

Pursuant to Article 243 and 245 of the Banking Law of Republika Srpska (“Official Gazette of Republika Srpska”, issue No.: 04/17), Article 5, Paragraph 1, item b, Article 20, Paragraph 2, item b, and Article 37 of the Law on Banking Agency of Republika Srpska (“Official Gazette of Republika Srpska”, issue No.: 59/13 and 4/17), and Article 6, Paragraph 1, item b and Article 19, Paragraph 1, item b of the Statute of the Banking Agency of Republika Srpska (“Official Gazette of Republika Srpska”, issue No.: 63/17), the Management Board of the Banking Agency of Republika Srpska, at its 47<sup>th</sup> session held on 26 February, 2018, adopted the following:

## **DECISION ON THE BRIDGE BANK**

### **General Provisions**

#### **Article 1**

This Decision shall prescribe the contents of documentation and evidence which shall be submitted to the Banking Agency of Republika Srpska (hereinafter: Agency) attached to the application for issuance of an operating license for the bridge bank, the manner and procedure of transfer of shares, assets, rights, or liabilities of the bank under resolution procedure to the bridge bank, as well as the possibility of transfer of shares, assets, rights or liabilities of the bridge bank to the bank under resolution procedure, as well as the conditions and manner of sale of the shares, assets, rights, and liabilities of the bridge bank, including its announcements.

### **Issuance of an operating license to the bridge bank**

#### **Article 2**

- (1) The operating license for the bridge bank shall be issued by the Agency on the basis of the application of the founder, to which the following shall be attached:
  - 1) the founding enactment and the Statute of the bank to which the Agency has issued consent,
  - 2) evidence of payment of the minimum founding capital,
  - 3) names of proposed members of the supervisory board and management of the bank including data on their qualifications, professional knowledge, experience, business reputation and renown,
  - 4) proposal of strategy and risk profile,
  - 5) business plan,
  - 6) financial projections, and
  - 7) other enactments upon a request of the Agency.
- (2) The application referred to in Paragraph 1 of this Article shall be decided on by the Agency within two working days at the latest from the date of receiving a regular application, and the decision on issuance of the operating license shall be published in the “Official Gazette of Republika Srpska”, one or more daily newspapers accessible throughout the territory of Bosnia and Herzegovina and on its website.

- (3) In case that all necessary documents or information have not been attached to the application, the Agency may request additional documents or information from the applicant. They shall have to be submitted within a deadline specified by the Agency.
- (4) The operating license for the bridge bank shall be issued for the period of two years at the maximum from the date of the most recent transfer of shares, assets, rights, or liabilities performed, with a possibility of extension of that deadline for one year or multiple one-year periods, if such an extension is necessary in order to maintain the critical functions of the bridge bank and ensure the conditions necessary for the termination of its operations.
- (5) The founder of the bridge bank shall be under obligation to submit the application for entry into the register of business entities on the next working day, at the latest, from the date of issuance of the operating license.
- (6) The founding, business operations, and supervision over the bridge bank shall be subject to the provisions of the Banking Law of Republika Srpska (hereinafter: Law).
- (7) Notwithstanding Paragraph 6 of this Article, the bridge bank may also be founded if the conditions for founding stipulated under this decision and the Law have not been met, if that is necessary because of emergency for the purpose of realization of resolution objectives.
- (8) In case of issuance of the operating license referred to in Paragraph 7 of this Article, the Agency shall determine the deadline by which the bridge bank shall be under obligation to harmonize its operations with the provisions of the Law that concern capital and performance indicators of the bank, and such deadline cannot exceed six months from the date of issuance of the license, and it may be extended upon a request of the bridge bank submitted to the Agency.

### **Bridge bank founding enactment**

#### **Article 3**

The founding enactment referred to in Article 2, Paragraph 1, Item 1 of this Decision shall be the enactment of the founder on founding the bridge bank, which shall contain the following, at the minimum:

- 1) data on the founder,
- 2) commercial name of the bridge bank and its headquarters,
- 3) the period for which the bridge bank is being founded,
- 4) the amount of founding capital of the bridge bank and deadline for its payment,
- 5) rights, obligations, and responsibilities of the founder of the bridge bank,
- 6) the number of shares of the bridge bank, the designation of class and their nominal and bookkeeping value,
- 7) activities that shall be performed by the bridge bank,
- 8) manner of coverage of losses of the bridge bank,
- 9) rights and obligations of the founder in case of status related changes of the bridge bank,
- 10) management and governance of the bank, structure and competences of bank bodies,
- 11) name and surname of the person who represents the bank in the process of founding,
- 12) total or assessed amount of costs related to the founding of the bridge bank,

13) other elements, i.e. data of significance for the bank business operations.

