

**BOSNIA AND HERZEGOVINA  
FEDERATION OF BOSNIA AND HERZEGOVINA  
BANKING AGENCY OF THE  
FEDERATION OF BOSNIA AND HERZEGOVINA  
SARAJEVO**

## **GUIDELINES**

**ON LICENSING AND OTHER APPROVALS ISSUED  
BY THE BANKING AGENCY OF THE FEDERATION OF BIH**

**Sarajevo, September 2002**

**TABLE OF CONTENTS**

<b>A – GENERAL PROVISIONS</b>	<b>3</b>
<b>B – PROCEDURES FOR ISSUING AND REVOKING LICENSES, APPROVALS AND CONSENTS</b>	<b>5</b>
I. ISSUANCE OF BANKING LICENSE	5
II. REJECTING BANKING LICENSE	11
III. REVOKING BANKING LICENSE	12
IV. APPROVAL FOR ESTABLISHMENT OF ORGANIZATIONAL UNITS OF A BANK LOCATED IN THE FBIH TERRITORY	14
V. APPROVAL FOR ESTABLISHMENT OF REPRESENTATIVE OFFICE OF A BANK LOCATED IN THE FBIH TERRITORY	15
VI. APPROVAL FOR ESTABLISHMENT OF REPRESENTATIVE OFFICE OF A BANK LOCATED OUTSIDE FBIH TERRITORY	16
VII. APPROVAL FOR ESTABLISHMENT OF BANK’S BRANCH OFFICE ACROSS FBIH BORDER	17
LICENSE TO ESTABLISH SUBSIDIARY OF BANK ACROSS FBIH TERRITORY	18
IX. APPROVAL TO DECREASE CAPITAL OR IMPAIR CAPITAL STRUCTURE OF A BANK BY PURCHASING ITS OWN SHARES	18
X. APPROVAL TO ACQUIRE OR INCREASE SIGNIFICANT OWNERSHIP INTEREST IN A BANK	19
XI. APPROVAL PRIOR TO ACQUIRING SIGNIFICANT BANK’S EQUITY SHARE IN OTHER LEGAL ENTITY OR TOTAL NET VALUE OF ALL BANK’S OWNERSHIP SHARES IN OTHER LEGAL ENTITY	20
XII. APPROVAL PRIOR TO STATUTORY CHANGES IN A BANK	21
XIII. APPROVAL FOR BANK’S BY-LAWS	22
XIV. APPROVAL PRIOR TO APPOINTMENT OF BANK’S GENERAL MANAGER AND MANAGEMENT BOARD MEMBERS	22
XV. APPROVAL PRIOR TO APPOINTMENT OF SUPERVISORY BOARD MEMBERS	25
XVI. APPROVAL TO INVEST IN FIXED ASSETS OVER 50% OF THE CORE CAPITAL	25
XVII. APPROVAL TO ENGAGE INDEPENDENT EXTERNAL AUDITOR	26
XVIII. APPROVAL TO SELL BANK OR MERGE TO OTHER BANK UPON PROPOSAL MADE BY LIQUIDATION ADMINISTRATOR	26
XIX. APPROVAL TO ISSUE SHARES AND OPINION FOR APPROVAL TO ISSUE OTHER TYPES OF SECURITIES	27
XX. LICENSE TO PERFORM INTERNAL PAYMENT SERVICES	28
XXI. PRIOR APPROVAL FOR SMALL LOAN PORTFOLIO	29
XXII. PRIOR APPROVAL TO INCLUDE SUBORDINATED DEBT IN THE CALCULATION OF BANK’S ADDITIONAL CAPITAL	29
XXIII. PRIOR APPROVAL FOR PAYMENT OF SUBORDINATED DEBT BEFORE THE MATURITY DATE	30
XXIV. PRIOR APPROVAL TO INCLUDE CONVERTIBLE CAPITAL ITEMS TO BANK’S ADDITIONAL CAPITAL	30
XXV. PRIOR APPROVAL TO INCLUDE PERMANENT DEPOSITS INTO BANK’S ADDITIONAL CAPITAL	31
XXVI. PRIOR APPROVAL FOR LARGE LOAN RISK EXPOSURE TOWARDS SIGNIFICANT SHAREHOLDERS	31
XXVII. APPROVAL FOR PARTICIPATION IN BANK PRIVATIZATION	32
<b>C - FINAL PROVISIONS</b>	<b>33</b>

Based on Article 9 of the Law on the Banking Agency of the Federation of Bosnia and Herzegovina (“Official Gazette of the Federation of BiH” No. 9/96, 27/98, 20/00 and 45/00) and based on Article 18 of the By-laws of the Banking Agency of the Federation of Bosnia and Herzegovina (“Official Gazette of the Federation of BiH” No. 21/96), Managing Board of the Banking Agency of the Federation of Bosnia and Herzegovina is hereby declaring the following:

## **GUIDELINES**

### **On Licensing and Other Approvals Issued by The Banking Agency of the Federation of Bosnia and Herzegovina**

#### **A - GENERAL PROVISIONS**

1. These Guidelines closer define licensing and basis for other approvals issued by the Banking Agency of the Federation of Bosnia and Herzegovina (hereinafter: FBA) in relation to performance of banking activities, as well as basis for rejecting applications for issuance of licenses and approvals and for revoking licenses and approvals.
2. The main goal of these Guidelines is to establish general criteria for implementation of FBA’s legal authorities related to declaration of its decisions and orders.
3. Formal applications submitted to the FBA relate to the following:
  1. issuing banking licenses;
  2. revoking banking licenses;
  3. approval for establishment of organizational units (branches and other organizational parts) or representative offices of a bank located in the territory of the Federation of Bosnia and Herzegovina (hereinafter: the Federation);
  4. approval for establishment of representative offices or branches of a bank located outside of the territory of the Federation (bank with head office located in Republic of Srpska, District Brcko or a foreign bank);
  5. license to establish subsidiary of bank across FBiH territory (bank with head office located in Republic Srpska, District Brcko or a foreign bank);
  6. approval for capital decrease or impairment of capital structure through a purchase of treasury shares;
  7. approval for acquisition or increase of significant voting interests in a bank;
  8. prior approval for acquisition of significant equity share of a bank in another legal entity or acquisition of total net value of all equity shares of a bank in other legal entities;
  9. prior approval for statutory changes in a bank (merger, acquisition or separation);
  10. approval for banks’ statute;

11. prior approval for appointment of bank's director and management board members;
  12. prior approval for appointment of bank's supervisory board members;
  13. approval for investments in fixed assets over 50% of core capital;
  14. approval for appointment of independent external auditor;
  15. approval for sale of a bank or its merger with another bank during the liquidation process;
  16. approval for issuing shares and opinion related to the approval for issuing shares of other type of securities;
  17. license for performing internal payment system services;
  18. prior approval for small loans portfolio;
  19. prior approval for including subordinated debt in the bank's additional capital calculation;
  20. prior approval for repayment of subordinated debt before its maturity date;
  21. prior approval for including convertible capital items into bank's additional capital;
  22. prior approval for including permanent deposits into the bank's additional capital (non-recoverable deposit);
  23. prior approval for large credit risk exposures (over 15% of bank's core capital) towards significant shareholders;
  24. approval for participation in the bank privatization process.
4. All provisions stated in these Guidelines relate to banks, also apply to branches of foreign banks.
  5. Domestic and foreign individuals and legal entities can submit applications.
  6. Documents attached to the application have to be originals or certified copies.
  7. If these include bank documents/regulations, they have to be originals or copies approved, signed and certified by the authorized bank bodies.
  8. If a bank submits a document in a foreign language, it is required to submit the official translation of the same made in one of the languages officially used in the Federation.
  9. After submission of an application, FBA is to process the same. This includes consideration of compliance of application and attached documentation with laws and other regulations, analysis of documentation and can also:
    - have an interview with bank representatives or its founders;
    - perform an on-site review;
    - ask for verification and/or confirmation of financial data based on current and previous conditions..
  10. FBA issues a decision on the application. An applicant is required to pay a decision issuance fee stated in a separate conclusion to the decision, which is in accordance with provisions of the Decision on Minimum Standards for Determining the Tariff for FBA's Fees ("Official Gazette of the Federation of BIH" No. 37/98 and 5/99).

