

Pursuant to Section 3. Article 40. of the Statute of the Foreign Trade Chamber of Bosnia and Herzegovina, the Managing Board of the Foreign Trade Chamber, on the session held on June 17, 2003 passed the

RULES ON ORGANIZATION AND OPERATION OF THE COURT OF ARBITRATION

I GENERAL PROVISIONS

Article 1

The Court of Arbitration of the Foreign Trade Chamber of Bosnia and Herzegovina (hereinafter: the Arbitration Court) is an independent court providing for the settlement of disputes by arbitration.

The Arbitration Court is based in Sarajevo.

The Arbitration Court is responsible for settling disputes which meet the following conditions:

1. that the dispute arises out of trade relations, in connection with rights that the parties may freely dispose of,
2. that the dispute does not fall under the exclusive jurisdiction of a court of law,
3. That the parties have agreed upon the jurisdiction of the Arbitration Court.

The Arbitration Court, upon the request of one or both parties, shall act as a mediator to end the disputes referred to in the Section 1 of this Article.

Article 2

These Rules apply to disputes between parties with a permanent or habitual residence in Bosnia and Herzegovina as well as to disputes in which at least one party has a permanent or habitual residence in another state.

These Rules apply to international as well as to domestic arbitration. When there are procedural differences depending on the international or domestic nature of the arbitration, such differences are indicated in these Rules.

II ORGANISATION

Article 3

The Arbitration Court is an independent court with a President, a Vice President, arbitral committees and arbitrators.

The President and Vice President of the Arbitration Court are not allowed to be appointed as arbitrator during their mandate.

The President, Vice President and arbitrators are appointed by the responsible body of the Foreign Trade Chamber of Bosnia and Herzegovina for a four years period. Once it is finished, their mandate is renewable.

Article 4

The administrative operation of the Arbitration Court is performed by the Secretary of the Arbitration Court, who is appointed by the responsible body of the Foreign Trade Chamber of Bosnia and Herzegovina.

General supervision over administrative and material operation of the Arbitration Court is performed by the Foreign Trade Chamber of Bosnia and Herzegovina (hereinafter: the FTC), which provides the necessary facilities and equipment.

III LANGUAGE OF ARBITRATION

Article 5

Unless the parties agree otherwise, the arbitral tribunal or the sole arbitrator shall, immediately after their appointment, determine the language or languages to be used in the proceedings. This determination shall apply to all written statements and, in case of oral hearings, to the language or languages that shall be used during such hearings.

Until the language or languages of the proceedings is determined, all statements may be submitted in one of the languages of Bosnia and Herzegovina, or in the language of the main agreement, or in the language of the arbitration agreement.

If the members of an arbitral tribunal fail to agree on the language of the arbitration, the arbitration shall be conducted in one of the languages of Bosnia and Herzegovina as freely decided by one party.

IV CONCILIATION

Article 6

In the event referred to in Article 1, Section 3 of these Rules, regardless if the competence of the Arbitration Court has been agreed upon, the parties may request a mediation of the Arbitration Court to reconcile their positions under these Rules.

The conciliation procedure is independent from the arbitral proceedings. If the conciliation procedure fails, nothing of what was stated verbally or in writing during the conciliation procedure shall be binding to the parties. Consent to conciliation procedure cannot be interpreted as a consent to the competence of the Arbitration Court in case of failure of the conciliation procedure.

Article 7

Proposals for initiating a conciliation procedure must be made in writing to the Arbitration Court, and may only be submitted by either one party, or jointly by both parties.

When a proposal for initiating a conciliation procedure is submitted by one party only, the Arbitration Court shall request the other party to respond to this proposal within 30 days. If the other party refuses a conciliation procedure or does not respond within the deadline, the conciliation procedure shall be deemed as having failed.

Article 8

When the other party accepts the proposal for initiating a conciliation procedure, or when the proposal is submitted by both parties, the President of the Arbitration Court appoints a mediator.

