

Pursuant to Article 183 of the Banking Law of Republika Srpska ("Official Gazette of Republika Srpska", No. 04/17, 19/18 and 54/19), Article 5, Paragraph 1, Item b, Article 20 and Article 37 of the Law on the Banking Agency of Republika Srpska ("Official Gazette of Republika Srpska", No. 59/13 and 04/17), 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 its 36th session, held on 1 November 2021, adopted the

DECISION

ON AMENDMENTS TO THE DECISION ON THE METHOD OF CONDUCTING BANK SUPERVISION AND IMPLEMENTING SUPERVISORY MEASURES

Article 1

In Article 1, Paragraph 4 of the Decision on the method of conducting bank supervision and implementing supervisory measures ("Official Gazette of Republika Srpska", 116/17), after the wording "documentation" the wording "including electronic communication of the bank" shall be added.

Article 2

(1) In Article 2, Paragraph 3, after the wording "business operations", the wording: "as well as whether the business model of the bank is sustainable with regard to its risk profile and generated profitability," shall be added.

(2) In Article 2, Paragraph 6, the wording "off-site and on-site" shall be added in front of the wording "supervision".

(3) In Article 2, Paragraph 7 shall be amended to read as follows:

"When conducting supervision, the Agency shall monitor and assess:

- 1) whether the bank operates in accordance with the Law and regulations of the Agency adopted on the basis of the Law, as well as with the standards of prudent banking operations,
- 2) financial condition, business model and profitability of the bank,
- 3) management system in the bank, including assessment of organizational structure, risk management system and internal control system,
- 4) the capital adequacy of the bank in relation to the risks to which the bank is exposed or may be exposed in its operations, including the assessment of the internal capital adequacy assessment process (ICAAP), its implementation and results,
- 5) quality of assets (granted loans, advances, letters of credit, guarantees, as well as investments in securities, and in terms of their quality, timeliness of fulfillment of debtors' obligations and compliance with applicable regulations, including collateral and guarantees received on the basis of placements), and compliance with exposure limits and the process of identifying, monitoring and controlling exposure limits, including large exposures,
- 6) adequacy of liquidity and funding sources of the bank, including the assessment of the internal liquidity adequacy assessment process (ILAAP), its implementation and results,
- 7) bank recovery plan,
- 8) adequacy of bank information system management and information system risks,

- 9) application of regulations in the field of protection of the rights and interests of consumers of banking services,
- 10) application of regulations in the field of payment operations and anti-money laundering and terrorism financing,
- 11) verification of the accuracy and adequacy of data and information that the bank is obliged to disclose publicly and
- 12) other important indicators that affect the bank's operations, and the application of laws and regulations of the Agency."

Article 3

In Article 4, Paragraph 1, Item 4, after the wording "supervision", the wording "and by monitoring the execution of the imposed measures" shall be added.

Article 4

Article 5 shall be amended to read as follows:

(1) "The Agency performs off-site supervision of operations by collecting and analyzing reports, other documentation and information, as well as continuous monitoring and verification of other data on operations of banks and other entities which are obliged to report to the Agency according to the provisions of the Law, other laws and regulations adopted on the basis of those laws.

(2) Reports, other documentation and information referred to in Paragraph 1 of this Article are: stipulated reports (annual, semi-annual, quarterly, monthly, etc.) submitted by the bank to the Agency, the Report on the internal capital adequacy assessment process, the Report on the internal liquidity adequacy assessment process, the Bank and Banking Group Recovery Plan, the reports of the external auditor and control functions, correspondence with the bank, information, reports and statements submitted by the bank at the request of the Agency, internal acts of the bank, and other available information, reports and notifications related to the bank.

(3) Based on the analysis of the information referred to in Paragraphs 1 and 2 of this Article, the Agency shall:

1) conduct the Supervisory review and evaluation process of the bank, which includes the assessment of:

1. business model and profitability of the bank,
2. management system and risk management system,
3. capital risks,
4. risks related to liquidity and funding sources,
5. the process of internal assessment of capital adequacy and liquidity of the bank;

2) compile a quarterly analysis of the bank's operations, including information on compliance with operating restrictions stipulated by laws and bylaws of the Agency;

3) review and evaluate the Bank and Banking Group Recovery Plan."

Article 5

(1) The title of Article 6 shall be amended to read as follows: "Minutes on the conducted off-site supervision".

(2) Article 6 shall be amended to read as follows:

„(1) The Minutes on the conducted off-site supervision shall be compiled when in the procedure of supervision of the bank's operations it has been determined the following:

- 1) irregularities and illegalities in the bank's operations, including untimely or incorrect submission of stipulated reports,
- 2) the existence of a basis for undertaking a certain supervisory measure, and
- 3) in other situations, based on the assessment of authorized persons of the Agency.

(2) Notwithstanding Paragraph 1 of this Article, the Minutes on the conducted supervision of operations (SREP) shall be compiled after conducting the supervisory review and evaluation of banks referred to in Article 5, Paragraph 3, Item 1 of this Decision, as well as the Minutes on the conducted review and evaluation of the recovery plan, after conducting the review and evaluation referred to in Article 5, Paragraph 3, Item 3 of this Decision.

(3) The procedure for compiling the minutes and filing objections by the bank, and undertaking supervisory measures after the conducted off-site supervision, shall be performed in the same manner as after the conducted on-site supervision.

(4) The Minutes on the conducted off-site supervision and amendments to the Minutes shall be signed by the employees of the Agency who conducted the supervision.”

Article 6

(1) In Article 9, Paragraph 10, the wording “minutes and” shall be deleted.

(2) In Article 9, Paragraph 12, the wording “compile the minutes and” shall be deleted, and after the wording “procedure”, the wording “in situations referred to in Paragraph 11 of this Article” shall be added.

(3) In Article 9, Paragraph 13, Item 3, the wording “inspection” shall be amended to “supervision”.

(4) In Article 9, Paragraph 14, the number "9" shall be replaced by the number "10".

Article 7

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

Number: UO-262/21

Date: 1 November, 2021

PRESIDENT OF THE
MANAGEMENT BOARD
Bratoljub Radulović