11. In the case that application does not contain all necessary documents or information, FBA can request from the applicant to provide additional information or documents. The same needs to be submitted within a deadline determined by the FBA. If the requested information or document does not get submitted within the given deadline, FBA has a right to reject the application as incomplete.
12. Applicant has a right of complaint to the FBA's decision, if the decision does not determine otherwise. Complaint is to be filed with the FBA Director within 8 days upon receiving the decision. Applicant is not required to pay any fees for filing the complaint.
13. If FBA issues a decision rejecting the application and if applicant fails to file the complaint within the given deadline, but instead it subsequently files the same, FBA is to issue a new decision rejecting the complaint as untimely submitted. Complaint will also be rejected if it is unacceptable or if an unauthorized person filed it.

## **B - PROCEDURES FOR ISSUING AND REVOKING LICENSES, APPROVALS AND CONSENTS**

### **I. ISSUANCE OF BANKING LICENSE**

14. Entities submitting the application for the license for performing banking businesses (hereinafter: founders) are to submit a written application to the FBA which includes the following attachments:
  1. agreement on establishment of the bank signed by all its founders, that is the Decision on inception if bank is founded by just one entity;
  2. draft of bank's by-laws;
  3. information on qualifications and experience of bank's supervisory and management board members;
  4. statements of founders' (equity) capital of the bank;
  5. plan and projection of bank's operations;
  6. list of founders with evidence of their financial reliability;

### **Agreement or Decision on Bank Establishment**

15. Agreement or Decision on bank establishment has to include, at least, the following elements:
  1. name and surname or name of the company, address of residence or head office of the founders;
  2. name and address of the bank;
  3. purpose of bank's establishment;
  4. line of business (banking businesses that bank intends to perform);

5. total amount of founders' (equity) capital invested by the bank's founders with a description and estimated value of their tangible and intangible investments. This should also include conditions and terms for its increase;
  6. type of shares, total number and nominal value of shares;
  7. description of rights relative to shares;
  8. number of shares registered by bank founders respectively;
  9. procedures and deadlines to be met by founders in relation to payments to the capital and in relation to fulfillment of other conditions for establishment and inception of bank's operations;
  10. rights and responsibilities of founders;
  11. method of reimbursement of establishment costs;
  12. consequences of founders' failure to meet their responsibilities;
  13. ways to resolve disputes among founders;
  14. managing and governing the bank, structure and authorities of bank's bodies;
  15. distribution of profit criteria;
  16. assumption of risk and coverage of potential losses;
  17. name and surname of person representing the bank in the inception phase.
16. Agreement has to be signed by all founders of the bank or by persons authorized by them. Signatures have to be certified according to the Law.
17. Agreement needs to include date and place of signing. Pages of the Agreement need to be bonded in a way to prevent them from being extracted or replaced.

### **Draft By-Laws of the Bank**

18. As a minimum, proposed bank's by-laws have to contain the following elements:
1. name and address of the bank;
  2. operations, that is banking businesses bank intends to perform (which have to be in accordance with the Agreement or the Decision on establishment);
  3. provisions on bank's capital (type, amount, structure, including information on terms and ways of capital increase or decrease) and amount of equity capital to be paid in cash and value of tangible and intangible share;
  4. provisions on bank's shares (type, number and nominal value of shares);
  5. ways to establish and use a reserves fund;
  6. ways to distribute profit and pay-out dividends;
  7. ways to cover the losses;
  8. number of votes per shares type;
  9. ways to organize bank's assembly and decision making process, structure and authorities of the boards appointed by the bank's assembly;
  10. structure, method for appointing, firing and authorizing managing and governing bodies of the bank;
  11. responsibilities and rights of bank employees specially authorized by the bank;
  12. representing the bank;
  13. ways to establish organizational units of the bank;
  14. provisions on the bank's internal control system;

15. provisions on internal and external audit of the bank;
  16. procedure for mergers, acquisitions and separations;
  17. cease of bank's operations;
  18. other issues related to bank's operations;
  19. method for adoption of general policies and procedures;
  20. method for entering changes and amendments to the by-laws.
19. Bank has a deadline of 15 days upon adopting its by-laws by the Assembly to submit the same to the FBA.

### **Information on Qualifications and Experience of Proposed Senior Management of Bank**

20. Information about candidates for supervisory board members include the documentation mentioned in Article 111 of these Guidelines.
21. Information about candidates for bank's management board member – general manager, including the documentation mentioned in Article 100 and 101 of these Guidelines, and information for other candidates – management board members, including the documentation mentioned in Article 106 of these Guidelines.
22. If, at the moment of submitting the application, all candidates for management board members are still not identified, founders will then have to provide a plan of necessary staff with technical profiles needed and with planned deadlines for filling out these positions – bank's management board members.

### **Statements Related to Bank's Founders' (Equity) Capital**

23. Attached to the banking license application are statements of the amount and method of investing into founders' capital.
24. Statements of domestic or foreign founders have to:
  - 24..1. be given individually by every founder;
  - 24..2. be dated and signed by founders, that is if the founder is a legal entity, then the signature will have to be certified with a stamp;
  - 24..3. to contain an exact amount of founder's share in cash;
  - 24..4. to contain confirmation of the founder that he/she will perform a payment of the founder's share within 7 days from receiving Notice from the Agency on positive decision for the application. The payment needs to be made to the suspense account opened with one of the domestic banks, that is FBA's special account if it is foreign founder.
25. Also, founders have to attach a statement of tangible and intangible investments that will be used directly and exclusively for banking business, that is business function of the bank (building, business premises, computers and similar property). Investments made in tangible and intangible items are stated in cash amounts, so founders have to attach a document on appraisal of these items that was performed by an authorized person from the Federation. If this is a real estate property, it can not be mortgaged and the founder needs to provide a confirmation

on this issued by the authorized body. Founder's statement has to be signed and has to include a note confirming that they will initiate a court process within the 15 days upon bank's registration in order to transfer the title over real estate or over securities (representing his/her founder's share) to the bank. Proof of the same needs to be submitted to the FBA. If the founder is a legal entity, signature on this statement has to also be stamped. Capital value invested in tangible and intangible items cannot amount more than 30% of capital invested in cash.

26. If the bank did not acquire title over intangible items that the founder was required to invest as his/her founder's share, this shareholder has to pay the value of these items in cash and in return bank needs to give him the intangible items he/she has put in.
27. If a founder's share is represented in a form of securities, statement needs to include a report on audit of year-end report of the party that issued the securities (report for the previous year). This report needs to be developed by an authorized external auditor. Amount of founder's share invested in form of securities is determined on the basis of their market value as of the date of payment of the cash portion of the founder's capital of the bank.