### **Bridge bank statute**

#### **Article 4**

- (1) The Statute of the bridge bank referred to in Article 2, Paragraph 1, Item 1 of this Decision shall contain the following, at the minimum:
- 1) commercial name and headquarters of the bridge bank,
  - 2) activity, i.e. tasks that shall the bridge bank shall perform,
  - 3) total amount of founding capital, and conditions for its increases and reductions,
  - 4) the number of shares and their nominal value, types and classes of shares that the bridge bank shall be authorized to issue, as well as the rights resulting from shares of each of the classes,
  - 5) the manner of convening and issues being decided upon by the assembly of the bridge bank,
  - 6) the composition, manner of appointment and dismissal of supervisory board and management of the bridge bank,
  - 7) the rights, obligations, and responsibilities of members of the management and supervisory board of the bridge bank and other persons with special authorities and responsibilities stipulated under the Statute of that bank, as well as the manner of determination of compensations for those persons.
  - 8) obligations and rights of employees that are performing critical functions,
  - 9) authority for signing and representation of the bridge bank,
  - 10) provisions on the system of internal control in the bridge bank,
  - 11) provisions on internal and external audit of the bridge bank,
  - 12) data and documentation that shall be deemed business secrets of the bridge bank and the manner of treating those data and documentation,
  - 13) termination of operations of the bridge bank,
  - 14) manner of adopting general enactments of the bridge bank, and
  - 15) other elements, i.e. data of significance for the operations of the bridge bank.
- (2) The Statute of the bridge bank shall have to be adopted at the assembly of the founder in the form of a document processed by the notary and certified.

### **Appointment of members of managerial bodies of the bridge bank**

#### **Article 5**

- (1) Members of managerial bodies of the bridge bank shall be appointed by the founder referred to in Article 1 of this Decision, pending the consent of the Agency acquired in advance.
- (2) Attached to the list of names of proposed members of the management and supervisory board of the bridge bank, the founder shall submit a proposal for the decision on their appointment and data on their qualification, experience, and business reputation, and other documentation with which it is confirming that they meet the conditions for appointment of members of supervisory body and management of the bank in compliance with the Law and Decision on conditions and procedure of issuance of licenses, approvals, and consents to banks performing activities in Republika Srpska.

- (3) The Agency shall cancel the consent for a member of a managerial body of the bridge bank if he/she ceases to meet the conditions referred to in Paragraph 2 of this Article.
- (4) The founder of the bridge bank shall be under obligation, within the deadline of 10 days from the date of submitting the decision referred to in Paragraph 3 of this Article, to initiate the procedure for appointment of a new member of the managerial body of the bridge bank.
- (5) The Agency shall issue consent to compensations of members of managerial bodies and to the enactment on determination of their duties.
- (6) Attached to the application for issuance of consent to earnings of members of managerial bodies of the bridge bank, the bank shall submit the enactment of the competent body that specifies that compensation.
- (7) When issuing consent to compensations of members of managerial bodies of the bridge bank, the Agency shall take into account the level of assets ensured for business operations of that bank, the amount of assets and liabilities of that bank, its business performance, as well as the assessed amount that would be received from the realization of assets in case of implementation of bankruptcy proceedings over the bank.
- (8) The bridge bank, its managerial bodies, or senior management, shall not be held accountable for damages caused to shareholders and creditors of the bank under resolution procedure because of their actions or failure to act in the course of performance of their duties, unless those actions or failures to act represent gross negligence or a more severe breach of duty.

**Strategy and risk profile of  
the bridge bank**

**Article 6**

- (1) Attached to the application for issuance of an approval of the strategy of a bridge bank, that bank shall submit to the Agency its business plan, including financial projections, as well as its strategy for assuming risks and their management, as well as the risk management policy.
- (2) The strategy for assuming risks and their management and the risk management policy shall be developed in compliance with the Decision on risk management in banks, and must be in compliance with business objectives of the bridge bank, the nature, scope, and complexity of activities being performed by the bridge bank, as well as the type and the amount of assets and liabilities transferred to the bridge bank.
- (3) The bank for special purposes shall be under obligation to discuss the enactments referred to in Paragraph 1 of this Article periodically and to amend them when necessary, and especially in case of any significant changes in the circumstances and facts referred to in Paragraph 2 of this Article.
- (4) On the basis of identified and assessed risks, the bridge bank shall determine its risk profile, i.e. the type and the level of risks to which it is exposed or could be exposed in its business operations, and shall also determine its risk appetite, i.e. the level of risk that the bank is prepared to assume with the objective of realization of its business strategy and objectives.

- (5) The enactment of its competent body that approves the determined risk profile and risk appetite referred to in Paragraph 5 of this Article, shall be submitted by the bridge bank to the Agency along with the description of the most significant assessed risks to which the bank is exposed in the performance of its activities.

### **Delivery of prescribed documentation and evidence**

#### **Article 7**

- (1) The documentation and evidence prescribed under this Decision shall be submitted in original or a certified copy and cannot be older than three months.
- (2) If the bridge bank is submitting an enactment in a foreign language, it shall be under obligation to attach its officially certified translation to it.

