

Pursuant to 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, 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 25th session, held on 2 September 2020, issued the

DECISION
ON TEMPORARY MEASURES OF MICROCREDIT ORGANIZATIONS
TO MITIGATE
NEGATIVE ECONOMIC CONSEQUENCES CAUSED BY
THE “COVID-19” VIRAL DISEASE

Subject

Article 1

- (1) This Decision stipulates temporary measures to mitigate the negative economic consequences caused by the COVID-19 pandemic viral disease and to safeguard the stability of the Republika Srpska microcredit sector, where such relate to the:
 - 1) granting of relief to microcredit organization clients directly or indirectly affected by adverse effects,
 - 2) specific rules for managing credit risk that microcredit organizations apply in the case of granting a special measure to a client,
 - 3) preventive measures aimed at preserving the capital/holding of microcredit organizations.
- (2) The microcredit organization shall grant relief, i.e. special measures referred to in Article 3 of this Decision to the clients in order to overcome difficulties they are facing with, and facilitate clients in settling of their obligations towards the microcredit organization in the following period in an orderly manner.
- (3) Provisions of this Decision shall apply to microcredit organizations headquartered in Republika Srpska, as well as on organizational units of microcredit organizations headquartered in the Federation of Bosnia and Herzegovina, but operating in Republika Srpska, to whom the Banking Agency of Republika Srpska (hereinafter: Agency) issued an operating license, i.e. issued a license to establish an organizational unit.

Terms

Article 2

Certain terms used in this Decision shall have the following meaning:

- 1) loan obligations represent microcredit organization receivables of clients arising from the total amount of past due and outstanding principal, accrued and not collected interest and fee related to the loan operations.
- 2) microcredit organization client is a private individual or a legal person whose creditworthiness has been deteriorated due to the adverse effect of the “COVID-19” pandemic viral disease, i.e. whose sources for the repayment of loan obligations have been consequently reduced and thus is preventing or will prevent such client to settle obligations towards the microcredit organization.
- 3) special measures are temporary measures and relate to the possibility of deferring the payment of loan obligations, rescheduling loan obligations or granting other benefits that result in modification of the loan obligations granted by the microcredit organization to private individuals and legal entities in order to mitigate the negative effects of the pandemic impact on creditworthiness of the microcredit

organization client and the sustainability of its business operations, while undertaking all other measures for credit risk management.

Special measures

Article 3

- (1) The microcredit organization may grant to the clients referred to in Article 2, Paragraph 1, Item 2 of this Decision the following special measures:
 - 1) a moratorium, i.e. deferral of repayment of loan obligations for a maximum period of 6 months,
 - 2) introduction of grace period for repayment of the principal of a loan which is being repaid in installments for a maximum period of 12 months,
 - 3) extension of the maturity for repayment of annuity loans,
 - 4) extending the maturity of one-off loans, for a maximum period of 12 months,
 - 5) approving an additional amount of loan to overcome its current liquidity difficulties,
 - 6) adjustment of the repayment plan in proportion to the reduction of income or some other relevant parameter determined by the microcredit organization,
 - 7) other measures aimed at facilitating the settlement of the client's loan obligations and maintaining the client's business operations.
- (2) Special measures referred to in Paragraph 1 of this Article may include other modalities for adjusting the manner and dynamics of repayment of loan obligations, appropriate reliefs and other forms of microcredit organization support to clients referred to in Article 2, Paragraph 1, Item 2 of this Decision.
- (3) Within the special measures referred to in Paragraph 1 of this Article, the microcredit organization shall carry out all necessary activities in order to adequately manage credit risk and adjust to current and temporary business circumstances, with the aim of creating conditions for subsequent recovery and mitigating adverse economic consequences caused by the appearance of the "COVID-19" virus disease on the viability of the client's business operations.
- (4) The maximum period for duration of special measures referred to in Paragraph 1, Items 1, 2 and 4 of this Article shall not include the period within which possible measures in accordance with the Decision on temporary measures of microcredit organizations to mitigate negative economic consequences caused by the "COVID 19" viral disease ("Official Gazette of Republika Srpska", No.: 30/20 and 56/20) were approved.
- (5) The microcredit organization shall adjust the Program of special measures adopted in accordance with the Decision referred to in Paragraph 4 of this Article with the provisions of this Decision, and shall regularly update the same.
- (6) Microcredit organization shall be obliged to publish information on special measures approved to the clients in accordance with the Program referred to in Paragraph 5 of this Article on its website.