### **Plan and Projections of Bank Operations**

28. According to provisions of the Decision on Minimum Standards for Bank's Documentation and Conditions for Licensing a Bank ("Official Gazette of the FBIH" No. 17/99 and 16/01), founders are required to submit to the FBA a short term and a long term business plan (for the period of at least 4 years) that includes:

- goals and tasks of the bank;
- market analysis;
- information on proposed types of customers and services;
- an estimate of resources needed to accomplish the goals of the bank regarding market conditions;
- financial plan, that needs to include initial capitalization, projected income and expenses and other relevant information that will reflect ability of the bank to operate with the profit and to increase capital within a scope adequate to the activities planned;
- plan of banking services to be performed within the proposed markets;
- plan of necessary staff with a proposal of organization and systematization of work positions including necessary qualifications and work experience;
- information on technical capabilities of the bank related to performance of businesses stated in the agreement/decision on establishment and in the bank's by-laws. Bank is required to submit evidence of technical capabilities. This includes the following:
  - documentation showing a method used to provide for the business premises (ownership, free use of premises or a lease agreement for permanent or predetermined time period with a proof that lessor has a title over the business premises);

- document issued by an authorized institutions stating that premises used by the bank satisfy the purpose of banking services;
- documentation showing the way in which bank provided for its equipment (ownership, free use of equipment or lease of equipment for unidentified or predetermined time period);
- specification of IT equipment and its application software;
- procedures containing description of methods to protect assets (physical protection of assets, protection of information, etc.).

29. Also, business plan needs to contain:

1. Analysis of factors used in evaluation of capital adequacy:

- 1.1. Inception costs;
- 1.2. Expected earnings;
- 1.3. Management experience;
- 1.4. Expected risks related to assets and liabilities;
- 1.5. Share in intangible items stated in cash values;
- 1.6. Possibility of providing additional capital, if necessary.

2. Information for evaluation of every risk type:

2.1. Credit risk (borrower did not make timely loan repayments);

- 2.1.1. analysis that bank will perform for every type of credit relations;
- 2.1.2. bank's loan committee, appointment and structure of the committee and frequency of meetings held;
- 2.1.3. standards to be followed in loan approval processes.

2.2. Financial risk:

- 2.2.1. Liquidity risk (risk that the bank will not be able to fulfill its current obligations):
  - a) maturity adjustment between liabilities and structure of bank's assets;
  - b) detailed plan for resolving extraordinary liquidity needs;
- 2.2.2. Price risk:
  - a) interest rate risk (risk of decrease of income and value of investments caused by market changes);
  - b) foreign currency risk (risk of changes in foreign exchange rates of foreign currencies and risk of foreign currency debt);

2.3. Capital risk (risk that the bank will not be able to maintain a required level of capital in relation to its assets):

- 2.3.1. plans for accomplishing the required capital level;

2.4. Operating risk (risk that operating expenses will be significantly higher than predicted):

2.4.1. bank's plan of operations and expenses for their implementation;

2.5. Business risk

**List of Founders and Proof of Their Financial Reliability**

30. Along with the Agreement or Decision on establishment, founders need to attach information and proof of their financial reliability. This includes:
1. For individuals – certified copy of ID (Passport); information on education and detailed brief overview of professional activities and work experience including names of all institutions a person worked in and description of work positions performed by the same. This especially needs to include information on representation authorizations, internal authorizations related to the decision making process, as well as areas under his/her management and adequate financial information, such as proof of income and taxes paid for the previous fiscal year;
  2. For legal entities – decision on registration, audited financial statements (balance sheet and income statement) for the last three fiscal years or for every fiscal year since establishment of the legal entity (if that period is less than three years), as well as financial statement for the end of last quarter before submission of the application. This needs to be certified by an independent external auditor and it needs to include the name of every individual holding a significant interest in the entity and percentage of founder's shares that person owns;
  3. For individuals - information on any convictions for criminal or commercial violations from area of economic and financial crime, issued by authorized institution for the period of 5 years from the date of such rulings, including time spent under the prison sentence. For legal entities – information mentioned for economic crime.
31. As for the founders who will own or control significant ownership interest (more than 10% of total voting rights of the bank), the following information needs to be provided:
1. current employment information;
  2. planned number/percentage of shares owned or controlled;
  3. information on controlling interest or ownership in other entities;
32. Bank founders have to be persons/entities of trust and have to possess sufficient financial capabilities considering the proposed size of the bank and type of its activities. This will be evaluated by the FBA for every specific case.
33. Proof of financial reliability of founders will be applied to every owner of significant share in a legal entity, if such legal entity is bank founder.
34. As for the Decision based on the banking license application, FBA is to declare such decision within 60 days upon receiving the application.

35. Bank is required to submit to the FBA a certified photocopy of registration in the Securities Commission, Court Registry and Securities Registry within 15 days upon individual registrations.

## **II. REJECTING BANKING LICENSE**

36. FBA can reject the application for receiving this license on any of the below listed basis:

1. Documentation on bank establishment or on bank's founders' capital does not comply with requirements of the Law on Banks and these Guidelines;
2. Unsatisfactory financial condition or lack of trust in some of the founders;
3. Lack of trust or lack of professional qualifications of some of the proposed candidates for supervisory or management board of the bank;
4. Disclosure of unreliable information by founders or failure to submit information requested by the FBA during the consideration of the application.

37. It is determined that there is an unsatisfactory financial condition of some of the owners in cases when FBA concludes that:

1. Founders' liabilities exceed their assets, regardless of whether bankruptcy process is initiated or not;
2. Total amount of liabilities of founders can represent a significant risk to bank stability;
3. Submitted financial information indicates that certain founder will not be able to maintain the required level of capital adequacy;
4. There are other facts that indicate to existence of financial danger to the bank and/or depositors of the bank as a result of certain founders' actions.

38. It is determined that there is a lack of trust in some of the founders if:

1. Relationship between a legal entity (one of the bank founders) and an individual (also one of the founders), whereas the individual is owner/co-owner or director of that legal entity (one of bank founders);
2. Legal entities (bank founder) whose owner, majority owner or director is at the same time owner, majority owner or director of another legal entity (bank founder);
3. Legal entity whose directors or owners are members of the closer family;
4. Entities related to the bank, as determined by the Law on Banks (the FBiH Official Gazette, 39/98, 32/00 and 41/02);
5. Individual (bank founder) was a member of managing and governing bodies or was an internal auditor in the bank in which the FBA or other authorized institution initiated provisional administration, liquidation or bankruptcy for the period of 1 year before those measures are initiated;
6. Individual (bank founder) was a member of managing and governing bodies in the legal entity where bankruptcy process was initiated for a period of 1 year before those measures were initiated.

39. It is determined that there is a lack of trust or professional qualifications related to one of the proposed candidates for supervisory or management board when FBA concludes the following:

1. person was previously member of managing body, governing body or internal auditor in a bank that was subject to provisional administration, liquidation or bankruptcy initiated by the FBA or other authorized institution for the period of 1 year before those measures were initiated;
2. person was previously member of managing or governing body in the legal entity that was subject to bankruptcy process for the period of 1 year before those measures were initiated;
3. person was convicted of criminal act or commercial violation from area of economic and financial crime for the period of 5 years since the effect date of the court ruling, excluding the time spent under the prison sentence;
4. previous business or private actions of persons that involve facts that indicate that there could be no expectation of good performance from that person.

