

In accordance with Article 5, Paragraph (1), Item h) and Article 19, Paragraph (1), Item c) of the Law on the Banking Agency of the Federation of Bosnia and Herzegovina (FB&H Official Gazette No. 75/17) and Article 12, Paragraph (1), Item d) of the Articles of Association of the Banking Agency of the Federation of Bosnia and Herzegovina (FB&H Official Gazette No. 03/18), the Management Board of the Banking Agency of the Federation of Bosnia and Herzegovina enacted, at its electronic meeting dd 20.03.2020, the following

DECISION
ON TEMPORARY MEASURES OF LEASING COMPANIES AND MICRO CREDIT
ORGANISATIONS TO MITIGATE NEGATIVE ECONOMIC
CONSEQUENCES CAUSED BY „COVID-19”

Article 1

Subject

- (1) This Decision determines temporary measures aimed at mitigating negative economic consequences caused by a pandemic of the virus disease “COVID-19” and at preserving stability of the financial sector of the Federation of Bosnia and Herzegovina. These measures include the following:
 - a) approving relief measures to customers of leasing companies and micro credit organisations being directly or indirectly impacted by the negative effects,
 - b) special rules of credit risk management rules that leasing companies and micro credit organisations (“Non-deposit Financial Institutions – NFIs”) implement upon approval of special measures to customers,
- (2) NFIs may approve to customers the relief measures, that is special measures, from Article 3 of this Decision to help them solve difficulties they are experiencing and ensure easier regular settlement of obligations to NFIs over the following period.
- (3) This Decision applies to NFIs having their seat in the Federation of Bosnia and Herzegovina, as well as their branches seated in the Republic of Srpska and Brcko District operating in the Federation of Bosnia and Herzegovina and holding a license issued by the Federation of Bosnia and Herzegovina Banking Agency (“the Agency”).

Article 2

Terms

- (1) **Obligations**, in sense of this Decision, are NFIs’ receivables from private individuals and legal entities related to the overall amount of due and non-due principal, accrued but unpaid interest and fees for leasing and micro credit agreements, as well as other charges related to leasing and micro credit agreements.
- (2) **NFI customer** shall mean every private individual or legal entity with worsened credit worthiness, meaning whose repayment sources have decreased to the extent that debt settlement to the NFI has been prevented or will be prevented if this comes as a result of the negative effect of the “COVID-19” epidemic. In sense of this Decision, banks and other financial institutions are not considered to be NFI customers.
- (3) **Special measures** shall mean temporary measures of obligation prolongation, restructuring and other relief measures leading to modification of exposures approved by NFIs to private individuals and legal entities for circumstances that may result in difficult settlement of their obligations to NFIs. This shall also include performance of all other measures regarding credit

risk management for purpose of mitigating negative consequences to credit worthiness and repayment capacity of such customers, as well as sustainability of both, operations of customers and NFIs alike.

Article 3

Special measures

- (1) Special measures that NFIs can approve to customers from Article 2, Paragraph (2) are as follows:
 - a) moratorium, i.e. postponement of obligation repayments,
 - b) „grace“ period over repayment of obligations for obligations being repaid in annuities for a period of up to 6 months,
 - c) final maturity prolongation for obligations being repaid in annuities,
 - d) prolongation of obligations with one-off maturity up to 6 months, thus enabling customers to use the undrawn portion of the exposure as of the modification date during that period (applicable to operations of leasing companies),
 - e) approval of an additional exposure amount for bridging over their current liquidity problems (applicable i case of of micro credit organisations),
 - f) other NFI measures aimed at relaxing obligations settlement by customers and their sustainable operations.
- (2) Special measures from Paragraph (1) of this Article may also encompass other modalities of adjusting method and dynamics of obligation repayments, adequate relief measures and other forms of NFIs' support to private individuals and legal entities as their customers.
- (3) Special measures from Paragraph (1), Item a) of this Article also require from NFIs to implement all necessary activities of adequate credit risk management and to adjust to current and temporary business circumstances. An objective here is to create conditions for subsequent recovery and mitigation of negative economic consequences caused by COVID-19 to sustainability of customers' business.
- (4) Treatment of special measures from this Article may refer to measures approved by NFIs that rest on individual analysis of credit risk or portfolio risk and/or product risk, as well as sector structure of exposures, as this analysis further led to an assessment whether approved measures would lead to regular obligations settlement over the future period.
- (5) NFIs shall approvespecial measures only to customers from Article 2, Pargraph (2) of this Decision.

Article 4

Modality

- (1) For customers from Article 2, Paragraph (2), NFIs shall define appropriate modalities consisting of special measures from Article 3 of his Decision assisting them to establish a sustainable model of operations and regularly settle obligations towards NFIs over the future period.
- (2) Based on customer requests and their credit analysis, this modality may include one special measure or combination of several such measures. It is based on this that NFIs may assess whether approved measures would help customers to regularly settle obligations to NFIs over the future period.
- (3) Modalities may be defined by NFIs by individual customers or on portfolio basis
- (4) In case of defining modalities for legal entities exposed with banks and other non-deposit financial institutions, NFIs are to actively align activities with banks and other non-deposit

financial institutions in order to determine a common modality for subsequent adjustment of actual obligations repayment capacities.