The parties may agree that the conciliation procedure shall be conducted by the President of the Arbitration Court or an arbitrator selected by the President of the Arbitration Court from the list of arbitrators.

Article 9

The mediator analyses the statements and proposals of the parties, collects relevant information and when necessary, hears the parties.

After the mediator has reviewed the case, he/she submits in writing a settlement proposal to the parties.

Article 10

If the parties accept the settlement proposal, its terms are reported in the minutes signed by the parties and the mediator. The minutes do not have the force of a valid decision of the Arbitration Court and the settlement is deemed to be achieved outside of the Arbitration Court.

If the parties request an arbitration, and if they submit a valid agreement on arbitration, the President of the Arbitration Court shall appoint an arbitrator who shall, according to the request of the parties, render an arbitration award on the basis of the settlement.

V COMPETENCE OF THE ARBITRATION COURT

Article 11

The Arbitration Court is competent for the disputes referred in Article 1, Section 3 of these Rules if the parties provided for such competence in a written agreement. Such agreement on the competence of the Arbitration Court may be made in connection to a certain dispute or to future disputes that may arise out of contractual relations.

An agreement on the competence of the Arbitration Court is deemed valid when reached through an exchange of letters, cables or faxes.

An agreement on the competence of the Arbitration Court is deemed valid when a provision to the effect of such competence is included in general conditions that apply to a contractual relationship.

The parties accept the provisions of these Rules by accepting the competence of the Arbitration Court.

Article 12

If the defendant denies the existence of an arbitration agreement or an arbitration provision, or if it does not respond to the claim, a commission composed of the President, the Vice President of the Arbitration Court and the arbitrator selected by the President of the Arbitration Court is established to determine, in the light of the documents submitted by the claimant, if there is an agreement on competence of the Arbitration Court.

If the Commission referred to in the previous paragraph determines that according to the documentation submitted by the claimant, there is an agreement on the competence of the Arbitration Court, the arbitration proceeding shall be carried out even if the defendant refuses to participate in it.

The final decision as to the existence and validity of an agreement on arbitration shall not be bound by the decision of the Commission referred to in the first paragraph of this Article.

Article 13

In the absence of an agreement on arbitration, the defendant shall indicate, within 15 days after being notified, whether it accepts the competence of the Arbitration Court. If the defendant does not respond or if it refuses to accept such competence, the claimant shall be informed that the arbitration cannot be carried out.

Article 14

The arbitration is conducted under the responsibility of the arbitral tribunal and the arbitrators.

The parties may deny in writing (response to the claim or others) the competence of the Arbitration Court until they start debating the matter in dispute and if they do not do so in written, they may not deny it during proceedings.

Article 15

A Denial of competence is discussed by an extended tribunal consisting of, in addition to the members of the arbitral tribunal, the President and the Vice President of the Arbitration Court. In case of a sole arbitrator, the extended tribunal consists of the arbitrator, the President and the Vice President of the Arbitration Court.

The extended tribunal referred to in the previous paragraph determines the competence of the Arbitration Court and submits its decision to the arbitral tribunal or the sole arbitrator.

Article 16

If a denial of competence is contained in response to the claim, or in any other submission before the proceedings, the proceedings concerning the issue of the competence shall be held before the extended tribunal pursuant to the Article 15 of these Rules.

If a denial of competence is stated during hearings, the arbitral tribunal shall conduct all necessary investigations and discuss the issue of the competence at the closed-door session of the extended tribunal after completion of the proceedings.

In the event referred to in the paragraph 2 of this Article, the arbitral tribunal may simultaneously decide on the issue of competence and the matter in dispute. When so decided during the previous closed-door session of the extended arbitral tribunal, the issue of competence shall be solved, and if the Arbitration Court is declared to be competent, the arbitral tribunal, in its regular composition, decides on the matter in dispute.

Article 17

An arbitration agreement on the competence of the Arbitration Court does not waive the right of the parties to request conservatory measures from the competent court of law. The concerned parties must inform the Arbitration Court without delay of such requests as well as of the nature of the requested measures.