### **III. REVOKING BANKING LICENSE**

40. FBA can issue a decision to revoke the banking license in the following cases:

1. As a penalty measure towards the bank for a violation it performed in accordance with the Law on Banks on the basis of a final Decision issued by the Violations Committee.
2. Upon determining that the banking license was issued on the basis of illegal or false documents, that is if there are other irregularities related to the application for receiving the license. The above facts can be determined by FBA during examination process of fulfillment of conditions for bank's inception or in any other way.
3. If the request for registration in the court registry was not submitted within 30 days after receiving the banking license or if the bank did not initiate its banking operations within 90 days upon its registration in the court registry or if the bank does not receive cash deposits or it does not grant loans for a period longer than 6 months. The above facts can be determined by FBA during examination process of fulfillment of conditions for bank's inception or in any other way;
4. If the amount of bank capital is less than the minimum amount required by the law and other regulations. The above facts can be determined by FBA during bank examination process or during the review of regulatory reports submitted by the bank or external audit reports, FBA determines that the amount of bank capital is smaller than the required minimum prescribed by the law.
5. Upon bank's request, that is, upon decision declared by the authorized managing body of the bank to liquidate the same. Attached to the request submitted to the FBA is the decision of the bank's assembly and the external auditor's report on results of operations as of the last day in the month that preceded the month in which the decision was made.

41. FBA will revoke the banking license in the cases when:
1. Based on the recommendation of the Provisional Administrator. FBA will issue the decision on revoking the banking license within 30 days after adopting the written report of the bank's provisional administrator, along with the proposal for revoking the banking license and proposal for bank liquidation (containing the evaluation of assets amount that will be realized during the liquidation process) or along with any other proposal in accordance with the law (giving the basis for revoking the banking license);
  2. In cases of mergers, acquisitions or separation of the bank, upon receiving an approval for status changes of the bank issued by the Securities Commission;
  3. In case of bank no longer exists as a legal entity, upon gathering the evidence of legal basis for cease of bank's operations;
  4. In case of bank's insolvency. If, during bank examination or based on regulatory reports submitted by the bank and external audit report, it determines that the bank is insolvent in accordance with the provisions of the Law on Banks and the Decision on Conditions When the Bank is Considered Insolvent ("Official Gazette of the FBiH" No. 17/99), that is if it determines that the amount of liabilities is exceeding the amount of assets of the bank. Liquidation process is initiated at the same time when banking license is revoked.
  5. Not fulfilling condition of becoming member of deposit insurance.
42. FBA will declare the decision on revoking the banking license no later then 60 days after receiving the documentation and other evidence, that is, within 60 days after receiving information on facts and circumstances due to which banking license can be revoked.

#### **IV. APPROVAL FOR ESTABLISHMENT OF ORGANIZATIONAL UNITS OF A BANK LOCATED IN THE FEDERATION TERRITORY**

43. A bank located in the Federation territory can establish an organizational unit (branch or other organizational unit) within the area of the Federation, Republic of Srpska, Brcko District or in a foreign country.
44. Before submitting application for opening an organizational unit within the area of the Federation, bank submits to FBA, for its opinion, a study on economical justification to establish part of the bank. It is required that the Study includes a business plan for the period of at least three years since the day of its inception, along with financial indicators and their reflection of the bank's performance results, level of potential investments in that organizational unit, IT equipment and networking with the bank, as well as a staffing plan to be employed there (their number and qualification structure).
45. After issuing positive opinion to the Study, bank submits to FBA the request for establishing organizational unit in the Federation territory, along with the following attachments:

1. Decision of the authorized managing body on establishment of the organizational unit of the bank, with an outline of business activities it will perform as a part of the bank;
  2. Bank statement that as for the new organizational unit, it will provide for efficient protection of assets in accordance with the provisions of the Decision on Minimum Standards of the Internal Control System in Banks ("Official Gazette of the FBiH" No. 47/98);
  3. Bank statement that, as for the new organizational unit, it will provide for implementation of the provisions of the Law on Anti-Money Laundering ("Official Gazette of the FBiH", No. 8/00);
  4. Decision of an authorized body on appointment of the managers for that organizational unit with an outline of their authorities and with a proof of their education, citizenship and work experience;
  5. Proof of adequate business premises (proof of ownership or lease agreement with a proof that lessor is an actual owner of the business premises);
  6. Decision of an authorized managing body on suitability of business premises for the intended purpose.
46. Decision based on this request to establish organizational unit in the Federation territory is to be issued by the FBA within 60 days after receiving the request containing complete documentation.
47. Bank is required to submit to the FBA a certified photocopy of the court registration of that organizational unit within period of 15 days upon registration.
48. Along with the request for establishment of organizational unit in the territory of Republic Srpska or Brcko District, bank is required to submit to the FBA the documentation from Items 44 and 45 of these Guidelines.
49. Decision based on the request mentioned under item 48 of these Guidelines is to be made by the FBA within 60 days after receiving the request containing complete documentation.
50. Bank is required to address to the regulatory institution in Republic of Srpska or Brcko District for all further matters and to implement regulations in effect in Republic of Srpska or in Brcko District.
51. Bank is required to submit to the FBA a decision on approval of establishment of organizational unit issued by the regulatory institution in Republic of Srpska or in Brcko District and certified photocopy of court registration of the organizational unit within the period of 15 days after receiving the approval, that is, registration.
52. Along with the request for establishing the organizational unit in a foreign country, bank is required to submit to the FBA the documentation under Items 44 and 45 of these Guidelines, as well as a license from the Federal Ministry of Trade for transport of funds across the borders in order to establish the organizational unit over there.

53. Decision related to the request under Item 52 of these Guidelines is to be declared by the FBA within 60 days after receiving the request containing complete documentation.
54. In any subsequent processes, bank is required to address to an authorized institution of a country in which it intends to establish the organizational unit and is required to implement regulations of that country.
55. Bank is required to submit to the FBA document proving registration of the organizational unit in the records of the country in which it intends to operate. A deadline for this is 15 days upon registration.

**V. APPROVAL FOR ESTABLISHMENT OF REPRESENTATIVE OFFICE OF A BANK LOCATED IN THE FEDERATION TERRITORY**

56. A bank located in the Federation territory can establish a representative office in the territory of Republic of Srpska, Brcko District or in another country.
57. Along with the request for establishing representative office in the territory of Republic of Srpska, Brcko District or in another country, bank is required to submit to the FBA the documentation under Item 62 of these Guidelines, and if this is the case of the representative office abroad, bank is required to submit a license of the FBIH Ministry of Trade for transfer of funds to abroad for the purpose of establishing the representative office.
58. Decision related to the request under Item 57 of these Guidelines is to be issued by the FBA within 60 days upon receiving the request containing complete documentation.
59. In all further processes, bank is required to address to the authorized institution in Republic of Srpska, Brcko District or in another country in which it intends to establish the representative office and is also required to implement all their regulations.
60. Bank is required to submit to the FBA a document on registration in the records of Republic of Srpska, Brcko District or of another country issued by the authorized institution. A deadline for this is 15 days upon registration.

**VI. APPROVAL FOR ESTABLISHMENT OF REPRESENTATIVE OFFICE OF A BANK LOCATED OUTSIDE THE TERRITORY OF THE FEDERATION BIH**

61. Bank located outside the Federation territory can establish a representative office in the territory of the Federation.

