

Pursuant to Articles 80 and 81 of the Law on Banks (Official Gazette of FBiH, No. 27/17), Article 5, paragraph (1), items a) and h) and Article 19, paragraph (1), item c) of the Law on the Banking Agency of the Federation of Bosnia and Herzegovina (Official Gazette of FBiH, No. 75/17) and Article 12, paragraph (1), item d) of the Statute of the Banking Agency of the Federation of Bosnia and Herzegovina (Official Gazette of FBiH, No. 3/18), the Management Board of the Banking Agency of the Federation of Bosnia and Herzegovina, at its session held on 28 September 2022, adopted the following:

**DECISION  
ON TEMPORARY MEASURES TO MITIGATE THE RISK OF AN  
INTEREST RATE INCREASE**

**Article 1  
Subject**

- (1) The Decision shall set out the temporary measures with the purpose of mitigating the risk that may arise from a significant increase of interest rates on credit exposures.
- (2) The Decision shall stipulate the minimum requirements for managing the risks related to the existing and expected increase of interest rate levels on credit exposures, whereas a bank may apply even stricter requirements and take additional measures than those stipulated herewith.
- (3) During the period of validity hereof, the bank shall apply the provisions contained herewith to all credit exposures, also including the credit exposures with a fixed interest rate.
- (4) The bank shall apply the provisions listed hereof and shall ensure that the bank risk management system shall also include the provisions hereof for the purpose of the credit exposure risk monitoring.
- (5) The provisions hereof shall apply to the banks headquartered in the Federation of Bosnia and Herzegovina (hereinafter: the FBiH) holding an operating license issued by the Banking Agency of the Federation of Bosnia and Herzegovina (hereinafter: the Agency).
- (6) Any issues not regulated hereof, but by some other regulation, shall be governed by the provisions of that regulation.

**Article 2  
Definitions**

The terms used herein shall have the following meaning:

- a) **A significant interest rate increase**, for the purposes hereof, shall mean an increase of a nominal or effective interest rate, during the implementation period of this Decision, for a single credit exposure by 200 and more basis points compared to the relevant valid interest rate for the concerned exposure at the reference date.
- b) **The reference date** marking the start of the monitoring process of the significant interest rate increase in compliance with the provisions listed hereof shall be 30/06/2022.
- c) **The credit exposure with a variable nominal interest rate** shall mean a bank exposure, in BAM or with a currency clause in EUR, originated on the basis of an agreement, concluded between a bank and a borrower, containing a clause on a variable nominal interest rate prior to the implementation of this Decision or during

its implementation period.

- d) **The credit exposure with a fixed nominal interest rate** shall mean a bank exposure, in BAM or with a currency clause in EUR, originated on the basis of an agreement, concluded between a bank and a borrower, containing a clause on a fixed interest rate during the implementation period of this Decision.
- e) **A borrower** shall mean a legal or natural person arranging or having arranged a loan with a fixed or variable nominal interest rate.
- f) **A financial service user** – shall have a meaning specified under Article 2, paragraph (1), item 10) of the Law on the Protection of Financial Service Users and shall also include users of housing loans.
- g) **The Plan of interest-induced credit risk management** shall be prepared and updated by a bank being exposed to the interest-induced credit risk.
- h) **The effective interest rate** – shall have a meaning specified under Article 2, paragraph (1), item f) of the Instruction on the Classification and Measurement of Financial Assets.

### **Article 3**

#### **Credit exposure risk monitoring**

- (1) If a bank expects that there shall be a significant increase in the interest rate for a borrower with whom it has arranged a loan with a variable nominal interest rate, the bank shall assess the impact of the interest rate increase within the credit exposure risk monitoring process, prior to the beginning of the implementation of the changed interest rate.
- (2) In compliance with the results of the assessment under paragraph (1) of this Article, the bank shall establish whether the significant interest rate increase meets the conditions under Article 19, paragraphs (4) and (5) of the Decision on the Credit Risk Management and Determination of Expected Credit Losses.
- (3) The bank shall document the activities under paragraph (1) of this Article.

