

Pursuant to Article 205 of the Banking Law of Republika Srpska (“Official Gazette of Republika Srpska”, No.: 4/17), 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”, No.: 59/13 and 4/17), and Article 6, Paragraph 1, Item b and Article 19, Paragraph 1, Item b of the Statute of Banking Agency of Republika Srpska (“Official Gazette of Republika Srpska”, No.: 63/17), the Management Board of the Banking Agency of Republika Srpska, on its 44th session held on 11 December, 2017 issued the

**DECISION
ON CONDITIONS OF APPOINTMENT AND
PERFORMING THE FUNCTION OF ADVISOR
IN A BANK**

General provisions

Article 1

This Decision shall stipulate detailed conditions of appointment and manner of performing the function of advisor in a bank, i.e. conditions for appointment of advisor, his/her competences and obligations, mandate of advisor, reporting to the Banking Agency of Republika Srpska (hereinafter: Agency), obligations of governing bodies towards the advisor, termination of competences and acting of the Agency upon advisor’s reports and other issues significant for the performance of function of advisor in the bank.

Decision on advisor appointment

Article 2

- (1) The Agency shall appoint one or more advisors (hereinafter: Decision on advisor appointment) when it assesses that the bank extensively violates the provisions of law and other regulation or if there are significant shortcomings in the bank’s business, and when it assesses that a more detailed assessment and monitoring of the bank’s financial condition is required.
- (2) By means of the Decision on advisor appointment, the Agency shall particularly determine:
 - 1) Appointment date,
 - 2) first and last name, legal person in which the advisor was employed before the appointment as the advisor,
 - 3) reasons for appointment,
 - 4) competences and obligations of the advisor which are clearly divided from the competences, obligations, and responsibilities of governing and managerial bodies of the bank,
 - 5) mandate duration,
 - 6) reporting to the Agency and
 - 7) amount of compensation for work performed.
- (3) Decision on appointment, dismissal or extension of the advisor’s mandate in the bank shall be delivered without delay to the advisor and the bank for which he/she was appointed.

Conditions which the advisor must meet

Article 3

- (1) Person to be appointed as the bank’s advisor must be independent from the bank and must meet conditions required for the appointment for a member of the bank management, referred to in Article 69 of Banking Law of Republika Srpska (hereinafter: Law).

- (2) Person deemed as independent from the bank shall be the person meeting the following conditions:
 - 1) has no direct or indirect ownership in the bank or member of the banking group to which that bank belongs, i.e. members of his/her family have no ownership,
 - 2) is not a member of the bank's supervisory board, the bank's committees determined by the Law, nor governing and managerial bodies of the member of the banking group to which that bank belongs, i.e. members of his/her family are not members of these bodies and boards and
 - 3) he/she is not a counterparty with the bank or the member of the banking group to which that bank belongs in a contractual relation which could affect his/her impartiality and independence, nor he/she was in that kind of relation one year prior to the introduction of provisional administration
- (3) Family members referred to in Paragraph 2 of this Article shall have the meaning as determined by Article 2, Paragraph 1, Item 23 of the Law.

Advisor's competences and obligations

Article 4

- (1) The advisor shall be accountable for his/her work to the Agency and shall not transfer his/her competences to other persons.
- (2) The bank's advisor shall be competent to:
 - 1) have unlimited access to all bank's business premises,
 - 2) review business books and documentation of the bank,
 - 3) request data, notifications, reports and statements from the members of governing bodies, bank employees and other expert departments in the bank,
 - 4) provide approval to the governing bodies for adoption of decisions on issues which according to the Decision on advisor's appointment cannot be made without prior approval of the advisor, and which may include the following:
 1. approval of loans and providing other financial services to persons related to the bank,
 2. borrowings taken by the bank,
 3. the bank's investments in assets and other legal persons,
 4. sale of bank's assets,
 5. new product introduction,
 6. determination of compensation amount for members of bank governing and managerial bodies, including the amounts of variable portion of compensation which is paid out to these persons or other bank employees and
 7. other issues,
 - 5) participate at the sessions of governing bodies and their boards and commissions and participate in their work without voting rights,
 - 6) deliver to the Agency opinions and objections on the decisions issued by the bank governing bodies for whose adoption the advisor's consent is not required, and for which he/she assesses that can influence deterioration of the bank's financial condition or fulfilment of conditions for undertaking early intervention measures.
- (3) The advisor shall immediately inform the Agency on all circumstances which, according to his/her assessment, may influence non-fulfilment of imposed measures for elimination of irregularities and deficiencies as defined in Article 200 of the Law, as well as on all circumstances which, according to his/her assessment, may influence deterioration of the bank's financial condition or fulfilment of conditions for undertaking early intervention measures imposed by the Agency.