62. In order to receive approval for establishing representative office, bank is required to submit a request to the FBA, which needs to include the following:
1. Information on the name, legal status and location of the bank (bank registration);
  2. Bank's by-laws;
  3. Information on the financial operations of the bank for the past three years, that is for the period of bank existence (if it is less than three years);
  4. Decision of the authorized body of the bank regarding the establishment of representative office. It is required to specify name, headquarter and activity of the representative office;
  5. Evidence that business premises have been provided (evidence regarding ownership or lease agreement proving that the lessor owns the business premises);
  6. Written decision made by authorized management body approving that the business premises suit the needs;
  7. Work program of the representative office;
  8. Information on employees - number and qualification structure;
  9. Information on persons responsible for work and representation of the representative office, along with authorizations specified in the document on appointment, and submission of evidence of this person's education and work experience;
  10. Bank's statement certified to take responsibility for all obligations that will arise in the representative office's performance.
63. The Agency will make written decision for the submitted request for approval of establishment of a representative office within 60 days from the date when the application with complete documentation was received.
64. The representative office is required to submit to FBA a certified copy of its registration at the authorized court administration in the Federation within 15 days from the registration date.

## **VII. APPROVAL FOR ESTABLISHMENT OF A BANK'S BRANCH OFFICE ACROSS THE FEDERATION BORDER**

65. Bank located in Republic Srpska or Brcko District may establish a branch office that will in behalf and for the account of the Bank receive cash deposits and originate loans in the Federation area.
66. Along with its application, the Bank under Item 65 of these Guidelines is required to submit the documentation required under Item 44 and 45 of these Guidelines (the Study is attached to the Application), as follows:
1. banking license of the Bank that is to establish a branch office issued by the Banking Agency of Republic Srpska, or, Banking Regulator in Brcko District;

2. branch office establishment license in the Federation issued by the Banking Agency of Republic Srpska, or, Banking Regulator in Brcko District;
  3. bank's statement certified to take responsibility for all obligations that will arise in the branch office's performance.
67. Decision on the request under Item 66 of these Guidelines will be issued by the FBA within 60 days from the date when complete documentation was received.
  68. Branch office is not a legal entity, and is registered with the court registry of Bank's registration.
  69. Branch office is required to submit to FBA a certified copy of its registration at the court registry within 15 days from the registration date.
  70. Bank located outside Bosnia and Herze govina (hereinafter: foreign bank) may establish branch office that will in its name and for its account receive cash deposits and originate loans in the Federation area.
  71. Along with its branch office establishment application, foreign bank has to submit the documentation prescribed within these Guidelines for issuance of banking license.
  72. Depending on the specific case and before issuing approval, FBA decides whether it will consult the bank's home country institution authorized to issue license and perform supervision.
  73. Written decision based on the request for establishment of foreign bank's branch office will be made by the FBA within 60 days from the date when complete documentation was received.
  74. Foreign bank's branch office is a legal entity and is registered with the court registry where the branch office has its headquarters.
  75. Branch office is required to submit to FBA a certified copy of its registration with Securities Commission and a certified copy of its registration with the court registry and Securities Registry within 15 days from those registration dates.

#### **VIII. LICENSE TO ESTABLISH SUBSIDIARY OF A BANK ACROSS FBiH TERRITORY**

76. Bank located across the FBiH territory (in Republic Srpska, Brcko District or foreign bank) is allowed to establish subsidiary in the Federation territory.
77. Along with its application to establish subsidiary, bank under Item 76 of these Guidelines submits to the FBA the following:
  1. license to perform banking activities issued by authorized institution;
  2. license to establish subsidiary issued by authorized institution.

78. Written decision based on application to issue license to establish subsidiary will be issued by FBA after consultation with the institution authorized to issue license and supervise bank-founder within 60 days upon receiving application with complete documentation and report of the mentioned supervisory institution regarding examination performed in the bank-founder.
79. Bank is required to submit to FBA a certified copy of subsidiary's registration in the court registry, and other registries with the authorized institutions anticipated by the law within 15 days from the date of those registries.

#### **IX. APPROVAL TO DECREASE CAPITAL OR IMPAIR CAPITAL STRUCTURE OF A BANK BY PURCHASING ITS OWN SHARES**

80. Along with the request to issue approval to decrease capital or impair capital structure of the bank by purchasing its own shares, the bank is required to submit to FBA the following:
  1. Decision by authorized management body of the bank regarding acquisition of its own shares or appropriate document submitted by the bank proving acquisition of bank's own shares for employees, that is, any other legal basis for acquisition of its own shares (court order for forced implementation or protection of small shareholders, etc.)
  2. Study adopted by authorized management body that will have to include analysis of the effect caused by purchase of its own shares to the bank's net capital, along with timetable of their sale, at latest within 12 months from the acquisition date of those shares.
81. Written decision on request to issue approval to decrease capital or impair capital structure of the bank by purchasing its own shares will be made by FBA within 60 days from the date when complete documentation was received.
82. Bank is required to submit to FBA a certified copy of its Decision on registration of its own shares with Securities Commission within 15 days from the registration date and a certified copy of registration of the recall of the acquired own shares with the Securities Registry within 15 days from the registration date.

#### **X. APPROVAL TO ACQUIRE OR INCREASE SIGNIFICANT OWNERSHIP INTEREST IN A BANK**

83. Along with their application for approval to acquire or increase significant ownership interest in a bank over 10%, 20%, 33%, 50% and 66.7% of participation in bank's capital or in total number of voting shares in the bank, individuals and legal entities are required to submit to FBA the following:
  1. legal entities – court registration; individuals – copy of citizen's ID or a passport copy;

2. legal entities – information on its operations for the last three business years (balance sheet, income statement audited by external auditor), as well as the last periodic statement; individuals – certification of paid income taxes);
  3. legal basis to acquire or increase significant ownership interest (purchase agreement and etc.)
  4. evidence of ownership in other legal entities;
  5. statement of debts in other banks and their amount;
  6. evidence of competence and experience of individuals in order not to jeopardize interests of the bank or its depositors;
84. FBA may reject to issue written decision on approval to acquire or increase significant ownership interest in the bank based on the following reasons:
1. poor financial condition of the applicant;
  2. insufficient competency and experience of individual – applicant that might jeopardize interests of the bank or its depositors;
  3. if issuance of such approval is to result in some transactions or participation of the bank in some activities that represent unfair competition at the financial market;
  4. if the applicant submitted information that is inaccurate or not in accordance with the FBA regulations or the applicant refused to submit the information that FBA requested in order to make decision upon its application.
85. Written decision on the request to issue approval to acquire or increase significant ownership interest will be made by FBA within 60 days from the date when complete documentation, along with application, was submitted.
86. Bank is required to submit to FBA a certified copy of written decision about registration of changes with the Securities Commission within 15 days from the registration date.

**XI. APPROVAL PRIOR TO ACQUIRING SIGNIFICANT BANK'S OWNERSHIP SHARE IN OTHER LEGAL ENTITY OR TOTAL NET VALUE OF BANK'S OWNERSHIP SHARES IN OTHER LEGAL ENTITY**

87. For the bank to acquire significant ownership share in other legal entity or indirectly in subsidiary of that legal entity, exceeding 5% (to 15%, that is, 10% in non-financial entities) of its core capital, it is necessary to submit to FBA the following:
1. court registration of that legal entity or subsidiary of that legal entity;
  2. financial indicators for the legal entity or subsidiary of that legal entity for the last three business years (balance sheet and income statement audited by external auditor);
  3. decision by the bank's authorized body with analysis of the information showing how the investment will be reflected in the bank's net capital position and other performance standards prescribed by the law.

88. The same documentation, along with its request, the bank is required to submit to FBA in order to get approval to acquire total net value of all its ownership shares in other legal entities or subsidiaries of those legal entities, exceeding 20% (to 50%, that is, 25% in non-financial entities) of its core capital.
89. Written decision on the request to issue approval to acquire significant ownership share in other legal entity or entities, that is, their subsidiaries, will be made by FBA within 60 days from the date when complete documentation, along with application, was submitted.
90. Bank is required to submit to FBA a certified copy of written decision about registration of changes with the authorized registration courts and other institutions prescribed by the law for the legal entity where the bank acquired significant ownership share within 15 days from the individual registration dates.

