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**ANSWERS TO BANKS' QUESTIONS ON THE IMPLEMENTATION OF  
THE DECISION ON THE TEMPORARY MEASURES TO BE APPLIED BY  
BANKS TO MITIGATE THE ADVERSE ECONOMIC IMPACTS CAUSED BY  
„COVID-19“ VIRUS DISEASE  
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<b>Answer date:</b>	<b>05 April 2020</b>
<b>Area:</b>	<b>Special measures</b>
<b>Topic:</b>	<b>Treatment of guarantees from the aspect of measures aimed at business facilitation – Article 2(1)(a) of the Decision</b>
<b>Question number:</b>	<b>1</b>
<b>Bank's question:</b>	The Decision does not treat guarantees explicitly under the measures, but we are of the view that this part could be „subsumed“ under „other measures taken by the bank to facilitate the client's servicing of credit obligations and establish the client's viable business“. So, we would check with you also whether to include guarantee operations under special measures? To prevent the guarantee calls, etc.
<b>FBA's answer:</b>	<p>If the client is unable to temporarily fulfill their obligation to a guarantee beneficiary due to the circumstances caused by the COVID-19 outbreak, the bank may extend the guarantee period for the client under the special measures or outside these.</p> <p>For the guarantee to be extended, the guarantee beneficiary needs to agree to it as well. The bank may not solely on a request by the client, the principal, extend the validity of the guarantee. The bank may possibly allow as a relief the extension of the guarantee validity period and/or do all annexes during the temporary situation free of processing fees.</p> <p>The option to approve an additional amount of exposure for the purposes of overcoming the client's current liquidity challenges is also provided for as one of the special</p>

	measures, which can be used as a prevention of the guarantee call. All of the above is done based on the bank's analysis and preparation of an adequate model for the client.
<b>Topic:</b>	<b>Treatment of all-purpose and replacement loans - Article 2(1)(b) of the Decision</b>
Question number:	<b>2</b>
Bank's question:	Is approval of special measures permitted for the clients who have already been approved the maximum amounts (BAM 50,000) or repayment term (10 years) under all-purpose or replacement loans? Approval of any of the special measures can result in a breach of the limits defined by Article 3 of the Decision on the Inclusion of Special Contracting Terms for Long-Term Retail All-Purpose and Replacement Loans in the Bank's Risk Management System.
FBA's answer:	For the bank's clients from Article 2(1)(b) of the Decision who have been granted purpose-specific and replacement loans, banks may also approve the special measures from the Decision, however they may not approve the measures from Article 3(1)(e) of the Decision. The bank may extend the loan repayment term only to a reasonable extent and if there is no other option to grant a relief to the client to be able to duly fulfill their obligations to the bank in the coming period.
<b>Topic:</b>	<b>Extending repayment due date - Article 3(1)(c) of the Decision</b>
Question number:	<b>3</b>
Bank's question:	Article 3(1)(c) specifies that the bank may extend the repayment due date for an annuity loan, however it does not specify what is that due date. Is it left up to banks to set the due date or is it maximum 6 months as defined for other temporary measures - extension of revolving loans, grace period and moratorium?
FBA's answer:	Article 3(1)(c) of the Decision does not set the due date by which banks may extend annuity loans. Therefore, banks themselves set this due date based on the credit risk analysis, making sure that the approved measures allow for duly fulfillment of the credit obligations to the bank in the coming period, in accordance with Paragraph (4) of this same Article of the Decision.
<b>Topic:</b>	<b>Extending maturity - Article 3(1)(d) of the Decision</b>
Question number:	<b>4</b>
Bank's question:	Is it left up to banks to set the maturity on the approval of a new exposure as a special measure since the Decision does not set the limits for this part?
FBA's answer:	The bank sets on its own, based on the performed credit analysis, the maturity of new exposures under an appropriate model for the client, taking into account principles from the Decision to allow the clients to overcome the challenges that they are facing, establish a viable business model and duly fulfill their credit obligations to the bank.

	The intention of approval of an additional amount of exposure for the purposes of overcoming the current liquidity challenges as a special measure should be for short-term products in order to overcome current problems.
