

Pursuant to Article 37, Paragraph 9, Item 3) 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, 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), Article 6, Paragraph 1, Item b) and Article 19, 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 4<sup>th</sup> session, held on 26 December 2023, adopted the

## **DECISION**

### **ON CAPITAL BUFFER FOR SYSTEMIC RISK**

#### **Subject of the Decision**

##### **Article 1**

- (1) The Decision on capital buffer for systemic risk (hereinafter: the Decision) shall stipulate the requirements to maintain buffer for structural systemic risk.
- (2) All banks headquartered in Republika Srpska to which the Banking Agency of Republika Srpska (hereinafter: the Agency) issued an operating license shall be obliged to apply the provisions of this Decision.
- (3) Banks shall not use Common Equity Tier 1 capital that is maintained to meet one of the elements of the combined buffer requirement to meet any other applicable elements of the requirements for the combined buffer.

#### **Definitions**

##### **Article 2**

Definitions used in this Decision shall have the following meaning:

- 1) **Total risk exposure amount** – the amount calculated in accordance with Article 38, Paragraph 3 of the Decision on calculating capital in banks.
- 2) **Structural systemic risk** - non-cyclical systemic or macroprudential risk of a long-term nature, i.e. the risk of disruption in the financial system that can have serious negative consequences to the financial system and the real economy.
- 3) **Third country** – shall have the same meaning as in Article 2, Item 83) of the Decision on calculating capital in banks.

## **Requirement for maintaining capital buffer for systemic risk**

### **Article 3**

- (1) The capital buffer for systemic risk is a regulatory capital that the Agency requests or may request for a bank to maintain in the form of Common Equity Tier 1 capital, in accordance with Article 4, Paragraph 5 of this Decision on individual, consolidated or sub-consolidated basis.
- (2) Common Equity Tier 1 capital that is maintained to meet the requirements referred to in Paragraph 1 of this Article shall not be used to meet the requirements referred to in Article 38, Paragraph 1, Items 1)-3) of the Decision on calculating capital in banks, additional capital requirements after supervisory review and evaluation of banks, nor capital recommendations issued based on the results of supervisory stress testing.

### **Method of setting capital buffer rate for systemic risk**

### **Article 4**

- (1) Capital buffer rate for systemic risk is set in adjustment of 0,5 percentage points or multiples thereof and may amount to a maximum of 3% of the total risk exposure amount.
- (2) The rate referred to in Paragraph 1 of this Article may be different across banks or for different exposures to which the buffer for systemic risk is being applied.
- (3) The buffer for systemic risk may be applied to:
- 1) all domestic exposures;
  - 2) domestic exposures by sectors;
  - 3) all exposures in the European Union Member States (hereinafter: EU) and third countries;
  - 4) exposures by sectors in the EU Member States to enable recognition of buffer rate set out by that EU Member State, in accordance with Article 6 of this Decision.
- (4) The Agency shall review the obligation to maintain the capital buffer for systemic risk at least every two years, simultaneously adhering to the principle that the buffer for systemic risk may not be used to address risks covered by the countercyclical capital buffer and the capital buffer for a systemically important bank, and that the buffer for systemic risk must not lead to disproportionate adverse effects on the whole or parts of the financial system by creating impediments to the functioning of the internal market.
- (5) The bank shall calculate the systemic risk buffer as follows:

$$B_{SR} = r_T * E_T + \sum_i r_i * E_i$$

where:

$B_{SR}$  - the systemic risk buffer,

$r_T$  - the buffer rate applicable to the total risk exposure amount of the bank,

$E_T$  - the total risk exposure amount of the bank,

$i$  - the index denoting the subset of exposures as referred to in Paragraph 3 of this Article,

$r_i$  - the buffer rate applicable to the risk exposure amount of the subset of exposures  $i$ ,

$E_i$  - the risk exposure amount of the bank for the subset of exposures  $i$ .

## **Publishing capital buffer for systemic risk**

### **Article 5**

Decision on the implementation of capital buffer for systemic risk the Agency shall publish on its official webpage, as well as the following data at least:

- 1) capital buffer rate(s) for systemic risk,
- 2) banks obliged to maintain capital buffer for systemic risk,
- 3) exposures to which the capital buffer rate(s) for systemic risk relate(s),
- 4) rationale for setting the capital buffer rate(s) for systemic risk, except in case when such rationale could disrupt the financial system stability,
- 5) date as of which banks shall be obliged to apply the capital buffer for systemic risk,
- 6) names of states when exposures in that states are recognized in the capital buffer for systemic risk.

## **Recognition of capital buffer rate for systemic risk**

### **Article 6**

(1) The Agency may recognize the capital buffer rate for systemic risk which is set in accordance with Article 5 of this Decision by the competent authority in the EU Member State or third countries, and apply such rate on all banks in Republika Srpska for exposures in the EU Member State or third countries that set such rate.

(2) In case the Agency recognizes the capital buffer rate in accordance with Paragraph 1 of this Article, such systemic risk buffer may be added on to the systemic risk buffer applied in Republika Srpska, provided that such buffers address various risks. In case the same risks are addressed by the buffer, only the higher buffer shall be applied.

## **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” and shall apply as of 30/06/2024.

Number: UO-46/23

Date: 26 December, 2023

PRESIDENT OF THE  
MANAGEMENT BOARD  
Dejan Kusturić