## **XII. APPROVAL PRIOR TO STATUTORY CHANGES IN A BANK**

91. Along with its request for issuance of an approval for statutory change (merger, acquisition or separation), bank is required to submit to FBA:
  1. Study on economical reasons for a statutory change adopted by bank's assembly and elaborate on the process of the statutory change, where it is obligatory to include the elements from Article 65 of the Law on Commercial Enterprise;
  2. Identical decisions made by the banks' assemblies about the statutory change;
  3. Business plan for the resulting bank/banks;
  4. Proposed general manager for the resulting bank/banks, along with necessary documentation under Item 100., that is, under Item 101. Of these Guidelines;
  5. Proposed management board members for the resulting bank/banks, along with necessary documentation under Item 106. Of these Guidelines.
  6. Proposed supervisory board members for the resulting bank/banks, along with necessary documentation under Item 111. Of these Guidelines.
92. If there is provisional administrator appointed in the bank, then he/she can, as one of measures, propose bank's merger or acquisition with other bank. In that case, the Study and the decision are made by the provisional administrator.
93. If there is liquidation administrator appointed in the bank, then he/she can, as one of measures, propose bank's merger with other bank. In that case, the Study and the decision are made by the liquidation administrator.
94. FBA may reject to issue written decision on approving the statutory change in the bank based on the following reasons:
  1. if the resulting bank does not fulfill the prescribed minimum capital requirement;

2. insufficient competence and experience of the proposed senior management members of the resulting bank that might jeopardize interests of the bank or its depositors;
  3. if the applicant submitted information that is inaccurate or not in accordance with the requirements prescribed by FBA or the applicant refused to submit the requested information;
  4. if the proposed general manager, or management board members or supervisory board members for the resulting bank is a person who is also a member of the managing and governing bodies or is internal auditor in the bank in which FBA or other authorized institution initiated provisional administration or liquidation or in a bank subjected to bankruptcy process for a period of 1 year before those measures were initiated;
  5. if the proposed general manager, management board members or supervisory board members for the resulting bank is a person who was the member of the managing and governing bodies or was an internal auditor in a legal entity subjected to provisional administration, liquidation or bankruptcy for a period of 1 year before those measures were initiated.
95. Written decision on the request to issue approval for statutory change will be made by FBA within 60 days from the date when complete documentation, along with the application, was submitted.
96. In the process of statutory change, banks are required to submit to FBA written decision on approval of the statutory change issued by Securities Commission, as well as written reports by auditors about accounting statements of the bank as of the date determined in the Study. The resulting bank/banks are required to submit to FBA their new registrations with the Commission and authorized registration courts and with Securities Registry within 15 days from the date of their individual registrations.

### **XIII. APPROVAL FOR BANK'S BY-LAWS**

97. Along with its application for issuance of approval for the by-laws, along with its changes and additions, bank is required to submit to FBA the following:
- Decision on adoption of the by-laws (with text of the by-laws) and Decision on Changes and Additions to the By-laws adopted by bank's Assembly.
98. Written decision on the request to issue approval for the by-laws and changes and additions to the bank's by-laws will be made by FBA within 30 days from the date when the application, along with complete documentation, was submitted.
99. Bank is required to submit to FBA a document of registration of changes, resulted from the change in the by-laws, made with the Securities Commission, registration court and Securities Registry within 15 days from the date of their individual registration.

#### **XIV. APPROVAL PRIOR TO APPOINTMENT OF BANK'S GENERAL MANAGER AND MANAGEMENT BOARD MEMBERS**

100. Along with its application for approval prior to appointment of general manager, bank submits to FBA the following:

1. Proposed decision by Supervisory Board on appointment of the candidates;
2. Identification document of the candidate (ID or passport);
3. Evidence of the candidate's citizenship;
4. Evidence on education of the candidate (Graduate in Economics or Law), theoretical university knowledge about banking, practical knowledge about banking received through on-job training and special knowledge necessary to successfully manage the bank (specialized in certain areas, technical seminars, foreign languages, etc.)
5. Evidence of work experience of the candidates in appropriate work positions for last three years at least in banks of comparable size and type, other associations offering financial services or work positions in the government or its institutions that are connected to banking;
6. Operating program for bank prepared by candidate for four years at least, with method and instruments how to implement proposed and determined business policies of the bank;
7. Proposal for management board members prepared by candidates, listing managerial function they will perform and documentation necessary for those functions in accordance with these Guidelines;
8. Evidence that candidates have not been sentenced/penalized for criminal actions/economic crime from the area of economic and financial crime. The evidence should be issued by the authorized body of the candidate's country and should cover the period of 5 years since the effect date of the ruling, excluding the time spent under the prison sentence;
9. Candidate's statement that he/she was not a member of managing or governing body or an internal auditor in a bank in which the FBA or other authorized institution initiated provisional administration or liquidation or in the bank subjected to bankruptcy process for the period of 1 year before those measures were initiated;
10. Candidate's statement that he/she was not a member of managing or governing body in the legal entity subjected to bankruptcy process for the period of 1 year before those measures were initiated;
11. Evidence of candidate's ownership in other legal entity, that is, statement that he/she is not the owner;
12. Evidence on candidate's participation in management bodies in other legal entity, that is, statement that he/she is not in such membership, as well as the statement that he/she is not member of supervisory board of other bank (except of the bank with close connection in accordance with the Law);
13. Proposed employment contract between candidate and bank, excluding information considered to be a business secret.

101. If the candidate proposed for general director is a foreigner then, apart from the mentioned evidence and documents, such individual will also have to attach:

1. Approval from the Federal Ministry of Internal Affairs for permanent or temporary residence in the Federation;
  2. Working license from the authorized employment office;
  3. Evidence that he/she knows one of the officially used languages in the Federation or evidence that the bank has an interpreter employed (University degree in one of the official languages);
  4. Evidence that the bank will, in its management staff, hire at least one half of the Federation citizens.
102. After processing the application, FBA Director interviews the proposed candidate. Written decision for the application to issue prior approval for general manager will be made by FBA within 30 days from the date when the application, along with complete documentation, was submitted.
103. Along with application for appointment of temporary director, bank also submits documentation necessary for candidate under Item 100, except the documentation under Item 100.6., 100.7., and 100.13. of these Guidelines.
104. Written decision based on application for approval prior to appointment of temporary director will be made by FBA within 45 banks from the date when the application, along with complete documentation, was submitted.
105. Along with application for approval prior to appointment of general manager, bank submits application for approval prior to appointment of other management board members.
106. Along with application from Item 103 of these Guidelines, for individual candidate bank submits to FBA the documentation under Item 100., except the documentation under Item 100.1., 100.6., and 100.7., and the documentation under Item 101. Of these Guidelines (if it is a foreigner).
107. Written decision based on application for approval prior to appointment of management board members will be made by FBA together with written decision on approval for appointment of general manager, that is, within 30 days from the day when the application, along with complete documentation, was submitted.
108. If, during mandate of the general manager, any change related to the management board members occurs, bank submits to FBA application for approval prior to appointment of new candidate for the managing board, along with necessary documentation under Item 106. Of these Guidelines.
109. Written decision based on application for approval prior to appointment of individual management board member will be made by FBA within 30 days from the day when the application, along with complete documentation, was submitted.
110. Bank is required to submit to FBA a final employment contract signed with the general manager and management board members within 15 days from the contract date, and court registration of the persons authorized to represent the bank within 15 days from the registration date.

