

Pursuant to 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), and Article 6, Paragraph 1, Item b) 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 3<sup>rd</sup> session, held on 7 November 2023, issued the

**DECISION**  
**ON MINIMUM STANDARDS FOR DOCUMENTING**  
**BANK CREDIT ACTIVITIES**

**Decision subject**

**Article 1**

- (1) This Decision stipulates the minimum standards of documenting which the bank is obliged to adhere to during the negotiation phase, loan approval, contracting and changing the conditions of the approved loan, other placements, purchase and sale of placements, investments and assumed potential liabilities (hereinafter: “credit exposure”) for the entire time of the establishment and duration of the contractual relation, i.e., the credit exposure duration.
- (2) The bank may place a loan only on the basis of a corresponding contract in written form, and all changes to initially concluded loan contracts may only be made by the bank in written form, by means of corresponding amendments and annexes to the contract. The bank may make changes to the elements of the contract due to changed circumstances in accordance with the law and by-laws governing the bank's operations and in accordance with the regulation governing obligation relations.
- (3) For the purpose of applying the provisions of this Decision, terms related to credit risk management have the same meaning as in the provisions of the Decision on credit risk management and determination of expected credit losses.
- (4) Documenting the bank's credit activities in the case of purchase and sale of placements is carried out in accordance with the provisions of the Banking Law of Republika Srpska, the Decision on the purchase and sale of bank placements and the provisions of this Decision.
- (5) All banks based in Republika Srpska, to which the Banking Agency of Republika Srpska (hereinafter: the Agency) has issued an operating license, are required to apply the provisions of this Decision.
- (6) For issues that are not regulated by this Decision, but are regulated by another law or by-law, the provisions of that law or by-law shall be applied.

**Documenting credit activities**

**Article 2**

- (1) The bank may approve credit exposure only on the basis of a decision on approval of credit exposure made by the bank's competent authority. The decision should contain all the conditions under which the loan was approved, and should include all the conditions and preconditions required for the credit exposure contract. The decision on credit exposure approval should be clear and adequately documented. The competent decision-maker on credit exposure approval, taking into account the internally stipulated criteria and requirements of the Decision on credit risk management and determination of expected credit losses, shall make a decision on approval or rejection of credit exposure approval, based on a previously conducted comprehensive and adequate assessment of the debtor's creditworthiness and other participants in the contractual relation. In the decision on credit exposure approval, the bank should clearly determine the longest period of its validity. If the approved credit exposure is not realized within that period, it is necessary to ensure a new consideration of the credit proposal.
- (2) The bank is obliged by internal acts to stipulate in a sufficiently detailed manner the procedure for documenting credit activities, determining the documents required for assessing creditworthiness in accordance with the Decision on credit risk management and determination of expected credit losses, forming and continuously updating credit files for each loan, including determining

responsible persons whose obligation is to ensure the completeness and reliability of documents in the credit file.

- (3) The bank is obliged to determine the requirements for documenting credit activities by internal acts, which at least includes:
  - 1) the content of the credit file in accordance with the provisions of Article 4 of this Decision,
  - 2) rules and responsibilities for forming and keeping a credit file,
  - 3) disposal and access to the credit file and parts of its content, as well as its protection,
  - 4) a system of internal controls that ensure the completeness, timeliness, availability, integrity and confidentiality of the collected information and documentation.
- (4) Persons responsible for documenting credit activities in accordance with determined responsibilities in the credit process, and respecting the requirements for ensuring an efficient system of internal controls in the bank, continuously assess the quality, structure and compliance of documenting the bank's credit activities and the credit file with internal acts and valid regulations.
- (5) The bank's control functions, within their competences, are obliged to regularly assess the compliance of the process and documenting of credit activities with internal acts and valid regulations, and at least in accordance with the rules for credit risk management stipulated by the Decision on credit risk management and determination of expected credit losses.
- (6) The bank is obliged to take into account legal restrictions on the use of external sources of data (personal and other data), in accordance with the regulations governing the use of such data.
- (7) The bank is obliged to ensure that its information system contains appropriate data on the credit process (approval of exposure, monitoring of exposure risk, analysis of exposure to credit risk, early warning system for increasing credit risk, treatment of non-performing and restructured exposures, collateral management, management of tangible assets received by the bank as full or partial repayment of receivables, etc.). The bank's information system should ensure the continuity, completeness and safety of information about the exposure, the client and the collateral, from the moment of approval and during the validity of the credit exposure. The data should be sufficiently detailed to include, at the level of individual credit exposure, specific information, especially the credit exposure approval criteria that were applied at the time of approval.
- (8) The bank is obliged to ensure that its information system contains data on the allocation of exposure to credit risk levels and determination of expected credit losses in accordance with the Decision on credit risk management and determination of expected credit losses, including explanations and history of changes, and that for the purposes of internal and external controls adequate reports can be generated.
- (9) In accordance with Paragraphs 7 and 8 of this Article, the bank's information system should also enable data related to the client to be connected with data related to the collateral, and in this way to support the effective monitoring of credit risk, as well as the monitoring of the application of the bank's policies (allocation of exposure to a lower or higher level of credit risk, application of the rating assigned by the automated model, if the same is used in the bank, etc.).
- (10) The bank is obliged to, depending on the complexity of the business model and process, clearly stipulate the information infrastructure from Paragraphs 7, 8 and 9 of this Article.

