Pursuant to Articles 59 and 72 of the Law on saving-credit organizations ("Official Gazette of Republika Srpska, No. 93/06), Article 4, Paragraph 4, Article 10, Paragraph 2, Item b) and Article 25 of the Law on the Banking Agency of Republika Srpska ("Official Gazette of Republika Srpska, No. 10/98, 16/00, 18/01, 71/02, 18/03, 39/03 and 123/06), Article 15, Paragraph 1, Item 2) of the Statute of the Banking Agency of Republika Srpska ("Official Gazette of Republika Srpska, No. 67/04), the Management Board of the Banking Agency of Republika Srpska at its session held on 30 March 2007 adopted the

DECISION

ON SUPERVISION AND CONTROL OF SAVING CREDIT ORGANIZATIONS

Article 1

This Decision shall define in more detail the main competences of the Banking Agency of Republika Srpska (hereinafter: the Agency) in the procedure of control and supervision of saving-credit organizations (hereinafter: SCOs).

The main objective of this Decision is the establishment of general criteria for the implementation of legal competences of the Agency in making decisions and rulings, issuing orders and imposing measures depending on the type of violation, general assessment of the quality of business operations, that is financial position of SCO.

Article 2

The subject and content of control and supervision carried out by the Agency includes control of legality and regularity of work, application of regulations and meeting stipulated standards. Management and governing bodies are responsible for the legality of business operations and meeting stipulated standards in SCO and represent the minimum requirement for successful and stable functioning of SCO.

Article 3

Supervision and control, and measures to eliminate irregularities and weaknesses identified by the Agency are aimed at maintaining legal, stable, solvent and liquid business operations of SCO.

Irregularities and weaknesses, in the sense of this Decision, shall imply violations, balance and activities of SCO that represent unsound and too risky operations regardless of whether the regulations have been violated. The Agency shall supervise and control:

1. establishment and operations:

    - compliance of SCO acts with the law;

    - establishment and maintenance of minimum requirements for establishment and operations of SCO;

2. capital:

    - amount and restrictions related to capital;

3. stability:

- stability of SCO's operations and the possibility of generating profit (profitability)

4. liquidity:

- the method of ensuring and the level of maintaining liquidity in operations of SCO;

- maturity matching of assets and liabilities;

- foreign exchange matching of assets and liabilities;

5. assets:

- credit risk exposure - risk concentration, quality assessment and classification of assets, and forming reserves to cover credit and other losses;

- operations with related persons;

- and other specific categories;

6. adequacy of internal methodology of monitoring, control, methodology of monitoring and assessing the quality and safety of operations of SCO;

7. adequacy of internal control procedures for the purpose of detection and prevention of transactions involving criminal activity, money laundering or activities that support terrorism.

Article 4

For the responsible and successful performance of business activities, primary and decisive influence is on the supervisory board and management of SCO. The supervisory board and management of SCO are obliged to, in accordance with the law and the Agency's decisions, timely adopt and control the implementation of preventive measures and activities on preventing quality decline in SCO's operations, as well as measures to overcome already present weaknesses before they turn into more difficult or unsolvable conditions.

In the process of supervision and control, the Agency shall identify the reasons and conditions for imposing appropriate measures and issuing orders and restrictions to SCO, in order to prevent the observed occurrence or further deterioration of already observed weaknesses.

Article 5

The Agency shall perform supervision and control in the following manner:

1. by monitoring the reports, information and data submitted by SCO to the Agency;

2. by on-site supervision of business books, accounting and other documentation in SCO.

Supervision and control from Paragraph 1 of this Article shall be carried out continuously by the Agency in accordance with adopted work plan and based on monitoring of all relevant data, the Agency shall analyze business operations of each SCO.

Article 6

The Agency shall compile minutes on the findings, violations, irregularities and weaknesses identified by the control from Article 3 of this Decision, that shall be delivered to the SCO no later than within 20 days from the end of the control.

In exceptional cases, the Director of the Agency may determine other deadlines for submitting control minutes by his decision.

SCO has the right to object to the minutes from Paragraph 1 of this Article within 8 days from the day of receipt.

After the expiration of the deadline for objection or after consideration of the SCO's objection, the Agency shall adopt the decision on the necessary activities of SCO to eliminate the identified irregularities and weaknesses in business operations and determine the deadlines for implementation.

Against the decision from Paragraph 4 of this Article SCO has the right to object to the director of the Agency within 8 days from the day of receipt.

Acts of the Agency represent a professional secret.

Article 7

After identifying the weaknesses and irregularities in the operations of SCO related to the violation of the provisions of the law, other regulation and requirements set by the license, the Agency may:

1. apply one or more stipulated measures against the SCO;

2. set certain restrictions or requirements and order appropriate activities for preventing further deterioration of the situation;

3. propose certain improvements in order to improve operations and risk management by SCO.

Article 8

For failure to act in accordance with the provisions of this and other decisions, an operating license may be revoked from the SCO and the provisions of the Law on saving-credit organizations that regulate the procedure of temporary administration and liquidation may be applied.

Article 9

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

Number: UO-320/07
Date: 30 March 2007
Banja Luka

PRESIDENT OF THE
MANAGEMENT BOARD
Prof. PhD Novo Plakalović