Based on Article 117, 118, 119 and 128 of the Law on Banks of Republika Srpska (“Official Gazette of Republika Srpska” number 74/02) and Article 4 of the Law on Banking Agency of Republika Srpska (“Official Gazette of Republika Srpska”, no. 10/98, 16/00, 18/01, and 71/02), Article 15, Point 2 and Article 28 of the By-Laws of the Banking Agency of Republika Srpska (“Official Gazette of Republika Srpska”, no. 38/98) on its session held on February 10, 2003 the Managing Board of the Banking Agency of Republika Srpska declared

**DECISION**

**ON THE PROCESS FOR DETERMINATION OF RECEIVABLES AND DISTRIBUTION OF ASSETS AND LIABILITIES DURING LIQUIDATION OF BANKS**

**Article 1**

This Decision regulates the process for determination of receivables and distribution of assets and liabilities, that is determination of priorities during the distribution of assets and liabilities in the process of bank liquidation.

**Article 2**

Receivables, that is bank’s assets, in the sense of article 1 of this Decision, include:

1. Assets items in the bank’s balance sheet;
2. Off-balance sheet items records of the bank, representing:
   a) Bank’s potential receivables;
   b) Previously charged off loans and similar losses; and
   c) Items related to all instruments bank received from its debtors for the purposes of securing collection of its receivables (collateral).

Bank’s payables, in the sense of Article 1 of this Decision, include:

1. Liabilities items in the bank’s balance sheet;
2. Off-balance sheet items records representing its potential liabilities to other entities such as issued guarantees, issued letters of credit and other similar instruments.

Creditors are required to register their receivables that are within the liabilities stated in paragraph 2 of this Article, with the liquidation administrator in accordance with Article 61 of the Law on Banks.

**Article 3**

Process of bank liquidation is performed according to priorities complying with provisions of Article 119 of the Law on Banks of Republika Srpska.

Payment of bank’s liabilities during the liquidation process is performed in accordance with the Plan of liquidation, which is an integral part of the Report on financial condition of the bank developed by the liquidation administrator and approved by the Banking Agency of Republika Srpska.
Article 4
Liquidation Administrator can issue a decision suspending bank’s obligations towards a bank’s employee who is under investigation to determine his/her responsibility in acting, or not acting appropriately, which contributed to the bank’s poor financial condition. The suspension shall last until the investigation process determines the employee’s responsibility.

Suspension stated in the previous paragraph also relates to entities related to the bank’s employee mentioned in the previous paragraph.

Article 5
In the course of a bank liquidation, payment of the bank's obligations to persons who, at the same time, have obligations towards the bank based on loans or other bank's receivables, including interest accrued and off-balance sheet instruments can only be conducted by following the line of priorities stipulated by Article 119 of the Law on Banks.

Article 6
Exception from limitation stated in Article 3 of this Decision applies to those employees engaged to work in the process of bank liquidation by the liquidation administrator and this is exclusively based on the arrangement in place during the liquidation process.

Article 7
As of the effect date of this Decision, the Decision on the Process for Determination of receivables and distribution of assets and liabilities during bank liquidation (“Official Gazette of Republika Srpska” number 47/01) is hereby revoked.

Article 8
This Decision comes into effect on the eighth day after its being published in the “Official Gazette of Republika Srpska”.

No. UO-106/03
February 10, 2003
Banja Luka

PRESIDENT OF THE
MANAGEMENT BOARD
Ph.D. Novo Plakalovic [signed]