### **Article 4**

#### **Minimum rates of expected credit losses for credit risk grades 1 and 2**

- (1) For the existing credit exposures being previously allocated to the credit risk grade 2, in compliance with the provisions of Article 19 of the Decision on the Credit Risk Management and Determination of Expected Credit Losses, where the significant interest rate increase was identified during the credit exposure risk monitoring process, a bank shall not determine the expected credit losses in an amount below 12% of the exposure.
- (2) For new credit exposures with a variable or fixed nominal interest rate to be allocated to the credit risk grade 1, in compliance with the provisions of Article 18 of the Decision on the Credit Risk Management and Determination of Expected Credit Losses, the bank shall not determine the expected credit losses in an amount below 2% of the exposure if a difference between the newly arranged effective interest rate and the effective interest rate applied by the bank, at the reference date, to the existing borrower with whom a new credit exposure shall be arranged, of similar characteristics and maturity, or in the case of the modifications to the existing credit exposure, i.e. if a difference between the arranged interest rate for a new borrower and the effective interest rate of the bank for borrowers with identical or similar characteristics and features of the risk as of the reference date shall be greater than the

significant interest rate increase.

## **Article 5**

### **Financial service user protection**

- (1) In compliance with the results of the assessment under Article 3, paragraph (1) hereof, a bank shall not apply the significant interest rate increase if this shall lead a financial service user to a default status in compliance with Article 20 of the Decision on the Credit Risk Management and Determination of Expected Credit Losses.
- (2) The bank shall notify the financial service user on any actions under paragraph (1) of this Article.
- (3) To the financial service user under paragraph (1) of this Article, the bank may offer the possibility to modify the credit exposure for the purpose of the continuation of the due debt settlement towards the bank.
- (4) For the modifications under paragraph (3) of this Article, no default status shall be considered to occur in compliance with Article 20, paragraph (7) of the Decision on the Credit Risk Management and Determination of Expected Credit Losses.

## **Article 6**

### **Plan of interest-induced credit risk management**

- (1) The analysis of the credit risk exposure under Article 9 of the Decision on the Credit Risk Management and Determination of Expected Credit Losses, shall include, inter alia, the Plan of interest-induced credit risk management which shall contain as a minimum the following:
  - a) comparisons of the existing interest rate level to the interest rate levels at the reference date,
  - b) projections of an interest rate increase and its effects to the credit risk,
  - c) measures to be taken by a bank to reduce the credit risk and consequences thereof for borrowers.
- (2) Based on the portfolio condition, the bank shall establish the target indicators whose reaching shall activate the changes to the bank's actions and the establishment of the criteria for the significant interest rate increase, thus being the SICR indicator.

## **Article 7**

### **Reporting**

- (1) On a monthly basis, i.e. until the 15<sup>th</sup> day in a month for the previous month, a bank shall report, to the Agency, on the implementation of the measures listed hereof and on the effect to the loan portfolio.
- (2) The bank shall prepare the Plan under Article 6 hereof and update it if necessary.

## **Article 8**

### **Transitional and final provisions**

- (1) The Director of the Agency shall adopt, within 30 (thirty) days following the date of entry into force of this Decision, the Instructions for reporting on the implementation of this Decision with relevant forms.
- (2) A bank shall submit the Plan under Article 6 hereof to the Agency no later than by 30/11/2022, as well as after any updates thereof.

(3) The Decision is of a provisional character and shall apply until 31/12/2023 or until its revocation by the Agency.

**Article 9**  
**Entry into force**

The Decision shall enter into force on the eight day following its publication in the Official Gazette of FBiH.

**No.: U.O.-03-02/22**  
**Sarajevo, 28 September 2022**

**CHAIRWOMAN**  
**OF THE MANAGEMENT BOARD**

**Ivanka Galić, B.Sc. in Econ., m.p.**