Obligation of the bank's governing bodies

Article 5

- (1) The bank's governing and managerial bodies shall be accountable for the bank's operations in accordance with the Law and the Agency's by-laws.
- (2) In the Decision on advisor's appointment, by means of which it is determined that the advisor manages the bank together with the bank's governing bodies, competences and obligations of the advisor shall be determined in a manner that the responsibilities of the advisor and these other bodies are clearly divided.
- (3) The bank's governing bodies shall:
 - 1) deliver to the advisor all requested data,
 - 2) consult with the advisor and obtain from him/her an approval for adoption of particular decisions for which the advisor's approval is required according to the Decision on advisor's appointment and
 - 3) invite the advisor to their sessions and sessions of their boards and timely deliver to him/her documentation required for attendance at those sessions.

Duration of advisor's mandate

Article 6

- (1) The advisor's mandate may last at maximum one year, with the possibility of extension for one more year if the Agency assesses that such is needed for the finalization of commenced activities.
- (2) The advisor's mandate may be terminated prior to the expiration of deadline referred to in Paragraph 1 of this Article if the Agency or the advisor assesses that the appointment of advisor failed or will fail to result in improvement of the bank's financial condition or if the bank's financial condition has improved to the extent that the advisor is no longer necessary.
- (3) The Agency shall define the mandate duration, competences and obligations of the advisor.
- (4) In the course of mandate duration, the Agency may dismiss the advisor if he/she is failing to perform his/her duties in a satisfactory manner, as well as due to other justified reasons, and may appoint new advisor, whose mandate may last at the most up to the expiration of commenced mandate of the previous advisor.

Reporting to the Agency

Article 7

- (1) The advisor shall be obliged to, within the deadline determined by the Agency's Decision, and no later than 60 days from the appointment date, compile and deliver to the Agency the report on financial condition and business condition of the bank, with the assessment of bank's financial stability and possibility of further business operations.
- (2) The advisor's report referred to in Paragraph 1 of this Article shall be delivered to the bank by the Agency.
- (3) The advisor shall regularly, at least monthly, 15 days after the expiration of reporting month, and upon the Agency's request even more frequent, report to the Agency on the bank's business operations and its financial condition and on the activities he/she undertook while performing his/her duties.
- (4) Based on submitted advisor's reports, the Agency may impose one or more supervisory measures, as stipulated by the Law.

Compensation for advisor's work

Article 8

The advisor has the right to compensation for his/her work, whose amount shall be determined by the Agency and will be paid by the Agency.

Termination of advisor's competences

Article 9

Termination of advisor's competences shall cease to be valid on the day of:

- 1) the expiration of the mandate to which he/she was appointed,
- 2) dismissal,
- 3) appointment of provisional administrator,
- 4) appointment of special administrator,
- 5) appointment of liquidation administrator and
- 6) initiation of bankruptcy procedure.

Transitional and final provisions

Article 10

This Decision shall come into force on the 8th day after its publication in the "Official Gazette of Republika Srpska".

Number: UO-337/17

Date: 11 December, 2017

PRESIDENT OF THE
MANAGEMENT
BOARD
Mira Bjelac