<b>Topic:</b>	<b>Requirement for banks to extend the maturity for bullet loans – Article 3(1)(d) of the Decision</b>
Question number:	<b>5</b>
Bank's question:	<p>Article 3(1)(d) provides for an option to extend the maturity of bullet loans, including also revolving loans and transaction account overdrafts for a period of maximum 6 months, where the clients would also be able to use during that period the portion of the exposure that was unused on the modification date.</p> <p>Does this mean that even the clients for whom there is information that they lost their job, etc., are to be left the option to use the unused portion of the exposure? Is the bank required to do this?</p>
FBA's answer:	Article 3(1) of the Decision defines the special measures that the bank may approve to clients whose creditworthiness deteriorated as a result of adverse impact of Covid-19 virus disease pandemic, meaning that the bank may provide for using of the unused portion of the exposure as one of the reliefs for the clients, but it is not required to actually do it. The purpose of the Decision is to provide reliefs to the clients who are directly or indirectly impacted by the emergency's adverse effects and to mitigate the adverse effects, and the bank shall approve to the client one or a combination of the measures with the aim of overcoming the challenges faced by them and facilitate duly fulfillment of their obligations to the bank in the coming period. If the bank has information that the client lost their job as a result of Covid-19, they should be offered the modality that is most appropriate to that.
<b>Topic:</b>	<b>Extending multiple bullet loans – Article 3(1)(d) of the Decision</b>
Question number:	<b>6</b>
Bank's question:	How should the bank proceed with regard to the maturities of short-term revolving loans and bullet loans, if multiple subaccounts whose maturity is extended for maximum 6 months mature in one month? This can lead to a high number of cases where the clients will not be able to generate such an amount of money after the expiration of the moratorium.
FBA's answer:	For a number of clients who have a high number of revolving subaccounts, probably the appropriate modality will not be extension of the maturities in the manner defined in Article 3(1)(d), that is the bank will have to define, based on individual credit analyses, another more appropriate modality, which will also have a different maturity structure of the repayment of short-term credit obligations.
<b>Topic:</b>	<b>Interest rate setting in case of additional loan approval – Article 3(1)(e) and Article 6(2) and (3) of the Decision</b>

Question number:	<b>7</b>
Bank's question:	<p>Article 3(1) defines the special measures, where Paragraph (1)(e) specifies an option to approve an additional exposure amount for the purposes of overcoming the client's current liquidity challenges. On the other hand, Article 6(2) and (3) say that under the application of the special measures, the interest rate for modified exposures may not be higher than the one defined by the existing contract, and that when agreeing upon the special measures, the bank may not charge additional fees for the services performed, that is the fees associated with the exposure modification.</p> <p>Can you clarify to us which interest rate are we to refer to in case of additional exposure amount, since it can happen that it is approved under a completely new placement. Additionally, may the bank approve exposure against a fee, or is the fee prohibited considering that this measure also falls under „special measures“?</p>
FBA's answer:	<p>The provisions of Article 6(2) and (3) of the Decision apply to the exposure modification entailing also the approval of an additional exposure amount, meaning that the bank may not charge a fee for the approval of the new exposure, nor may the interest rate be higher than the one defined by the existing (previous) contract. When multiple exposures are replaced by a single exposure, the interest rate on the new exposure may not be higher than the weighted average of the interest rates on previous exposures. When deciding on the interest rate level, the bank must be guided by the key principle from the Decision, namely that the repayment and duly fulfillment of credit obligations by clients impacted by the adverse effects of Covid-19 are to be facilitated.</p>
<b>Topic:</b>	<b>Extending maturity - Article 3(1)(d) of the Decision</b>
Question number:	<b>8</b>
Bank's question:	Does the maturity extension defined by the abovementioned provision also apply to card loans and loans under guarantees?
FBA's answer:	<p>The abovementioned provision of the Decision covers also credit card loans.</p> <p>For documentary transactions to extend the period, the guarantee beneficiary needs to agree to it as well and the bank may not solely on a request by the client, the principal, extend the guarantee. If the bank extends the guarantee period under the special measures, it should not create new costs for the client.</p>
<b>Topic:</b>	<b>Independent credit risk assessment - Article 3(5) of the Decision</b>
Question number:	<b>9</b>
Bank's question:	Is the requirement to prepare an independent credit risk assessment mandatorily done at the individual client level, at the minimum under the defined regulatory limits, even if we are not approving additional funds to the client, but instead it is about a moratorium or another special measure? If necessary, may the opinion be done based on a risk analysis of the portfolio/segment/subsegment, and not for each individual case

	because individual would significantly slow down and complicate the implementation process?
