

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, 24/03 and 39/03) and Article 15, Paragraph 1, Line 11 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 DEFINITION OF PERSONS RELATED TO MICROCREDIT ORGANIZATION
AND MINIMUM STANDARDS FOR OPERATION OF MICROCREDIT
ORGANIZATION WITH RELATED PERSONS

Article 1

By means of this Decision the Banking Agency of Republika Srpska (hereinafter: the Agency) gives a definition of persons related to microcredit organization (microcredit association and microcredit foundation) and minimum standards for operation of microcredit organization with related persons.

Article 2

Microcredit organization may perform business transactions on behalf or for the account of a person related to the microcredit organization only in accordance with law, this Decision, and special procedures of microcredit organization related to its operation with persons related to the microcredit organization.

Article 3

Microcredit association emerged from a microcredit foundation transformed into such an association or by investing assets and liabilities of microcredit foundation into microcredit association shall not extend loans to related persons for a period of five years from the date of coming into force of the Law on Microcredit Organizations of Republika Srpska ("Official Gazette of Republika Srpska" number 64/06).

Microcredit foundation shall not extend loans to related persons.

Article 4

The following are considered persons related to microcredit organization:

1. Director, members of both Managing and Audit Board, as well as members of their closer families up to the third level of connection by blood or marriage, or persons living in the same household, and persons having mutually related or joint investments;
2. Founders of microcredit organization, persons with significant ownership interests in microcredit organization, as well as members of their closer families up to the third level

- of connection by blood or marriage, or persons living in the same household, and persons having mutually related or joint investments;
3. Legal persons with shares and voting rights in microcredit organization;
 4. Legal persons in which a holder of a significant ownership interest, a member of managing or audit board is one of persons listed from point 1 to point 3 of this Article;
 5. Legal persons in which significant ownership interest is held by those legal or physical persons having significant ownership interest in microcredit organization; and
 6. Persons related to founder, that is owner of the microcredit organization.

Article 5

Management Board of a microcredit association which has not been founded by transformation from Article 3 of this Decision declares special procedures for operation with persons related to microcredit organization (hereinafter: procedures) and monitors their implementation.

Procedures for operation with related persons stipulate as follows:

1. Microcredit organization may perform business transactions with a person related to the microcredit organization only under permission of the management board;
2. A person related to microcredit organization, who is at the same time a member of management board or any other body, shall not participate in voting to make a decision on business transactions between microcredit organization and the person himself/herself or any other person related to him/her;
3. Permission by management board shall be based on relevant pieces of information, details and conditions for transactions for which permissions are required, especially related to the amount of a loan transaction, and especially related to amounts of loans, interest rates, fees, borrower's financial reports proving his/her capability to repay the loan in a timely manner, issue of collateral and similar;
4. Pieces of information related to transactions related to sale or purchase of assets (funds) shall be relevant including information and proofs confirming value of such assets stating their purchase/sale price;
5. Microcredit organization shall keep accurate information, documentation and files on approvals issued by management board.

Article 6

When performing business operation with persons related to microcredit organization and activities on behalf and in account of persons related with microcredit organization, the microcredit organization shall not offer to such a person more favorable terms in comparison with persons who are not related to the microcredit organization.

Article 7

Microcredit organization shall submit to the Agency quarterly (each three months) reports on all transactions with persons related to microcredit organization performed in the reporting quarter, not later than 30 days from the last day of the reporting quarter.

Article 8

Reports from Article 7 of this Decision for all credit and other placements of microcredit organization shall contain data of all related persons listed in Article 4 of this Decision.

Article 9

Loans approved by microcredit organization to persons related to the microcredit organization, which as of the effective date of this Decision have not been in compliance with terms and criteria stipulated by the Decision, can be utilized and repaid by borrowers, that is, by loan users, i.e. serviced under conditions agreed. The microcredit organization, however, shall not prolong such loans approved to persons related to microcredit organization.

Article 10

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

UO number: 302/06
December 29, 2006
Banja Luka

PRESIDENT OF THE
MANAGEMENT BOARD
Ph. D. Novo Plakalovic
/signed/