

Pursuant to Article 110 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), 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 46th session held on 12 February, 2018 issued the

DECISION
ON BANKS’ BUSINESS OPERATIONS
WITH PERSONS IN A SPECIAL
RELATION WITH A BANK

Article 1

- (1) This Decision shall in detail stipulate minimum standards for bank’s business operations with persons in special relation with the bank, which are defined by Article 2, Item 25 of the Banking Law of Republika Srpska (hereinafter: Law).
- (2) The bank shall keep records on persons in special relation with the bank.

Article 2

- (1) The bank may perform legal operations with persons in a special relation with the bank only in accordance with the Law, this Decision and bank’s policies on business operations with persons in a special relation with the bank (hereinafter: policies), and the bank supervisory board shall be responsible for adoption and monitoring of implementation of such policies, upon the bank management proposal.
- (2) The bank supervisory board shall be responsible for the bank’s acting in accordance with the provisions of this Decision.
- (3) The bank’s business operations with a person in a special relation with the bank include business operations which the bank concludes with this person and person related to that person with a special relation with the bank.

Article 3

- (1) Policies should, as a minimum, also include the following conditions:
 - 1) that the bank in its business operations may not approve to persons in a special relation with the bank conditions which are more favorable than the conditions approved to other persons which are not in a special relation with the bank,
 - 2) that the bank may not, without previous approval issued by the supervisory board, perform business transactions based on contracted legal operation with the person in a special relation with the bank if due to that transaction the total bank exposure to that person exceeds 100,000.00 KM in case of an individual or 250,000.00 KM in case of a legal person,
 - 3) in case business transactions based on contracted legal operation with the person in a special relation with the bank do not lead to the bank exposure towards that person, the bank may, without previous approval issued by the supervisory board, perform such transactions in the course of one year in the total amount of 50,000.00 KM in case of an individual or 100,000.00 KM in case of a legal person,

- 4) person who is in a special relation with the bank, and who is a member of the bank supervisory or management board, or other bank decision-making body, is not allowed to participate in consideration or approval of any legal operation between that person and the bank, between the bank and any member of his/her family and between the bank and legal person in which he/she or any member of his/her family participates in governing or managing of that legal person, or in which he/she has significant share or qualifying holding,
 - 5) that the previous approval issued by the supervisory board must be based on all relevant information, details and conditions of the approved transaction, particularly in case of loan transactions and off-balance sheet obligations, and especially in case of the following: issues on loan amount and guarantees, interest rates, fees, financial statements of a borrower who is proving his/her creditworthiness for orderly loan repayment, collateral issues, etc.,
 - 6) that for legal operations related to the sale or purchase of the bank's assets relevant information include information and evidence which confirm the asset value (of those funds), their sale and purchase price, etc.,
 - 7) that it is forbidden for the bank to approve loans to shareholders prior to the expiration of the period of one year from the date when it started operating,
 - 8) that the bank forms and maintains orderly recordings, documentation and files on the supervisory board approvals,
 - 9) that the bank is obliged to treat the bank's exposure to all persons in a special relation with the bank and persons related to the persons in a special relation with the bank as an exposure to one person or a group of related persons and adhere to the limitations stipulated by the Law and the Decision on large exposures.
- (2) The bank supervisory board may provide general prior approval for performing transaction referred to in Paragraph 1, Items 2 and 3 of this Article, if the following conditions are met:
- 1) that the approval refers to clearly defined person in a special relation with the bank,
 - 2) that the approval clearly defines the type of legal operations in question,
 - 3) that the approval clearly defines the amount to which that approval refers and the time period of approval validity (at the longest for a reporting year),
 - 4) that these are legal operations for which obtaining an individual prior approval of the supervisory board would lead to a standstill in the bank's usual business operation procedure (e.g. payment transactions, FX/MM transactions and similar).
- (3) The approval referred to in Paragraph 1, Item 2 of this Article shall not be obligatory in the case of:
- 1) deponing of funds by the person in a special relation with the bank,
 - 2) extending loans secured by related deposit of the person in a special relation with the bank and
 - 3) extending loans secured by Republika Srpska debt securities, i.e. debt securities of persons whose rating, according to the assessment of the internationally recognized rating agencies, is not below A.

Article 4

The bank shall deliver to the Banking Agency of Republika Srpska quarterly report on transactions of persons with a special relation with the bank performed in the reporting quarter, in accordance with the Decision on the form and content of reports banks submit to the

Banking Agency of Republika Srpska.

Article 5

Loans and guarantees the bank approved to persons in a special relation with the bank until the date of this Decision coming into force and which are not in accordance with the conditions of the same, the clients may use and repay, i.e. regulate under contracted conditions, but the bank may not prolong and renew them, nor it may increase the amount of the same.

Article 6

- (1) This Decision shall come into force on the 8th day after its publication in the "Official Gazette of Republika Srpska".
- (2) On the date of this Decision coming into force, the Decision on minimum standards for banks' business operations with persons related to a bank ("Official Gazette of Republika Srpska", No.: 89/17) shall cease to be valid.

Number: UO-364/18

Date: 12 February, 2018

PRESIDENT OF THE
MANAGEMENT BOARD
Mira Bjelac