### **Forming and keeping a credit file**

#### **Article 3**

- (1) The bank is obliged to ensure that each credit exposure is documented, and is obliged to create a credit file for each approved credit exposure on the day of loan approval, keep and maintain an orderly and complete credit file that will be adequately and accurately documented, and which will chronologically monitor the approval and quality of the approved loan, until its final collection or resolving of the debt (liquidation) in another way.
- (2) The bank is obliged to form a credit file in such a way that it represents a systematic set of all documents and information that were created and refer to the negotiation phase (only for users of banking services from Article 133 of the Banking Law of Republika Srpska), approval of credit exposure and the contractual relation between the bank and the client, including changes to the conditions of the approved loan, the bank's actions during the period of credit exposure, and subsequent activities.

- (3) For loans that, at the time of approval, represent the bank's exposure to a legal entity or private individual or a group of related persons that do not exceed the total gross exposure in the amount of 50,000 KM for legal entities, i.e. 10,000 KM for private individuals, including entrepreneurs, the bank may establish a simplified credit file on the day of loan approval, whereby the bank is obliged by its internal acts to establish a written procedure for the forming and continuous updating of a simplified credit file, including the content and documentation that the simplified credit file must contain, while ensuring full compliance with legal regulations with the aim of minimizing potential legal risk, that is, compliance risk, as well as the establishment of an adequate internal control system, and the determination of responsible employees whose duty it is to ensure the completeness and reliability of documents in the credit file.
- (4) In addition to the credit file from Paragraphs 1, 2 and 3 of this Article, the bank may establish an electronic archive and keep the credit file in electronic form, which must contain all the documentation specified in Articles 4 and 5 of this Decision, i.e., Paragraph 3 of this Article.
- (5) The bank is obliged to stipulate in detail in an internal act the method of forming and updating, the content and form of archiving, the method of protection and all other activities based on the establishment of the electronic file of the loan beneficiary from Paragraph 4 of this Article, while ensuring full compliance with legal regulations, with the aim of minimizing potential legal risk, i.e. compliance risk, as well as establishing an adequate internal control system.
- (6) The bank is obliged to enable the availability and portability of the credit file in printed and/or electronic form as requested by the Agency.
- (7) At the request of the Agency, credit files are submitted exclusively in a manner and in a form that ensures the transparency and systematicity of the content of the credit file in accordance with the provisions of this Article and Articles 4 and 5 of this Decision, as well as the confidentiality, integrity and safety of the content of the credit file, and the verification of the content and delivery.

### **Credit file content**

#### **Article 4**

- (1) The credit file must adequately, accurately, reliably and chronologically document all credit activities from Articles 1-3 of this Decision, as well as the credit process stipulated by the Decision on credit risk management and determination of expected credit losses.
- (2) The bank is obliged to determine and stipulate the mandatory content of the credit file in its internal acts. The credit file must contain all documents related to the approved loan, and at least the following:
  - 1) an application for a loan signed by the applicant, in which the purpose for which the loan will be used is stated,
  - 2) a copy of the founding documents of the applicant (if it is a legal entity), a copy of the decision of the competent administrative body (if it is a person performing an independent entrepreneurial activity), and if it is a private individual, a copy of an identification document with a picture as well as information about address, i.e. about the place of residence (a document from which the place of residence can be determined), with a note from the responsible officer that he has inspected the original document,
  - 3) documentation confirming the authority of the proxy, if the loan agreement was signed by the proxy on behalf of the applicant,
  - 4) the applicant's statement on the relation with other persons if the applicant belongs to a group of related persons,
  - 5) assessment of the creditworthiness of the applicant, guarantor or other person who personally ensures the fulfillment of the applicant's obligation, signed by the responsible persons in the bank,
  - 6) documentation on the basis of which the assessment of the creditworthiness of the applicant, guarantor or other person who ensures the fulfillment of the applicant's obligation was carried out, and which confirmed that the cash flows are suitable for repaying the loan (excerpt from the central register of loans, financial statements of legal entities for at least the last two business years prior to the approval of the loan, including the external auditor's report for those legal entities whose legal obligation is to do so, proof of income, i.e. sources of repayment for

private individuals, etc. Assessment of the debtor's creditworthiness founded in the previous two years from the date when assessment is carried out as well as the debtor founded with a special purpose is carried out in accordance with Article 7, Paragraph 13 of the Decision on credit risk management and determination of expected credit losses),