VI INTIATION OF THE ARBITRAL PROCEEDINGS

Article 18

Arbitral proceedings are initiated by a written claim submitted to the Arbitration Court in five copies with the following content:

1. name, occupation / field of activity, and residence / head office of both parties;
2. documents evidencing an arbitration agreement on which the competence of the Arbitration Court is based, if any;
3. matter of the dispute, amount of the dispute, facts, claims, evidence and all documents relevant to the dispute, in a original specimen or in a copy certified by an independent party;
4. Proposal for appointing an arbitrator.

The President of the Arbitration Court may request the claimant to submit a translation of the claim in a foreign language in order to facilitate the proceedings.

When there are more than one defendant, additional copies of the claim and attachments may be required.

The claim is notified, along with its attachments, to the defendant for response, with indications as to number of copies of the response and its attachment that must be submitted.

Article 19

As a general rule, the deadline for submitting a response to a claim is, 30 days after receiving such claim. Depending on the matter in dispute, the President of the Arbitration Court may set a shorter deadline than the deadline indicated in the paragraph 1 of this Article.

In its response to the claim, the defendant shall indicate its position on the claim and indicate its method of defense together with the appropriate documentation. One copy of the response to the claim shall be submitted to the claimant.

Article 20

The defendant may submit a counterclaim before the conclusion of the main hearing, if the counterclaim arises from the same legal relations.

The counterclaim is notified to the other party through the Secretary of the Arbitration Court, in a manner and deadlines defined by the Article 19, paragraphs 1 and 2 of these Rules.

Article 21

If the parties have submitted to the Arbitration Court mutual claims arising out of different legal relations, the arbitral tribunal must make its best efforts to combine the proceedings and define the most rational process to reach its decision.

Article 22

During the proceedings, invitations to hearings and other written notices to the parties are made by registered mail RRR.

If the parties selected an authorized representative, all written notices are sent to the address of such authorized representative.

When a validly notified defendant does not respond to a claim or invitation, or refuses to participate in the arbitral proceedings, the arbitral proceedings shall continue.

VII APPOINTMENT AND COMPOSITION OF THE ARBITRAL TRIBUNAL

Article 23

Arbitrators are selected from a list of arbitrators determined by the President and Vice Presidents of the FTCBiH.

The competent body referred to in the previous paragraph establishes the following two separated lists of arbitrators:

- a list of arbitrators for disputes where both parties are resident of Bosnia and Herzegovina,
- a list of arbitrators for disputes where at least one of the parties has its residence in another state.

The lists of arbitrators shall be composed of highly qualified professionals, with specialized knowledge in certain areas of legislation and business relations.

The President and Vice Presidents of the FTCBiH may retain the list of arbitrators of another international court of arbitration.

Article 24

A party to a dispute may appoint an arbitrator who is not on the list of arbitrators, but who meets the requirements referred to in the Article 23, section 2 of these Rules. Travel and other costs of such arbitrator shall be paid by the party that appointed him/her.

The arbitrator referred to in the previous paragraph is entitled to the fees set forth in the schedule of costs of the Arbitration Court adopted by the competent body of the FTCBiH.

Article 25

A dispute may be submitted to a sole arbitrator, or to an arbitral tribunal composed of three members.

If the parties fail to agree on the number of arbitrators, and if they do not agree on a sole arbitrator within 15 days after the claim was notified to the defendant, the dispute shall be submitted to an arbitral tribunal.

Article 26

If the parties agree to submit their dispute to a sole arbitrator, the name of the arbitrator they selected from the list of arbitrators shall be sent in writing to the Arbitration Court.

The parties may assign their right to select such arbitrator to the President of the Arbitration Court.

If the parties fail to agree on an arbitrator and if they do not select an arbitrator within 15 days after receiving the invitation to appoint an arbitrator, the appointment shall be made by the Arbitration Court.

Article 27

When a dispute is submitted to an arbitral tribunal, the claimant appoints its arbitrator while submitting the claim, and the defendant no later than the deadline that applies to his response to the claim.

