permitted investments of Fund’s assets as referred to in Article 75, paragraph 1, item f) of the Law shall mean investments in real estate, provided that total investment in real estate, including closed-end investment funds with public offering for investing in real estate may not exceed 25% Fund’s net asset value.”

### **Article 3**

In Article 4, paragraph 1, the following words are deleted: “, and if the credit rating of the securities issuer whose securities are purchased on behalf and for the account of the Fund, within investment classes, according to the rating by widely recognized rating agencies”.

### **Article 4**

These Rules shall come into force on the eighth day from the date of their publishing in the Official Gazette of the Federation of Bosnia and Herzegovina.