FBA's answer:	<p>The bank should provide the analysis based on available information and data, that is, if it is not possible to collect all documentation prescribed by the internal regulations of the bank, required by it under normal conditions, derogations are permitted.</p> <p>The analysis may also be done at the portfolio level and a set of the special measures may be proposed to all clients from the relevant homogeneous group (e.g. for tourism, hospitality, hotel industry, etc.).</p>
<b>Topic:</b>	<b>Clients to whom special measures may not be approved - Article 3(5) of the Decision</b>
Question number:	<b>10</b>
Bank's question:	<p>How and under what criteria is the bank to identify the clients who have been impacted by the pandemic within the meaning of the aforementioned provision, that is how will the clients for whom no changes in their ability to pay have occurred be identified?</p> <p>The provision of Article 3(5) of the Decision raises some dilemmas, of which we would like to single out the following:</p> <p>Does the provision at issue mean that any of the special measures may not be approved to clients with a regular income? What treatment do legal entities whose income has decreased during the crisis situation by e.g. 10% have? Can the need to apply the measures be justified, for example, by increased prices of the goods and services used by them in the operation processes?</p> <p>Similar questions are also applicable to natural persons and household income – e.g. client has the same income but now has to support a family member who has lost a job (whether it is about a co-debtor or not); client has a regular income in the first month, but the employer has announced cuts in the income or that there would not be any income over the coming months, which is why they have requested a moratorium in order to have enough money for their basic needs over the coming month, etc.</p> <p>How are we to proceed where the client's financial capacity has deteriorated due to the effects of „COVID-19“, but the client's financial position is still indicating their ability to duly repay the obligations? How are we to treat the clients who will feel the effects of „COVID-19“ with a delay of several months (e.g. it can happen that the client currently duly fulfills their credit obligations and they will start to feel the effects of „COVID-19“ a couple of months after the cessation of the validity of the state of emergency)?</p>
FBA's answer:	<p>In case of natural persons, it should certainly be considered whether the household income has decreased irrespective of whether the bank client's income has decreased or not and they should be allowed to use the special measures accordingly. For natural persons, in case that one household member who is not a loan beneficiary has lost a job and the overall household income has decreased, affecting duly servicing of the credit obligations, the bank in this case should approve any of the special measures that will allow the client to duly service their obligations.</p>

	<p>In case of legal entities, the bank should perform an analysis and approve the special measures if it finds that the client's creditworthiness has deteriorated, affecting their ability to duly fulfill their obligations to the bank (e.g. reduced income, increased prices of goods and services used in the regular operation process, etc.).</p> <p>The Decision provides that, if the client is not currently distressed, but they subsequently become distressed, the bank may approve the special measures in the period of the validity of the Decision. No special measures shall be approved for legal entities or natural persons whose income has not decreased or it has decreased without affecting their ability to duly fulfill their obligations to the bank.</p>
<b>Topic:</b>	<b>Disclosure of information on special measures on the bank's website - Article 3(6) of the Decision</b>
Question number:	<b>11</b>
Bank's question:	<p>Does the 15-day deadline from Article 11(1) of the Decision apply analogously to the requirement to disclose information on possible special measures?</p> <p>The bank needs relevant time to define and take the activities prescribed by the Decision, all in order to inform the clients by providing them with accurate, complete and unequivocal information on the special measures and their terms of use.</p>
FBA's answer:	<p>It is in the interest of banks to disclose information for their clients as soon as possible, but this deadline must not be longer than fifteen (15) days, that is from the deadline within which it shall provide its Program of Special Measures to the Agency under Article 11(1) of the Decision.</p>
<b>Topic:</b>	<b>Creation of a pledge in case of moratorium</b>
Question number:	<b>12</b>
Bank's question:	<p>According to Subparagraph (3) of your Interpretation of the Decision on the Temporary Measures to Be Applied by Banks to Mitigate the Adverse Economic Effects Caused by „COVID-19“ Virus Disease, number 03-3-1124/20 of 30 March 2020, an opinion was provided on inappropriateness of banks requiring additional collaterals from the clients suffering the adverse effects of the current situation over the period of duration of the extraordinary circumstances. This is clear from the position of new security instruments.</p> <p>However, please provide your interpretation/instruction on already established loan security instruments relating to already created pledges – the mortgage that otherwise, under the normal repayment term / grace period extension approval process, in connection with the collateral protection of the bank or an exposure increase, needs to be rolled over through re-establishment of the pledge – the mortgage, whether it is about the conclusion of a new notarized mortgage contract or a notarized annex to the existing mortgage contract.</p> <p>Bearing in mind that this causes additional costs for the client, we need in that regard the interpretation of the Decision on the Temporary Measures, and the instruction on how is the bank to proceed in case of loan repayment term extension (when repayment</p>

	period is modified) or an exposure increase, considering the costs for the client that are required to recreate the pledge – the mortgage at a notary’s office.