If one or both parties does/do not appoint the arbitrators within the deadlines referred to paragraph 1 of this Article, or if they assign the appointment to the Arbitration Court, the arbitrators are appointed by the President of the Arbitration Court, and the parties and the arbitrators are notified accordingly.

Within 30 days after notification of their appointment, the arbitrators of the parties shall appoint the president of the arbitral tribunal from the list of arbitrators. If they do not appoint him/her within this deadline or if they assign the appointment to the Arbitration Court, the President of the arbitral tribunal shall be selected by the President of the Arbitration Court.

Article 28

If there are more than one party as claimants or defendant in one dispute, they shall agree in advance on the selection of the common arbitrator. If they fail to agree within the deadlines set forth by these Rules, the arbitrator shall be appointed by the President of the Arbitration Court.

In case referred to in the previous paragraph, the President of the Arbitration Court shall select the members of the arbitral tribunal and decide which one of them shall be the president of the arbitral tribunal.

Article 29

If, during his/her mandate, an arbitrator is unable to perform his/her duties, the party that appointed him/her shall appoint another arbitrator no later than 15 days after receiving the invitation of the Arbitration Court to appoint another arbitrator.

If the arbitrator who is not able to perform his/her duties was appointed by the President of the Arbitration Court, the President of the Arbitration Court shall appoint the replacing arbitrator.

Article 30

A party may challenge an arbitrator if it believes that there are circumstances which give rise to justifiable doubts as to the arbitrator's impartiality or independence, in accordance with the provisions of the Law on Litigation.

A party may challenge an arbitrator appointed by itself only for reasons of which it becomes aware after the appointment has been made.

Article 31

The party that believes that there are circumstances justifying that an arbitrator be challenged, must send a written notice to the Arbitration Court to that effect within 15 days after receiving the notice on the appointment of the arbitrator, or within 15 days after it became aware of the circumstances.

The dismissals of an arbitrator shall be decided by the President and the Vice President of the Arbitration Court.

The new arbitrator shall be appointed in accordance with Articles 26 - 30 of these Rules, or pursuant to the procedure under which the replaced arbitrator was appointed.

VIII ARBITRAL PROCEEDINGS

Article 32

Upon receiving the claim and response to the claim, the president of the arbitral tribunal, or the arbitrator shall review the submitted evidence and shall take all necessary measures to obtain additional evidence.

The parties may complete the statement they made and the evidence they provided in the claim and the response to the claim with additional submissions.

After the submitted evidence was analyzed and, if necessary completed, the president of the arbitral tribunal or the sole arbitrator may convene a hearing.

Article 33

If the arbitral tribunal or the sole arbitrator determines that written submissions and evidence are sufficient to render an award without a hearing, and if neither party requests such hearing, the arbitral tribunal or the sole arbitrator informs the parties that the award shall be rendered on the basis of the written submissions.

If none of the parties requires a hearing within 15 days after receiving the notice referred to in the paragraph 1 of this Article, the award is rendered without hearing, on the basis of the written submissions.

The parties may submit the proposal, if they mutually agree, that the award be made without hearing.

Article 34

All deadlines defined by these Rules may be extended on the request of the parties when such request is justified.

The arbitral tribunal, or the sole arbitrator ensures that the proceedings are not delayed.

Article 35

Hearings take place, as a general rule, at the seat of the Arbitration Court.

Upon the proposal of the parties, the arbitral tribunal or the sole arbitrator, the President of the Arbitration Court may decide that the hearings shall take place in another location.

Arbitration awards are made at the seat of the Arbitration Court.

Article 36

Proceedings are not public, unless the parties agree otherwise.

The parties attend the proceedings personally or through their authorized representatives. If a party has an authorized representative, the president of the arbitral tribunal, or the sole arbitrator may decide that such party shall also be heard during the proceedings. The authorized representative of a party may be a foreign citizen if such party resides outside Bosnia and Herzegovina.

During proceedings, the parties may be assisted by their advisors.