### **Manner and procedure for transfer of shares, property, rights, or obligations of the bank under resolution procedure to the bridge bank**

#### **Article 8**

- (1) The Agency shall have authorization for the transfer of shares and other ownership instruments of one or more banks under resolution procedure, total or portion of assets, rights, or liabilities of one or more banks under resolution procedure to the bridge bank.
- (2) The transfer referred to in Paragraph 1 of this Article shall neither require the consent of the shareholders, depositors, or other creditors of the bank under resolution procedure, nor of any other third party.
- (3) The Agency may perform the transfer referred to in Paragraph 1 of this Article to the bridge bank more than once.
- (4) The total value of the liabilities transferred to the bridge bank cannot exceed the total value of assets and rights of the bank under resolution procedure that have been transferred to the bridge bank or ensured for that bank from other sources.

### **Options for transfer of shares, assets, rights or liabilities of the bridge bank to the bank under resolution procedure**

#### **Article 9**

- (1) After the establishment of the bridge bank, the Agency may:
  - 1) transfer the rights, assets or liabilities from the bridge bank back to the bank under resolution procedure, or shares or other ownership instruments to the shareholders, and the bank under resolution procedure or the shareholders shall be under obligation to take over such assets, rights or liabilities, or shares or other ownership instruments, under the condition that such transfer was explicitly stated in the instrument with which the transfer was performed or if the transferred assets, rights, liabilities, shares, or other ownership instruments do not meet the conditions for transfer,

- 2) transfer shares or other ownership instruments, assets, rights, or liabilities from the bridge bank to a third party.
- (2) The Agency may perform the authorization referred to in Paragraph 1 to the transfer of shares, assets, rights or liabilities only in the following cases:
  - 1) if the situation in the specific market for such assets is of such a nature that their liquidation within the framework of bankruptcy proceedings could have a negative impact on one or more of financial markets,
  - 2) if such transfer is necessary in order to ensure the functioning of the bank under resolution procedure or the bridge bank, or
  - 3) if such transfer is necessary in order to acquire the maximum from the liquidation within the framework of bankruptcy proceedings.
- (3) The Agency shall determine the compensation for the transfer of assets, rights, and liabilities to the bank under resolution procedure in compliance with the principles that had been established for assessment of value of assets and liabilities for the requirements of resolution.
- (4) The Agency may transfer the assets, rights or liabilities from the bridge bank to the bank under resolution procedure in more than one occasion, if the following conditions are met:
  - 1) the possibility of the specific assets, rights or liability being transferred back is explicitly provided for in the instrument by which the transfer was performed or
  - 2) the specific assets, rights, or liabilities do not belong to the type of assets, rights, and liabilities that are explicitly prescribed under the instrument with which the transfer was performed or do not meet the conditions for transfer of rights, assets or liabilities that are specifically prescribed in the instrument with which the transfer was performed.
- (5) The transfer referred to Paragraph 4 of this Article may be performed within any deadline specified in the decision of the Agency on transfer to the bridge bank, if it is in compliance with all conditions stipulated in the decision.

**Conditions and manner of sale of shares, assets, or liabilities and termination of operations of the bridge bank**

**Article 10**

- (1) In case of sale of the bridge bank or its assets or liabilities, the Agency shall ensure that the bank or the corresponding assets or liabilities are marketed under the same terms, and that the sale does not lead to any false representations or any priority being given to certain potential buyers, i.e. their discrimination.
- (2) Any sale referred to in Paragraph 1 of this Article shall be performed under market conditions.
- (3) The Agency shall revoke the license of the bridge bank in the following cases:
  - 1) if the bridge bank is merged with a different bank or acquired by that bank, in compliance with the Law,
  - 2) if the bridge bank no longer meets the conditions prescribed under Article 243, Paragraph 1 of the Law,

- 3) if the total or the most part of the assets, rights or liabilities of the bridge bank have been sold to a third party,
  - 4) if the deadline referred to in Article 243, Paragraph 4 of the Law expires, and
  - 5) if the assets of the bridge bank are disposed in total, i.e. realized, and its liabilities are met in total.
- (4) In the cases referred to in Paragraph 3, Items 3 and 4 of this Article, the Agency shall initiate the proceedings of liquidation, i.e. submit to the competent court a proposal for initiation of bankruptcy proceedings over the bridge bank.
- (5) The amount acquired following the proceedings of liquidation or bankruptcy of the bridge bank, reduced by the amount of compensations pursuant to Article 240, Paragraph 6 of the Law, shall be paid:
- 1) to shareholders of the bank under resolution procedure, if the bridge bank was founded by the transfer of their shares, and
  - 2) to the bank under resolution procedure if the transfer, in total or partially, of the assets, rights or liabilities of the bank under resolution procedure resulted in the founding of the bridge bank.

### **Final and transitional provisions**

#### **Article 11**

This Decision shall enter into effect on the eighth day from the date of its publication in the "Official Gazette of Republika Srpska".

No.: UO-371/18

Date: February 26, 2018

PRESIDENT OF THE  
MANAGEMENT BOARD  
Mira Bjelac