FBA’s answer:	<p>On the initiative of Banks Association of Bosnia and Herzegovina (UBBiH), the original wording from Article 6(1) of the draft Decision was revised, so the final version of the Decision provides the wording in such a manner that a modification does not necessarily require re-establishment of the pledge.</p> <p>In case of a moratorium from Article 4(5) of the Decision that is not considered a material modification from Article 6(1) of the Decision, as well as in case of approval of the special measures under the modality when the bank ceases to recognize the original financial asset item and starts to recognize a new asset (material modification under Article 6 of the Decision), the bank may maintain the existing security instrument, provided that other legislation regulating this field is complied with (Law of Obligations, Property Law, Law on Notaries, Law on Land Registry, Law on Enforcement Procedure, etc.), the interpretation of which is not under the Agency’s competence.</p> <p>In case of approval of a new additional exposure, the bank may also take additional collateral. In its operations, the bank should strive to avoid as much as possible imposition of additional costs for clients who have already been impacted by the adverse effects of Covid-19.</p>
<b>Topic:</b>	<b>Annexing of contracts covered by mortgages and requiring additional collateral - Article 3 of the Decision</b>
Question number:	<b>13</b>
Bank’s question:	A special challenge is posed by contracts and annexes that need to be done, term extension treatment and moratorium where we have additionally also mortgage and insurance policy contracts, and considering this new situation and availability of clients, notaries and LR offices, this is very difficult to do. How are banks to proceed in these cases? Otherwise we are risking „non-coverage“ of the placement over the period by which we extend after the expiry of the regular contract. Can the bank require new collaterals in the conditions of “special measures” – definition of a new repayment term?
FBA’s answer:	In the majority of special measures provided for by the Decision (moratorium, “grace” period, term extension), it is about already contracted relations and collaterals that were already created under them. The purpose of the Decision is to provide reliefs to clients who have been directly or indirectly impacted by the adverse effects of the state of emergency and to mitigate the adverse effects, with the aim of establishing a viable business model. The bank may not require or create new costs for the client in connection with the measures and activities taken under the Decision. We take the view, therefore, that it is not appropriate for the bank to require during the period of extraordinary circumstances additional collaterals from clients who have been suffering the adverse effects of the current situation. Exceptionally, in case of the bank approving



	material new additional exposure amounts, it may, based on its analysis and the client's means, agree upon new collaterals as well.