Article 5

Moratorium

- (1) According to this Decision, the moratorium shall mean postponement of obligation repayments from Article 3, Paragraph (1), Item a) of this Decision
- (2) Being one of special measures in a modality, the moratorium may last up to 12 months.
- (3) Before they define an adequate modality and for purpose of preparing necessary credit analysis and identifying appropriate modality for customers, NFIs may approve them with a moratorium until the state of “natural or other disaster in the territory of Bosnia and Herzegovina” gets revoked. This moratorium will not impact the maximum duration of the moratorium from Paragraph (2) of this Article.
- (4) During the moratorium, NFIs shall not calculate default interest related to past due receivables.

Article 6

Other modifications

- (1) A modification of contractual obligations from Article 2, Paragraph (1) of this Decision represents new receivables regulated by an agreement that replace existing obligations of customers. This may include prolongation of repayment of principal and/or interest, reduction of interest, partial write off, approval of new funds (applicable to micro credit organisations) or other important changes of contractual terms as a relaxation of the customer’s position.
- (2) When implementing special measures, interest rate on modified exposures may not exceed the rate defined under the existing agreement.
- (3) When arranging special measures, NFIs shall not charge fees for additional service, meaning fees related to the exposure modification.
- (4) In case of changes to initially arranged lending and financing conditions via lease arrangements, NFIs are to obtain approval from all other parties to the loan arrangement.
- (5) NFI shall publish information on possible modifications of loan obligations at its official web site.

Article 7

Special Rules of Credit Risk Management

- (1) If NFI approves a moratorium over obligations in sense of this Decision, it may keep such customers in the classification category with relevant provisioning percentage and classification of receivables in the Central Loan Registry (CLR) with the Central Bank of Bosnia and Herzegovina that they had as of 29.02.2020 and stop the days-past-due counter for the duration of the moratorium.
- (2) After expiry of the approved moratorium period, loss provisions shall be formed in line with the methodology prescribed in the Decision on Minimum Level and Manner of Allocation, Management and Maintenance of Loss Provisions and risk Management in Leasing Companies (FB&H Official Gazette No. 46/09) and the Decision on Level and Manner of Allocation and Maintenance of Loan Loss Provisions in MCO FB&H Official Gazette No. 27/07).
- (3) If NFI approves a modified exposure to a customer, the loss provisions shall be formed in line with the methodology prescribed by the decision from Paragraph (2) of this Article, starting

therein the days-past-due counter since the date of signing an annex to the agreement related to the change of initially agreed repayment schedule.

Article 8

Approval of Special Measures

- (1) NFIs may implement special measures either based on requests by private individuals and legal entities or at their own initiative, as a part of their regular process of monitoring default exposures, considering therein (direct and/or indirect) negative economic consequences of “COVID-19”.
- (2) Before approving any special measures prescribed in this Decision, NFIs are required to inform customers of this possibility, as well as with all conditions and effects of such measures (in form of an offer). In turn, customers shall decide on the offer and deliver a signed acceptance of the offer, that is, if they in fact accept it.
- (3) Accepting the offer from Paragraph (2) of this Article shall be considered as a statement of will by a customer that he/she agrees with the changed financing terms. Under extraordinary circumstances caused by „COVID-19“, this statement of will may be, temporarily accepted in an electronic form until the original document has been obtained.
- (4) If NFIs determine that a private individual would not be able to provide an answer to their offer for technical or other difficulties, they may activate the moratorium from Article 5, Paragraph (3) of this Decision based on subsequent notification of such customer and documenting reasons for such an action by the NFIs’ competent approval authority
- (5) NFIs are required to define how they shall keep records of activities performed regarding this Article and ensure full documentation such implemented activities.

Article 9

Reporting

- (1) NFIs are required to ensure monitoring of performance of special measures, keep special analytical records ensuring that all activities related to approval and arrangement of special measures from this Decision and their effects can be reviewed and be available for NFI purposes and for purposes of Agency examinations.
- (2) NFIs are to submit reports to the Agency on effects of special measures using forms and deadlines to be prescribed by the Agency director within a period of 10 days since effect date of this Decision.

Article 10

Obligatory Activities of NFIs

- (3) NFI shall define the following in their internal documents:
 - a) authorisations and responsibilities regarding the implementation of measures and activities,
 - b) monitoring and reporting system in the NFI and towards the Agency regarding activities and measures from this Decision, as well as relevant results
 - c) types of temporary measures and reliefs, as well as their implementation preconditions,
 - d) method of documenting approval of special measures and activities,
 - e) communication with customers in sense of this Decision and other elements of relevance for implementation of this Decision
 - f) special measures of internal control system.
- (4) NFIs shall align their internal documents with provisions of this Decision within 15 days since its effect date.

Article 11

Validity

This Decision is of temporary character and is to be implemented until being revoked by the Agency.

Article 12

Entry into Force

This Decision enters into force on the day following its publication in the Official Gazette of FB&H.

**No. U.O.-41-02/20
Sarajevo, 20.03.2020**

**CHAIRWOMAN OF THE
MANAGEMENT BOARD**

Ljerka Marić, M.Sc. (Econ), sgd