## **XV. APPROVAL PRIOR TO APPOINTMENT OF SUPERVISORY BOARD MEMBERS**

111. Along with its application for approval prior to appointment of supervisory board members, bank submits to FBA proposed supervisory board members prepared for bank's assembly, and for individual candidate:
1. identification document (ID or passport);
  2. evidence on citizenship;
  3. information about education, and precise summary of professional activities and work experience;
  4. evidence that candidate has not been sentenced/penalized for criminal actions/economic crime from the area of economic and financial crime. The evidence should be issued by the authorized body of the candidate's country and should cover the period of 5 years since the effect date of the ruling, excluding the time spent under the prison sentence;
  5. candidate's statement that he/she was not a member of managing or governing body or an internal auditor in the bank in which the FBA or other authorized institution initiated provisional administration or liquidation or in a bank subjected to bankruptcy process for the period of 1 year before those measures were initiated;
  6. candidate's statement that he/she was not a member of managing or governing body in the legal entity subjected to bankruptcy process for a period of 1 year before those measures were initiated;
  7. evidence of candidate's ownership in other legal entity, that is, statement that he/she is not the owner;
  8. evidence on candidate's participation in management bodies in other legal entity, that is, statement that he/she is not in such membership.
112. If at least one half of supervisory board members do not have special knowledge and experience from the area necessary for successful bank performance (experience in banking, financial organizations, etc.), FBA will reject bank's application to issue approval prior to appointment of supervisory board members.
113. Written decision based on application for approval prior to appointment of supervisory board members will be made by FBA within 30 days from the day when the application, along with complete documentation, was submitted.

## **XVI. APPROVAL TO INVEST IN FIXED ASSETS OVER 50% OF THE CORE CAPITAL**

114. Along with application for license to invest in fixed assets over 50% of its core capital before recognizing the investment that will lead to excessive amount, bank is required to submit to FBA the following:
1. Study on economical reasons for investing in fixed assets over 50% of the core capital;

2. Certified budget for investments including all details;
  3. Plan to adjust ratio between fixed assets and core capital with legal requirements.
115. Written decision on the application to invest in fixed assets over 50% of the bank's core capital (with specified compliance deadline) will be made by FBA within 30 days from the date when the application, along with complete documentation, was submitted.

## **XVII. APPROVAL TO ENGAGE INDEPENDENT EXTERNAL AUDITOR**

116. Along with application for issuance of approval to engage independent external auditor, bank is required to submit to FBA the following:
- Draft document, specifying development of the Report on economic-financial audit of the bank (in a form of draft contract, letter of intent, etc.)
117. FBA will issue the decision on approval of independent external auditor in accordance with the provisions of Decision on Minimum Standards for Internal and External Audit in Banks, and other necessary requirements in accordance with the provisions of the Law on Audit.
118. Decision on the application for issuance of approval for independent external auditor will be made by FBA within 30 days from the date when the application, along with complete documentation, was submitted.
119. Authorized management bodies of bank will make Decision to engage external auditor after they receive the written decision, and then sign Contract with the selected auditor to prepare Report on economic-financial audit of the bank.
120. Bank is required to submit to FBA adopted Decision to engage external auditor and signed Contract with the selected external auditor within 10 days from its adoption, that is, signing.

## **XVIII. APPROVAL TO SELL BANK OR MERGE TO OTHER BANK UPON PROPOSAL MADE BY LIQUIDATION ADMINISTRATOR**

121. If liquidation administrator proposes measure – sale of bank then he/she is required to submit to FBA the following:
1. written report with that proposal;
  2. proposed study on economic justification of sale;
  3. decision on sale of the bank.
122. Bank purchasing bank in liquidation is required to submit to FBA the following:

1. decision by authorized management body of the bank about purchase of the bank in liquidation;
  2. study on economic justification of the purchase with financial evaluation of the legal matter and with special emphasis on the effect that the purchase has on its financial position (projected balance sheet and income statement) .
123. If liquidation administrator proposes to FBA measure – bank’s merger to another bank then he/she will apply the same procedure and submit necessary documentation from the provisions of these Guidelines regulated by the changes in bank’s by-laws.
124. Decision on the request of the liquidation administrator to sell the bank or merge the bank to other bank will be made by FBA within 30 days from the date when the application, along with complete documentation, was submitted.

#### **XIX. APPROVAL TO ISSUE SHARES AND OPINION FOR APPROVAL TO ISSUE OTHER TYPES OF SECURITIES**

125. Along with its request for issuance of approval for next issue of shares (public or closed sale), and before it applies for closed sale and before it submits the request for approval of brief summary to the Securities Commission, that is, before it applies to the Commission to approve issue of shares through public sale, bank is required to submit to FBA the following:
1. decision proposed by authorized management body on issue of shares of the new category or new shares from the same category, along with the required list of all information prescribed in the summary of securities in accordance with the Law on Securities (the Federation of BiH Official Gazette, 39/98 and 36/99);
  2. decision proposed by authorized management body on increase of equity capital of the bank;
  3. plan for increasing the capital during next two years adopted by the authorized management body of the bank, along with indicators of the effect of increase of equity capital to the financial position of capital.
126. Decision on the request to grant the approval for issue of shares and opinion on the issue of other types of securities will be made by FBA within 30 days from the when complete documentation, along with the request, was received. This decision is considered as an FBA’s opinion in accordance with the provisions of Guidelines for issue of securities through closed sale and on content of the brief summary (“Federation of BiH Official Gazette” No. 52/00).
127. Upon issuing the decision, bank is required to submit to FBA the following:
1. Text of decisions adopted at the bank’s Assembly within 10 days from the adoption date. If adopted decision is different from the proposed, FBA will consider its decision invalid;

2. Decision of the Securities Commission on the approval of content of the brief summary of shares within 10 days from its adoption;
  3. Decision on finalization of successful registration of shares or a Decision on recall of the issue signed by general manager and supervisory board within 10 days from the appointment;
  4. Application to change and amend the by-laws (increase of capital);
  5. Registration of changes with the Securities Commission, registration court, and Securities Registry within 15 days from the date of individual registration.
128. Along with issuance of the opinion on issue of other types of securities, before submitting the request to the Securities Commission, bank is required to submit to FBA everything as mentioned for the issue of shares, that is, prescribed in special regulations.

## **XX. LICENSE TO PERFORM INTERNAL PAYMENT SERVICES**

129. If within its activities bank is also registered to perform payment system operations, then the issued banking license also includes performance of payment system abroad and intra-banking payment transactions.
130. Along with its request for license to perform inter-banking payment transactions within the internal payment system, bank is required to submit to FBA the following:
1. Policies and procedures to perform inter-banking transactions adopted and signed by authorized management bodies that include all elements outlined in the Decision on Minimum Conditions that Banks Have to Fulfill to Perform Internal Payment System Transactions (“Federation of BiH Official Gazette” No. 46/01);
  2. Other bank’s policies and procedures necessary to manage bank’s capital structure and balance, credit risk, foreign exchange risk, liquidity risk, concentration risk, assets classification, internal and external audit and other items outlined in FBA’s regulations. These policies and procedures have to be adopted and signed by authorized management bodies;
  3. Financial statements on bank’s performance for the year prior to the year when the request is submitted. The statements have to be audited by external auditor, excluding newly established banks that do not have audited reports;
  4. Guidelines on Anti-Money Laundering adopted by authorized body and Decision on Appointment of Persons Authorized to Implement the Law.
131. In processing the request, FBA determines in its examination whether the bank fulfills technical and personnel requirements for performance of inter-banking payment transactions, and if all organizational units of the bank perform transactions over one account. Based on regular reports on banks’ performance, external auditor reports and examination findings, FBA determines other elements of banks’ performance, such as: capital, assets, earnings, liquidity, etc.