Modality

Article 4

- (1) The microcredit organization shall define for the clients referred to in Article 2, Paragraph 1, Item 2 of this Decision an appropriate modality containing special measures from Article 3 of this Decision that will facilitate clients to establish a sustainable business model and duly settle loan obligations to the microcredit organization in the following period.
- (2) The modality may include one or a combination of special measures, based on the client's request and individual credit analysis, on the basis of which the microcredit organization has estimated that the approved measures will facilitate the client to duly settle its obligations to the microcredit organization in the coming period.

(3) If the modality implies combination of measures referred to in Article 3, Paragraph 1, Items 1 and 2 of this Decision, the microcredit organization may grant such special measures for a maximum total period of 12 months.

Modification

Article 5

(1) The loan obligation modification, referred to in Article 2, Paragraph 1, Item 1 of this Decision, implies modification of some or all of the terms of the existing contract and represents contract regulated new receivable that replaces the existing client loan obligations, which may include extending the principal repayment period and / or interest / fees, reducing interest rates, writing off a portion of the receivable, granting new loans in accordance with relevant legal restrictions, or other material changes of contractual terms that facilitate the position of the client.

(2) Within the moratorium and grace period, the nominal interest rate and all fees may amount to maximum of 75% of previously contracted ones.

(3) When contracting special measures, the microcredit organization may not charge additional fees for services rendered, i.e. fees related to loan obligation modification.

(4) For changes to the initially agreed loan terms, the microcredit organizations are obliged to secure the consent of all other counterparties in the loan operation.

(5) In the course of moratorium, the microcredit organization must not accrue default interest for the amount of receivables due.

Special rules for credit risk management

Article 6

(1) In the event that the microcredit organization grants clients the moratorium on loan obligations under Article 3, Paragraph 1, Item 1 of this Decision, then in its records it may retain these clients in the classification category with the associated percentage of provisions and the classification of receivables in the Central Credit Registry (CCR) at the Central Bank of BiH which were on the date of modification.

(2) After the expiry of the period for which the moratorium has been approved, the classification and provisions for expected credit losses shall be further performed in accordance with the Decision on the amount and method of forming reserves for covering loan losses of microcredit organizations ("Official Gazette of Republika Srpska" No. 03/07) .

(3) In case that the microcredit organization grants the client other special measures referred to in Article 3, Paragraph 1 of this Decision, it shall be deemed that the modification of previously contracted loan obligations (also including previous loan repayment plan) has been performed, and that from the day of contract conclusion further classification and provisioning for expected credit losses of modified loan obligations shall depend on the number of days in delay of repayment of modified loan obligations in accordance with the Decision on the amount and method of forming reserves for covering loan losses of microcredit organizations.

Approval of special measures

Article 7

(1) The microcredit organization may implement special measures on the basis of a written request from the client, taking into account the adverse economic consequences (direct and / or indirect) caused by the occurrence of the viral disease "COVID -19".

(2) Prior to the approval of the special measures stipulated in this Decision, the microcredit organization shall be obliged to inform the clients about the possibilities of using the same, all conditions and effects of the measures (offers), and the clients shall be obliged to declare on the offer and submit a written statement on the acceptance of the offer, if they accept the same.

(3) The microcredit organization shall be obliged to ensure complete documentation of the performed procedures.

Preservation of microcredit organization capital/holding

Article 8

(1) The microcredit organization shall be obliged to prudently monitor the changes in its own business model, liquidity and risk profile, and accordingly undertake activities with the aim of maintaining an adequate level and structure of capital/holding for coverage of all risks to which it is or may be exposed in occurred business circumstances.

(2) The microcredit organization's acting in accordance with Paragraph 1 of this Article shall imply deferral and / or cancellation of dividend payment for the validity period of this Decision.

Reporting

Article 9

(1) The microcredit organization shall ensure the monitoring of the implementation of special measures, keep separate analytical records in such a manner that all activities on approval and contracting of special measures referred to in this Decision and their effects are transparent and accessible for the needs of the microcredit organization, as well as for the purpose of supervision performed by the Agency.

(2) The microcredit organization shall be obliged to report to the Agency on the implementation of special measures in accordance with the form and within the time frames stipulated by a separate Instructions.

Final provisions

Article 10

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

2) Applications for implementation of measures referred to in Article 3 of this Decision may be submitted to the microcredit organizations until 31 December, 2020.

3) With the entry into force of this Decision, the Decision on temporary measures of microcredit organizations to mitigate negative economic consequences caused by the viral disease "COVID 19" ("Official Gazette of Republika Srpska", No. 30/20 and 56/20) shall cease to be valid.

Number: UO-172/20

Date: 2 September, 2020

**PRESIDENT OF THE
MANAGEMENT BOARD**

Bratoljub Radulović