

Based on Article 53 of the Law on Microcredit Organizations of Republika Srpska ("Official Gazette of Republika Srpska", No. 64/06), Article 10, Paragraph 2, Point b of the Law on Banking Agency of Republika Srpska ("Official Gazette of Republika Srpska", No. 10/98, 16/00, 18/01, 17/02, 18/03, 39/03, and 123/06) and Article 15, Paragraph 1, Point 2 of the Statute of the Banking Agency of Republika Srpska ("Official Gazette of Republika Srpska", No. 67/04), on its session held on December 29, 2006, the Management Board of the Banking Agency of Republika Srpska, p a s s e d

**DECISION**  
**ON REQUIREMENTS AND PROCEDURE**  
**FOR THE ISSUANCE OF OPERATING LICENSE**  
**TO MICROCREDIT ORGANIZATIONS, ORGANIZATIONAL UNITS OF**  
**MICROCREDIT ORGANIZATIONS FROM THE FEDERATION OF BiH,**  
**DISTRICT BRCKO, AND FOREIGN MICROCREDIT ORGANIZATIONS IN**  
**REPUBLIKA SRPSKA**

Article 1

The Banking Agency of Republika Srpska (hereinafter: the Agency), by this Decision, defines general criteria in the procedure for the issuance of operating license for performing the microcredit activities (hereinafter: the operating license) to be performed by microcredit associations and microcredit foundations, organizational units of microcredit organizations from the Federation of Bosnia and Herzegovina, District Brcko, and foreign microcredit organizations in Republika Srpska (hereinafter: microcredit organizations).

Article 2

Documents of a microcredit organization (hereinafter: MCO) submitted to the Agency must be adopted, signed, and certified by authorized bodies, i.e. by the authorized person in the MCO either in original or certified copy.

In case the MCO submits a document in a foreign language, it is also obliged to submit the officially certified translation of the document.

Article 3

Microcredit organization, i.e. a person authorized by the founding document for the representation of the MCO submits to the Agency a request for the issuance of operating license and together with the request it submits the following:

1. authorization for a person with whom the Agency will cooperate during the process of analyzing the request,
2. MCO founding document signed by all founders,
3. Draft of the Statute,
4. evidence on professional qualifications, work experience, and financial condition for the members of managing bodies, including director, as well as excerpts from the criminal record stating that these persons were not sentenced for criminal acts for which unconditional imprisonment is prescribed,
5. list of founders with proofs on their profitability,
6. statements on founding capital of microcredit organization and the amount of other forms of capital,

7. evidence on executed payment of a minimum amount of founding capital,
8. opinion of the regulatory institution in case the request is submitted by an MCO from abroad,
9. evidence on business premises, technical and staff resources required to perform the business activity.

If the request is related to a microcredit association, it should also include the following:

1. business plan for the first three years of operation, which contains, as a minimum, overall strategy related to the institution, expected target market, projected rates of assets and liabilities growth, with detailed description of activities to be carried out, projection of opening balance sheet and income statement for the first three years, and
2. operating policies:
  - providing for funds to perform lending activities;
  - extending loans by defining profiles of borrowers,
  - establishing and maintaining reserves.

#### Article 4

Pursuant to Article 3, Point 2 of this Decision, a microcredit organization shall submit to the Agency the founding document.

The founding document of the MCO must contain the following elements:

1. name and surname / residence address / or, in case of a firm, the headquarters of the founder,
2. name and the headquarters of the microcredit organization,
3. objectives of establishment of the microcredit organization,
4. activities of the microcredit organization,
5. total amount of the founders' capital invested by MCO founders with the description and evaluation of value of the share in items and rights, and conditions for its increase,
6. procedure and deadlines until which the founders are obliged to make payment of the funds into the capital and ensure other conditions for the establishment and business operations of the MCO,
7. statements on the MCO founding capital, rights and obligations of founders,
8. manner of compensating the costs of the establishment,
9. consequences of non-executing the obligations of founders,
10. manner of resolving disputes among founders,
11. managing and governing the MCO, composition and authorities of the MCO bodies,
12. bearing a risk and the coverage of possible losses,
13. name and surname of the person that represents the MCO during the founding process.