- 7) documentation related to credit exposure collateral,
  - 8) a signed decision of the appropriate body of the bank or an authorized person on the approval of the credit exposure, which contains all the conditions under which the loan was approved (term, interest rate, collateral, total exposure of the client/group of related persons, etc.),
  - 9) an original copy of the credit exposure agreement (including any amendments to the agreement) with accompanying repayment plans (including evidence that the repayment plans have been handed over to the loan beneficiary),
  - 10) documentation confirming the purpose of the loan and proof of the intended use of the loan, except in the case of revolving credit agreements and agreements on permitted overdrafts (overdraft loans) with an agreed initial maturity period of up to 24 months and without an agreed purpose,
  - 11) a copy of the guarantee letter, including payment plans for periodic guarantee fees,
  - 12) documentation related to the continuous control and assessment of the financial condition of the loan beneficiary, guarantor or other person who ensures the fulfillment of the obligation and the assessment of their ability to repay the loan according to the agreed terms (financial reports specified in Item 6) of this Paragraph for each business year up to loan settlement, etc.),
  - 13) information and documentation on credit risk monitoring and allocation of exposure to credit risk levels,
  - 14) information and documentation proving timely identification of exposures with increased credit risk, and keeping records of these exposures,
  - 15) documentation that confirms the continuous monitoring of loan collateral,
  - 16) documentation confirming the monitoring of loan repayments, including the measures taken by the bank towards the delinquent debtor (early intervention measures, measures to collect non-performing assets, information on accounting and permanent write-offs, etc. related to that credit exposure or that client) and
  - 17) all correspondence and documentation on contacts between the bank and the loan beneficiary after the conclusion of the loan agreement,
  - 18) exceptionally, if the bank has provided adequate automated models for assessing the debtor's creditworthiness and making decisions on approval of exposure in accordance with Article 7 of the Decision on credit risk management and determination of expected credit losses, creditworthiness assessment from Item 5) of this Paragraph, and the decision of the appropriate body of the bank or authorized person on the approval of credit exposure from Item 8) of this Paragraph can be automatically confirmed for exposures that are not individually significant from the aspect of exposure to credit risk in accordance with Article 17 of the Instructions for the classification and valuation of financial assets. In doing so, the bank is obliged to provide an adequate internal control system for the aforementioned automated models for assessing the creditworthiness of debtors and making decisions on approval of exposure (checking the accuracy of input data, integration of management, logical and physical controls in the automated model, etc.).
- (3) The credit file must contain all relevant documentation specified in Paragraph 2 of this Article for the co-borrower, guarantor or other person who personally ensures the fulfillment of the applicant's obligations if they appear in the credit relation.
- (4) In the case of users of banking services from Article 133 of the Banking Law of Republika Srpska, the credit file, in addition to the documentation stipulated in Paragraphs 2 and 3 of this Article, should also contain the following:
- 1) proof that the information sheet was delivered to the loan beneficiary, as well as other information and documentation that indicate full information about the conditions in the negotiation phase,
  - 2) written consent of the loan beneficiary, guarantor or other person who personally ensures the fulfillment of the user's obligations, for the use of data from credit registers,
  - 3) documentation that confirms that the user, the guarantor or another person who personally ensures the fulfillment of the user's obligation, with their prior consent, are mutually familiar

with and informed about the documentation and data obtained in the creditworthiness assessment procedure,

- 4) a statement on suretyship, as well as the surety's written consent in the event of an increase in the extent of the surety's liability,
  - 5) 5a contract on providing a guarantee, concluded in writing between the beneficiary and the guarantor, the contents of which the bank is not responsible for, and
  - 6) request for the payment of loan funds before the expiry of the period of 14 days from the date of conclusion of the contract, when applicable.
- (5) The provisions of Paragraph 4, Item 3) of this Decision shall not be applied in case such disclosure of data is expressly prohibited by special compulsory regulations.
- (6) In the case of syndicated loans, the bank that is a participant in the syndication must provide as a minimum the documents and information stipulated by this decision. The bank is obliged by internal acts to stipulate in a sufficiently detailed manner the procedure for the entire credit process and documenting of credit activities in the case of syndicated loans, in accordance with the Decision on credit risk management and determination of expected credit losses, and depending on the role it has in the credit exposure.