<b>Topic:</b>	<b>Ability to approve new special measures - Article 3(1) of the Decision</b>
<b>Question number:</b>	<b>14</b>
<b>Bank's question:</b>	<p>Let us assume that bank has approved on the client's request a moratorium for the duration of the emergency (under Article 4(5)), and in addition to that, immediately or subsequently (but before the expiry of the moratorium) it has also approved an additional modality (special measure), which at the time and based on available information and assessment seem appropriate, however the crisis duration and its effects significantly exceed the initial expectations defined at the time of the implementation of special measures and it becomes apparent that the client will require additional support, that is they will require approval of additional measures from this Decision. The question is whether the bank may in such case approve a new set of measures on the client's request (approve a new appropriate modality), within the framework of and based on this same Decision and will such exposure be treated in the same way as on the initial modification?</p> <p>Article 3(2) defines that the measures from this Decision are temporary, but it does not specify the time period in which they may be applied. Based on the decision itself we have construed that, after one approved measure, another measure or a combination of measures from Article 3(1) may also be approved within some time (that still has not been defined) subsequently (with compliance with the moratorium duration limit of maximum 6 months) for as long as this Decision is in force.</p> <p>We have construed that on the approval of this other measure this exposure would be treated in the same way three months from the date of the entry into force of this Decision, and after that the days-past-due counter starts again from each modification (with the moratorium measure naturally not having the possibility of being past-due until the expiry of the moratorium).</p> <p>Please reply whether our interpretation is right or not?</p>
<b>FBA's answer:</b>	<p>The fact is that the effects cannot currently be fully assessed, and the bank may approve additional special measures during the period in which the Decision is in force, with compliance with the limits set by the Decision.</p> <p>The bank may approve a temporary moratorium until the duration of the state of "Natural or Other Disaster in the Territory of Bosnia and Herzegovina", and an additional moratorium of up to 6 months, as well as any other special measures, while having regard for the limits set in the Decision.</p>
<b>Area:</b>	<b>Modality</b>
<b>Topic:</b>	<b>Ability to approve new special measures - Article 4(1) of the Decision</b>
<b>Question number:</b>	<b>15</b>



Bank's question:	<p>Let us assume that bank has approved on the client's request a moratorium for the duration of the emergency (under Article 4(5)), and in addition to that, immediately or subsequently (but before the expiry of the moratorium) it has also approved an additional modality (special measure), which at the time and based on available information and assessment seem appropriate, however the crisis duration and its effects significantly exceed the initial expectations defined at the time of the implementation of special measures and it becomes apparent that the client will require additional support, that is they will require approval of additional measures from this Decision. The question is whether the bank may in such case approve a new set of measures on the client's request (approve a new appropriate modality), within the framework of and based on this same Decision and will such exposure be treated in the same way as on the initial modification?</p> <p>Article 3(2) defines that the measures from this Decision are temporary, but it does not specify the time period in which they may be applied. Based on the decision itself we have construed that, after one approved measure, another measure or a combination of measures from Article 3(1) may also be approved within some time (that still has not been defined) subsequently (with compliance with the moratorium duration limit of maximum 6 months) for as long as this Decision is in force.</p> <p>We have construed that on the approval of this other measure this exposure would be treated in the same way three months from the date of the entry into force of this Decision, and after that the days-past-due counter starts again from each modification (with the moratorium measure naturally not having the possibility of being past-due until the expiry of the moratorium).</p> <p>Please reply whether our interpretation is right or not?</p>
FBA's answer:	<p>The fact is that the effects cannot currently be fully assessed, and the bank may approve additional special measures during the period in which the Decision is in force, with compliance with the limits set by the Decision.</p> <p>The bank may approve a temporary moratorium until the duration of the state of "Natural or Other Disaster in the Territory of Bosnia and Herzegovina", and an additional moratorium of up to 6 months, as well as any other special measures, while having regard for the limits set in the Decision.</p>
<b>Topic:</b>	<b>Approval of multiple reliefs at the same time – Articles 5, 6 and 7 of the Decision</b>
Question number:	<b>16</b>
Bank's question:	<p>Article 4(5) defines that prior to the definition of an appropriate modality, the bank may approve to the client a moratorium with the maximum duration period until the termination of the declaration of state of „Natural or Other Disaster in the Territory of Bosnia and Herzegovina“, in order to prepare required credit analysis and identify appropriate modality for the client, and that this moratorium is not considered a material modification from Article 6(1) of this Decision and does not affect the maximum duration of moratorium from Article 5(2) of this Decision. If the bank initially approved this type of moratorium to the client, with the duration period until the termination of</p>

	the state of emergency, can it also subsequently approve moratorium from Article 3(1)(a)? If yes, what is the deadline for approval of this moratorium – is it 3 months referred to in Article 7(6) or does this Paragraph refer only to the option of reverting to the reference date of 29 February 2020? What is the treatment of the exposure in terms of credit risk level if a situation should arise that the special measure is approved on several occasions?