Founding document of the MCO must be signed by all founders and their proxy-holders, and such signatures must be notarized in accordance with law.

The date and location of the conclusion of the founding document shall be stated in the founding document and binding of its pages should be done in such a way to disable their exemption and replacement.

#### Article 5

Pursuant to Article 3, Point 3 of this Decision, a microcredit organization shall submit to the Agency the draft of its statute.

The draft must contain the following elements:

1. MCO's name and the headquarter,
2. activity, i.e. business operation to be carried out by the MCO (to be in compliance with the Law on Microcredit Organizations),
3. provisions on the MCO's capital (type, size, structure, manner and the conditions for its increase and decrease) or the amount of capital that will be paid in cash funds and the value of non-cash contributions, i.e. property and rights),
4. manner of forming and using the reserves,
5. manner of loss coverage,
6. manner of convening the assembly and decision making, composition and the authorizations of the bodies nominated by the assembly,
7. composition, appointment and discharge of authorized bodies of the MCO,
8. obligations and rights of the staff with special authorizations in the MCO,
9. acting for and on behalf of the microcredit organization,
10. manner of establishing the MCO's organizational parts,
11. provisions regarding the MCO's internal control system,
12. provisions regarding the MCO's internal and external audit,
13. procedure for merger, acquisitions and division,
14. cease of the MCO's business operation,
15. manner of adopting general acts,
16. procedure for amending and modifying the Statute,
17. other issues related to the business operation of the MCO.

#### Article 6

A verified copy of the statute, adopted by the assembly or other body in charge, shall be submitted by the microcredit organization to the Agency within 15 days from the date of adoption in order to obtain its approval.

### **Data on Management Board Members, Director, and Executive Directors of Microcredit Organization**

#### Article 7

If, at the moment of applying for the operating license, management board members, candidate for director, and candidates for executive directors of microcredit organization are not know, the applicant shall submit a plan of staff profiles required with a time schedule of appointments planned.

### **Statements on Founding Capital of Microcredit Organization**

#### Article 8

The request for the issuance of operating license shall include a statement on the amount and method of payment of founding capital.

#### Article 9

Following the entry into the court registry, a microcredit organization shall submit to the Agency a certified copy of the registration within 15 days from the day of the registration.

### **Procedure of establishing organizational parts of a microcredit organization**

#### Article 10

Microcredit organization with head office in Republika Srpska may establish organizational parts outside the territory of Republika Srpska through which it will carry out its activity on the territory of the Federation of BiH, Brcko District and in foreign countries.

Microcredit organization is obliged to obtain the approval from the Agency for the establishment of an organizational part, and together with the request it submits the following documents:

1. decision of the authorized body on establishing an organizational part of the microcredit organization from Republika Srpska on the territory of the Federation of BiH, that is Brcko District with specification of business activities to be carried out by such organizational part,
2. decision of the authorized body on the appointment of the organizational part' manager, with the indication of his/her authorities, as well as with the proof of his/her qualifications, and work experience,
3. evidence that the business premises are provided for (evidence on the ownership or the lease agreement for a certain period of time with a proof that the lessee is the owner of the business premises),
4. decision of the authorized administrative body that the business premise is suitable for its purpose,
5. approval of the authorized body for taking out the funds in a foreign country if the organizational part is being established abroad,
6. certified statement of the microcredit organization for taking obligations and responsibilities for all liabilities that will emerge in the business operations of its newly established organizational part.

#### Article 11

Microcredit organization is obliged, in further procedure, to recognize the authorized regulatory institution of the Federation of BiH, Brcko District i.e. the country in which the organizational part is being established, with the obligation to comply with their respective regulations.