Article 37

If either party fails to appear at a hearing, and if the arbitral tribunal or the sole arbitrator determine(s) that such parties were regularly convened and that the absence is not justified, proceedings continue in the absence of such party.

Article 38

An arbitral tribunal, or a sole arbitrator may organise, at the request of the parties or at its own initiative, a presentation of the evidence. Presentation of the evidence may be decided during the whole proceedings.

Arbitrators freely assess the probatory value of the submitted evidence.

The parties are obliged to cooperate during the presentation of evidence and take all measures that are requested from them to this purpose. Their refusal to comply or omissions shall be noted in the minutes.

Article 39

To complete the submitted evidence, the arbitral tribunal or the sole arbitrator may call witnesses and appoint experts.

The arbitral tribunal or the sole arbitrator may order the parties to summon the witnesses but they may send invitations to the witnesses by themselves.

Hearings of witnesses and presentations of evidence are held, as a general rule, before the arbitral tribunal. The arbitral tribunal may decide, for justified reasons, that the hearing shall be recorded in writing in the presence of the president of the arbitral tribunal.

The arbitral tribunal or the sole arbitrator may request from the courts of law to order the submission of some evidence which they cannot obtain.

Article 40

During the proceedings, the arbitral tribunal or the sole arbitrator may decide any measure they deem necessary, such as: advance payments to cover the costs of experts and witnesses, submission and collection of evidence, combing the subjects as well as the other decisions on conducting the proceedings.

If a party that suggested a measure referred to in the paragraph 1 of this Article does not make an advance payment, such measure shall not be taken.

During the proceedings the arbitral tribunal or the sole arbitrator may order the parties to take, or abstain to take, actions in connection to the matter in dispute.

Article 41

All steps and actions pertaining to the proceedings must be recorded in minutes.

A secretary is appointed by the president of the arbitral tribunal or the sole arbitrator to write the minutes.

The minutes indicate the name and composition of the arbitral tribunal or the sole arbitrator, the place, date and hour of the proceedings, the matter in dispute, the names of the present parties or third persons and their authorized representatives and advisors. In addition to the secretary and the president of the arbitral tribunal or the sole arbitrator, minutes are signed by all present parties.

Article 42

Proceedings before the Arbitration Court are conducted in accordance with these Rules. In case of omission, the relevant provisions of Litigation Law shall be used to fill all omissions, unless the parties agree otherwise.

Article 43

The parties may agree that proceedings before the Arbitration Court shall be carried in accordance with the UNCITRAL rules.

IX DECISION MAKING

Article 44

Proceedings are made of resolutions and awards.

Resolutions are passed to decide measures during the proceedings, and upon completion of the proceedings, the arbitral tribunal or the sole arbitrator shall render the award.

An award shall be made according to the law that the parties have chosen as the law applicable to their contractual relations.

If the parties did not chose the applicable law, the arbitral tribunal or the sole arbitrator shall determine the law which, according to the conflict of law rules, is the most appropriate.

The arbitral tribunal or the sole arbitrator may render an award based exclusively on the principles of fairness (*ex aequo et bono*) only if the parties have expressly authorized them for that.

Article 45

Notwithstanding the applicable substantive law, the arbitral tribunal or the sole arbitrator must render an award consistent with the provisions of the agreement, taking into account the international or BiH trade usage that may apply.

Article 46

The award shall be made no later than 15 days after the last hearing, or the closed-door session of the arbitration tribunal.

Article 47

An arbitral tribunal shall pass its award by a majority of votes. If it is not possible to achieve the majority, Litigation Law shall apply.

Article 48

The award is made in writing and must indicate the date and place of its making, the names of the arbitrators, the names of the parties, the matter in dispute, the deadline for its execution. The deadline is determined depending on the circumstances of the case.

The award must indicate the costs of the proceedings, and specify how they are allocated between the parties.

The award has to be supported by a factual and legal explanation.

The award may only be published with the consent of the parties.

Article 49

The President of the Arbitration Court is authorized to reconsider the award before signing it and he/she may request the arbitral tribunal or the sole arbitrator to make certain formal modifications of the award.