132. Decision on the request to issue license for inter-banking payment transactions will be made by FBA within 45 days from the date when the application, along with complete documentation, was submitted.

## **XXI. PRIOR APPROVAL FOR SMALL LOAN PORTFOLIO**

133. Along with the request for issuance of approval for small loan portfolio (loans up to 10,000 KM), in accordance with Decision on Minimum Standards for Credit Risk Management and Assets Classification (“Federation of BiH Official Gazette” No. 47/98, 46/99 and 48/01) bank is required to submit to FBA the following:

1. decision on adoption of policies and procedures for small loan portfolio, with attachments:
  - 1.1. policies and procedures for evaluation of loan applications;
  - 1.2. policies and procedures for loan approval;
  - 1.3. policies and procedures for internal reporting;
  - 1.4. policies and procedures for internal reporting on problem small loan portfolio and method of regulating problem loans;
  - 1.5. policies and procedures in case of deviation in loan policy.

134. Decision on the request to issue approval for small loan portfolio will be made by FBA within 30 days from the date when the application, along with complete documentation, was submitted.

## **XXII. PRIOR APPROVAL TO INCLUDE SUBORDINATED DEBT IN THE CALCULATION OF BANK’S ADDITIONAL CAPITAL**

135. Along with the request for issuance of approval to include subordinated debt in the calculation of additional capital up to 50% of bank’s core capital, in accordance with the provisions of Decision on Minimum Standards for Bank Capital Management (“Federation of BiH Official Gazette” No. 47/98, 46/99 and 43/00), bank is required to submit to FBA the following:

1. proposed loan agreement to be signed between bank and creditor with maturity date of the debt determined for at least five years and paragraph stating that repayment cannot even be made after the deadline if that operation would decrease bank's capital below the prescribed amount;
2. loan repayment schedule;
3. loan funds financing plan;
4. bank’s statement that it will not originate loan collateral to the creditor, and that loan will not have status of the secured debt, that bank will not have any arrangements with the creditor opposite to this operation.

136. Decision on the request to issue approval to include subordinated debt in the calculation for bank’s additional capital will be made by FBA within 30 days from the date when complete documentation, along with the application, was submitted.

137. Bank is required to submit to FBA a signed and stamped Loan Agreement within 15 days from the signing date, and evidence that the amount of subordinated debt is regularly decreasing – repaying.

**XXIII. PRIOR APPROVAL FOR REPAYMENT OF SUBORDINATED DEBT BEFORE THE MATURITY DATE**

138. Along with the request for issuance of approval for repayment of subordinated debt before the maturity date, bank is required to submit to FBA the following:

1. signed and stamped agreement between bank and creditor with maturity date stated;
2. evidence on decrease – repayment of the subordinated debt;
3. analysis of the effect of earlier debt repayment to the financial position of the bank.

139. Decision on issuance of approval for subordinated debt repayment before the maturity date will be made by FBA within 30 days from the date when the application, along with complete documentation, was submitted.

**XXIV. PRIOR APPROVAL TO INCLUDE CONVERTIBLE CAPITAL ITEMS TO BANK'S ADDITIONAL CAPITAL**

140. Along with the request for issuance of approval to include convertible capital items to the additional capital, bank is required to submit to FBA the following:

- proposed agreement on assumption of liabilities by the bank that has to include the paragraph on conversion of those liabilities into the instruments of permanent capital of the bank (equity capital) at latest as of the maturity date agreed for those liabilities.

141. Decision on the request to issue approval to include convertible capital items into the additional capital will be made by FBA within 30 days from the date when the application, along with complete documentation, was submitted.

142. Bank is required to submit to FBA a signed and stamped subject Agreement within 15 days from the signing date.

**XXV. PRIOR APPROVAL TO INCLUDE PERMANENT DEPOSITS INTO BANK'S ADDITIONAL CAPITAL**

143. Along with the request for issuance of approval to include permanent earmarked and not earmarked deposits (without bank's obligation for repayment) into the additional capital, bank is required to submit to FBA the following:

1. proposed deposit agreement with interest rates agreed in accordance with bank's policies and procedures, creditors' funds management, repayment

funds management, deposit interest rate management, etc. The Contract has to have paragraph on depositor's approval that bank is allowed to include the funds into its additional capital, and, if necessary, include those funds to cover losses after covering for losses against core capital (reserves and equity capital).

144. Decision on the request to issue approval to include permanent earmarked and not earmarked deposits into additional capital of the bank will be made by FBA within 30 days from the date when the application, along with complete documentation, was submitted.
145. Bank is required to submit to FBA a signed and stamped agreement within 15 days from the signing date.

#### **XXVI. PRIOR APPROVAL FOR LARGE LOAN RISK EXPOSURE (OVER 15% OF BANK'S CORE CAPITAL) TOWARDS SIGNIFICANT SHAREHOLDERS**

146. Along with the request to issue approval for large loan risk exposure (over 15% of bank's core capital) towards significant shareholders (with 10% of more of ownership interest) bank is required to submit to FBA the following:
  - Loan Agreement between bank and shareholder with significant ownership interest.
147. In processing bank's request, FBA is not evaluating quality of loan application. FBA is just checking whether the bank complied with regulations and internal policies related to the procedure for approval of these loans.
148. Decision on the request to issue approval for large loan risk exposure will be made by FBA within 30 days from the date when the application, along with complete documentation, was submitted.
149. Bank is required to submit to FBA a signed and stamped agreement within 15 days from the signing date.

#### **XXVII. APPROVAL FOR PARTICIPATION IN BANK PRIVATIZATION**

150. Along with the request for issuance of approval to participate in bank privatization, domestic and foreign individuals and domestic and foreign legal entities that want to exceed 15% and more of total ownership interests in the bank is required to submit to FBA the following:
  1. Domestic and foreign individuals:
    - (a) Identification document (ID or passport);
    - (b) If this person is a founder of subsidiary then it submits audited financial statements for that legal entity (including balance sheet,

income statement and cash flow statement) for the last three business years or for every year since its establishment, if that period is less than three years, as well as financial statements for the last reporting/accrual period.

2. Domestic and foreign legal entities:

- (a) Decision on registration in the court registry;
- (b) Audited financial statements (including balance sheet, income statement and cash flow statement) for the last three business years or for every year since its establishment, if that period is less than three years, as well as financial statements for the last reporting/accrual period.
- (c) If this legal entity is founder of subsidiary then it submits audited financial statements (including balance sheet, income statement and cash flow statement) for the last three business years or for every year since its establishment, if that period is less than three years, as well as financial statements for the last reporting/accrual period.

151. Decision on the request to issue approval for participation in bank privatization will be made by FBA within 30 days from the date when the application, along with complete documentation, was submitted.

## **C – FINAL PROVISIONS**

152. In case of conflict of the provisions from these Guidelines with the provisions from other sub-legal regulations adopted by FBA authorized bodies, it will be that the provisions from these Guidelines will be applied.

153. These Guidelines come into force on the publishing date in the “Federation of BiH Official Gazette”.

Number: U.O. – 03-I-427/02  
Sarajevo, 10th September 2002

Management Board Chairman  
Eldar Arnautovic