

Pursuant to Articles 17 and 18 of the Law on microcredit organizations (“Official Gazette of Republika Srpska” No. 64/06 and 116/11), Article 5, Paragraph 1, Item b, Article 20, Paragraph 2, Item b and Article 37 of the Law on the Banking Agency of Republika Srpska (“Official Gazette of Republika Srpska” No. 59/13 and 4/17), Article 6, Paragraph 1, Item b, Article 11 and Article 19, Paragraph 1, Item b of the Statute of the Banking Agency of Republika Srpska (“Official Gazette of Republika Srpska” No. 63/17), the Management Board of the Banking Agency of Republika Srpska, at the 3rd session, held on 30 July 2018, adopted the

**DECISION
ON A UNIFORM METHOD OF CALCULATING
AND DISCLOSING THE EFFECTIVE
INTEREST RATE ON MICROLOANS**

Article 1

- (1) This Decision stipulates a uniform method of calculating and disclosing the effective interest rate on microloans extended by microcredit organizations (hereinafter: MCO), as well as detailed conditions and method of informing MCO clients.
- (2) This Decision shall be applied to MCOs seated in Republika Srpska, as well as organizational units of MCOs seated in the Federation of Bosnia and Herzegovina or Brcko District, which operate in Republika Srpska.

Article 2

Particular terms stated in this decision shall have the following meaning:

- 1) “microloan“, with respect to this decision is a loan approved by the MCO in the amount limited under the Law on microcredit organizations, not lower than 400 KM, with a repayment period longer than 30 days;
- 2) “effective interest rate“ is a decursive interest rate that is calculated on an annual basis by applying a compound interest calculation, in such a way that the discounted cash income is equated with the discounted cash expenses of approved loans;
- 3) “compound interest account“ is an interest account in which the calculated interest for the first calculation period is added to the initial principal, so in the next calculation period the interest is calculated on the initial principal increased by the amount of interest from the first period, and in each subsequent period of accrual, interest is calculated on the remaining principal increased by the calculated interest from the previous period of accrual;
- 4) “decursive interest calculation“ is a calculation in which the interest is calculated and attributed to the principal, i.e. it is paid at the end of the calculation period. With this method of calculation, the interest is calculated at the end of the period from the initial value, i.e. from the principal from the beginning of the basic capitalization period;
- 5) ”discounting“ is the reduction to the present value of all future inflows and outflows under a certain loan agreement.

Article 3

- 1) Effective interest rate, with respect to this decision is a decursive interest rate that is calculated on an annual basis.
- 2) Effective interest rate indicates the total costs of the microloan that the client is paying, where these costs are expressed as a percentage of the total amount of the microloan on an annual basis.

Article 4

- (1) When discounting, i.e. reducing to the current value of all future income and disbursements of funds under the microloan contract, the calendar number of days in a month and 365/366 days in a year is applied.
- (2) Effective interest rate is expressed as a percentage with two decimal places, with the second decimal place rounded and is valid from the day of calculation.
- (3) When expressing the effective interest rate, MCOs are obliged to use the expression "effective interest rate" or the abbreviation "EIR".

Article 5

- (1) MCOs are obliged to calculate the effective interest rate and make it available to clients and the public.
- (2) Data on interest rates on microloans advertised by MCOs in their business premises, as well as commercial messages and advertisements in public media, brochures, etc., which directly or indirectly inform the public about interest rates or some other amount that is considered as part of the price of the microloan, must also include the effective interest rate, which must be visible and clearly stated.
- (3) The amount of the effective interest rate should be indicated, i.e. written in such a way that it should not be less noticeable than other data.

Article 6

Prior to concluding a microloan contract, MCO is obliged to inform the client of the effective interest rate and make available all the essential conditions and elements of the contract, which clearly show the rights and obligations of the contracting parties.

Article 7

- (1) When concluding a microloan contract, MCO is obliged to hand over to the client one copy of the repayment plan, which is considered an integral part of the contract, with a clearly stated effective interest rate, and keep the other copy in its file.
- (2) The microloan contract must contain an appropriate provision from which it will be clear that the client is familiar with the conditions of the microloan and the effective interest rate, and that the repayment plan has been handed to the client.

Article 8

In the case of changes to the elements on the basis of which the effective interest rate is calculated, which are contracted as variable, MCO is obliged to provide the client with an amended repayment plan.

Article 9

The methodology for calculating the effective interest rate on microloans, as well as the minimum content of the repayment plan, are stipulated by the Instruction for the application of the decision on a uniform method of calculating and disclosing the effective interest rate on microloans.

Article 10

MCOs are obliged to submit to the Banking Agency of Republika Srpska monthly reports on weighted nominal and effective interest rates on stipulated templates within 15 days after the end of the month.

Article 11

On the day of entry into force of this decision, the Decision on a uniform method of calculating and disclosing the effective interest rate on microloans ("Official Gazette of Republika Srpska" No. 15/12) ceases to be valid.

Article 12

This decision shall come into force on the eighth day from the day of its publication in the "Official Gazette of Republika Srpska".

Number: UO-20/18

Date: 30 July, 2018

PRESIDENT OF THE
MANAGEMENT BOARD
Bratoljub Radulović