#### Article 12

After obtaining a document from the competent authority regarding the registration in the records of the Federation of BiH, Brcko District or the country in which the business activities are carried out, the microcredit organization is obliged to submit to this Agency a certified copy of the registration within eight days from the day of the registration.

#### Article 13

Microcredit organization with head office in Republika Srpska may establish an organizational part without the obligation for court registration, but with the obligation to notify the Agency about such organizational part within 8 days from the date of its establishment.

#### Article 14

Microcredit organization with head office in the Federation of Bosnia and Herzegovina and Brcko District may establish an organizational part by means of which it will carry out its operation on the territory of Republika Srpska.

The microcredit organization referred to in Paragraph 1 of this Article shall submit a request to the Agency for the issuance of license on the establishment of organizational parts, and together with the request, it submits the consent issued by the Banking Agency of the Federation of BiH, as well as the documentation referred to in Article 10, Paragraph 2 of this Decision, except for the documentation referred to in Point 5.

#### Article 15

Microcredit organization with head office outside the territory of Bosnia and Herzegovina may establish an organizational part in Republika Srpska in order to perform microcredit activities.

The microcredit organization referred to in Paragraph 1 of this Article shall submit a request the Agency for the issuance of license to perform microcredit activities and together with the request it submits the documentation referred to in Article 3 of this Decision.

In assessing every individual request before issuing the license the Agency may conduct consultations with authorized institutions where the foreign microcredit organization is located.

#### Article 16

Organizational part of a foreign microcredit organization has characteristics of a legal entity and it is to be registered at the authorized registry where the head office of the newly established organizational part is.

Microcredit organization is obliged to submit to the Agency a notarized copy of the registration within 15 days from the day of the registration.

### **Procedure for the issuance of license to perform microcredit activities**

#### Article 17

After receiving a request, the Agency shall process the request determining the compliance of the request and the documentation enclosed with the law and this Decision.

As additional measures the Agency may:

- have an interview with representatives or founders of the microcredit organization;
- carry out an on-site examination;
- request a review or confirmation of financial data based on the current and previous condition;
- request other documentation necessary.

#### Article 18

The Agency passes a decision related to the applicant's request within 60 days from the day of the submission of application with a complete documentation.

The applicant shall pay a fee for the issuance of the decision as determined by the Agency's conclusion.

#### Article 19

If the applicant fails to submit the request with necessary documentation or information, the Agency may ask for the request to be amended within the deadline prescribed.

If the applicant fails to amend the request with appropriate documentation or information within the deadline prescribed the Agency shall reject the request as the incomplete one by issuing such a decision.

#### Article 20

The applicant has right to complain against the Agency's decision unless the decision determines otherwise.

The complaint shall be submitted to the Management Board of the Agency's within eight days from the day of receipt of the decision.

No fee shall be charged for the complaint.

The decision by the Management Board shall be final.

#### Article 21

In case the Agency rejects by its decision the applicant's request, and the applicant fails to submit his complaint within the deadline prescribed, but instead the applicant makes the compliant with delay, the Agency shall reject the complaint as being untimely by issuing such a decision.

A complaint shall be rejected in case it is not allowed or if it is submitted by an unauthorized person.

The applicant whose complaint has been rejected shall have the right to submit a complaint to the Management Board of the Agency within eight days from the day of receipt of the decision.

In case the Managing Board finds out that the complaint is legitimate, it shall also pass a decision on the complaint that has been rejected.

#### Article 22

Microcredit organizations, and organizational parts from the Federation of Bosnia and Herzegovina, and Brcko District, as well as foreign microcredit organizations in Republika Srpska, which do not put their operation in compliance with the law and this Decision, shall terminate their operation and shall be removed from the public registers maintained by authorized bodies.

#### Article 23

This Decision shall become effective on the eight day from the day of its being published in the "Official Gazette of Republika Srpska".

December 29, 2006  
Banja Luka

MANAGEMENT BOARD  
Ph. D. Novo Plakalovic  
/signed/