### **Documentation in case of purchase and sale of the bank's placements**

#### **Article 5**

- (1) In the case when the bank, on the basis of the contract on the purchase and sale of the placement concluded in accordance with the Banking Law of Republika Srpska and the provisions of the Decision on the purchase and sale of the banks' placements, has acquired the right to receivables on the basis of the purchase and sale of the placement, it is obliged to create a credit file for that placement on the day of signing the purchase agreement.
- (2) The bank is obliged to include, in the credit file referred to in Paragraph 1 of this Article, the complete documentation as a minimum stipulated by the Decision on the purchase and sale of banks' placements or its certified copy by the seller, i.e. the previous owner of receivables, which were previously in the seller's credit file, in accordance with the provisions of this Decision.
- (3) The documentation from the previous Paragraph also includes:
  - 1) information - statement by the seller, i.e. the previous owner of the placement on the degree of regularity of the loan beneficiary in servicing their obligations,
  - 2) the agreement on the purchase and sale of the placement concluded between the seller, i.e. the previous owner and the bank (buyer), in accordance with Paragraph 1 of this Article with the elements stipulated in the provisions of the Decision on the purchase and sale of banks' placements, which in particular includes provisions on the method of settlement of credit obligations and the exchange of data and documents related to loan repayment between the contractual parties,
  - 3) documentation in which the terms of the approved loan by the seller are determined and
  - 4) documentation on collateral.
- (4) The Agency may request that the bank provides additional documentation and information relevant to documenting credit activities related to the purchased placement, in accordance with the provisions of this Decision.
- (5) In the case when the bank, on the basis of the contract on the purchase and sale of the placement concluded in accordance with the Banking law of Republika Srpska and the provisions of the Decision on the purchase and sale of the banks' placement, sells the rights to receivables based on the purchase and sale of the placement, it is obliged to enter, in the credit file of the relevant placement, the concluded contract on the purchase and sale of placements and other relevant documentation related to that receivable.

### **Keeping credit file documentation**

#### **Article 6**

- (1) The content of the credit file must be adequately stored and protected. The bank is obliged to apply the requirements for the storage of all documentation from the credit file in accordance with: regulations governing archival, i.e. office operations, regulations for the storage of electronic

documents and information, regulations on accounting and auditing, and other regulations for the storage of business documents.

- (2) The requirements from Paragraph 1 of this Article refer to the entire documentation on credit exposure from the credit file, which is stipulated by this Decision and other regulations, for the entire period of validity of the contract on credit exposure, i.e. until the end of court disputes if they were initiated on the basis of that contractual relation.
- (3) For the purpose of acting under Paragraphs 1 and 2 of this Article, the bank is obliged by its internal act to stipulate the method of protection of the credit file, including the use of electronic form to the extent, in a manner and in content that is harmonized with other laws and by-laws.
- (4) The bank is obliged to ensure the safekeeping of confidential, personal or otherwise sensitive information, and to comply with all legal and regulatory requirements related to data protection, which apply to the bank.
- (5) As part of the comprehensive risk assessment and business continuity management, the bank is obliged to regularly assess the operational risk related to the documenting of credit activities.
- (6) Assessments from Paragraph 5 of this Article should include all risks associated with the storage and archiving of documentation from the credit file, especially the location where the documentation is stored, the state of the process and the documentation that is stored in printed and electronic form, access controls and other risks related to documenting of credit activities.

### **Transitional and final provisions**

#### **Article 7**

- (1) This Decision shall come into force on the eighth day from the day of its publication in the “Official Gazette of Republika Srpska”.
- (2) The bank is obliged to harmonize the content of credit files with the provisions of this Decision within 90 days after its entry into force. The bank is obliged to harmonize the internal acts from Articles 2, 3, 4 and 6 of this Decision with the provisions of this Decision within 6 months after its entry into force, and to carry out a regular review at least once a year, as well as updating in case of changes in business processes.
- (3) The Decision on minimum standards for documenting bank credit activities (“Official Gazette of Republika Srpska”, No.: 116/17 and 35/23) ceases to be valid on the day this Decision enters into force.

Number: UO-30/23

Date: 7 November 2023

**PRESIDENT OF THE  
MANAGEMENT  
BOARD**  
Dejan Kusturić