Article 50

The award is final and cannot be appealed. It has the force of a valid decision of a court of law.

By agreeing on the competence of the Arbitration Court, the parties accept to comply with the award.

Within 15 days after receiving the award, the parties may require the arbitral tribunal or the sole arbitrator to correct possible calculating, typographic, misprinting or similar mistakes. Within this deadline, the arbitral tribunal or the sole arbitrator may make such kind of correction at its own initiative.

Corrections are made in writing.

Article 51

The original of the award and all copies are signed by all members of the arbitral tribunal, or by the sole arbitrator.

When one of the arbitrators refuses to sign the award, the award is valid if it has been signed by the majority of the members of the arbitral tribunal and if the refusal to sign is stated in the decision.

Article 52

Copies of the award signed by the members of the arbitral tribunal or the sole arbitrator are notified to the parties.

Upon notification, the award becomes enforceable.

Additional copies may be issued at the request of the parties, but such copies cannot be issued to third parties.

Article 53

The parties are entitled to resolve their dispute by settlement at any time during the proceedings. The arbitral tribunal or the sole arbitrator may make a final decision on the completion of the proceedings or, if both parties request so and the arbitral tribunal or the sole arbitrator accepts, an award on the basis of the settlement.

The settlement is recorded in the minutes which are signed by the arbitral tribunal or the sole arbitrator and by the parties, and it is stated in the form of verdict without explanations.

The settlement is deemed to be reached when the parties, after reading the minutes on the settlement, sign the minutes.

Such settlement has the force of an award, in accordance with the provisions of these Rules.

X COSTS OF ARBITRATION

Article 54

The competent body of the FTCBiH determines the applicable schedule of costs.

When filing a claim or a counterclaim to the Arbitration Court, a party is obliged to deposit the amount of the costs which are determined by the President of the Arbitration Court according to limits set forth by the schedule of costs.

By determining the costs, the President of the Arbitration Court must specify the number of the bills and the deadlines by which the identified costs have to be paid.

If it appears, during the proceedings, that a previously determined amount is not sufficient, the President of the Arbitration Court shall make a decision on additional amounts, up to the limits of the applicable schedule of costs.

If the claimant, or the counter-claimant fails to pay the costs within 15 days after receiving a request to do so, the claim or the counterclaim shall be deemed as withdrawn.

Article 55

To cover expenses that may result from procedural measures requested by either party, the corresponding amount shall be paid in advance by such party. The amount to be paid shall be decided by the arbitral tribunal or the sole arbitrator.

To cover expenses that may result from procedural measures ordered at the initiative of the arbitral tribunal or the sole arbitrator, the arbitral tribunal or the sole arbitrator determines which party and in what amount shall pay such expenses.

Article 56

If the arbitral tribunal or the sole arbitrator holds the hearing outside of the Arbitration Court, the President of the Arbitration Court shall determine the additional amount which shall cover the expenses of the hearing.

If the hearing takes place outside of the Arbitration Court at the request of either party, the additional expenses must be paid by such party. If the hearing takes place outside of the Arbitration Court based on the mutual agreement of the parties, each party shall pay a half of the additional expenses.

Article 57

The remuneration of the President and the Vice President of the Arbitration Court is determined by the competent body of the FTCBiH.

Article 58

The remuneration of the arbitrators, secretary and other administrative costs, including travel costs and other reimbursements, are determined by the schedule of costs referred to in the Article 54, paragraph 1 of these Rules.

XI TRANSITIONAL AND FINAL PROVISIONS

Article 59

When these Rules enter in force, the Rules on Organization and Procedure in front of the Permanently Elected Court of the Foreign Chamber of Bosnia and Herzegovina dated June 16, 2003 shall cease to be into force.

These Rules shall enter in force on the eighth day after their date of publication in the Official Gazette of Bosnia and Herzegovina.

PRESIDENT OF THE MANAGING BOARD : Tomislav Grizelj

Ref. number: FTC-542-3/03

Sarajevo, June 17, 2003