FBA's answer:	<p>The bank may approve both moratoria to the client, namely firstly moratorium from Article 4(5) of the Decision for the duration of the state of „Natural and Other Disaster in the Territory of BiH“, and then also moratorium from Article 3(1)(a), i.e. Article 5 of the Decision with the maximum duration period of 6 months.</p> <p>The provisions of Article 7(6) relate only to the setting of the reference date for determination of the credit risk level and number of past-due days for a modified exposure. At the time when the bank modifies an exposure, it shall maintain the existing credit risk level, while further classification into credit risk levels will depend on the number of past-due days in a material amount, under Article 7(3)-(5) of the Decision.</p>
<b>Topic:</b>	<b>Moratorium - Article 4(5) of the Decision</b>
Question number:	<b>17</b>
Bank's question:	Moratorium as temporary measure under Article 4(5):
FBA's answer:	The bank may approve moratorium from Article 4(5) of the Decision to the client with the maximum duration period until the termination of the declaration of state of „Natural or Other Disaster in the Territory of Bosnia and Herzegovina“, in order to prepare required credit analysis and identify appropriate modality for the client. Moratorium from Article 4(5) of the Decision is not considered a material modification from Article 6(1) of the Decision. Moratorium from Article 4(5) does not lead to deterioration of the credit quality of the exposure over its duration (credit obligations are dormant).
<b>Answer date:</b>	<b>10 April 2020</b>
<b>Topic:</b>	<b>Approval of moratorium for revolving and overdraft loans - Article 4(5) of the Decision</b>
Question number:	<b>17-1</b>
Bank's question:	In case of approval of moratorium from Article 4(5) of the Decision for revolving and overdraft loans, is the bank required to extend the loan repayment deadline by the period for which the moratorium has been approved?
FBA's answer:	The bank will extend the final loan repayment date by the period for which the moratorium has been approved. However, the bank may also subsequently agree upon the method of fulfillment of the obligations after the expiry of the moratorium from Article 4(5) of the Decision with the client within the modality. This practically means that extension of the loan repayment term by the moratorium duration period, shorter or longer period than it, may be subsequently approved, but it is also possible that some clients will not require an extension of their repayment term and it therefore will not be

	agreed upon. All of the above has been designed to facilitate repayment of the obligations for the client, which entails agreement with the client as well.
<b>Topic:</b>	<b>Deadline for performance of credit analysis and identification of appropriate modality - Article 4(5) of the Decision</b>
Question number:	<b>18</b>
Bank's question:	<p>How are we to proceed if the state of declaration of natural or other disaster in the territory of Bosnia and Herzegovina is terminated prior to the expiry of moratorium approved under Article 4(5) of the Decision? What is the maximum deadline for the performance of credit analysis and identification of appropriate modality?</p> <p>The bank may not predict the exact date of the termination of the state of emergency or state of declaration of natural or other disaster.</p>
FBA's answer:	<p>The bank may agree upon moratorium from Article 4(5) of the Decision for a shorter period as well (e.g. 2 or 3 months) with the option to extend it in case that the state of "Natural or Other Disaster in the Territory of Bosnia and Herzegovina" lasts longer. The purpose of this moratorium is to leave enough time to banks to prepare, based on an adequate credit analysis, an appropriate modality that can also include a moratorium of up to 6 months as one of the measures. The primary intention of the Decision is for the bank to offer an appropriate and sound model to the client, which will support duly fulfillment of the client's credit obligations, while the purpose of moratorium from Article 4(5) of the Decision is to overcome current situation, that is to adjust business to emerging conditions, as well as to prepare an adequate credit analysis underlying the approval of an appropriate modality.</p>
<b>Topic:</b>	<b>Temporary moratorium - Article 4(5) of the Decision</b>
Question number:	<b>19</b>
Bank's question:	<p>Is it allowed for the bank to, prior to the approval of an appropriate modality, approve a moratorium to the client with the maximum duration until the termination of the state of emergency (whereby we would also shift the loan repayment deadline, which is an essential element of the contract, in accordance with the number of months of this moratorium, as done under the NBS' Decision in Serbia) and without prior agreement obtained from the client or does this moratorium require agreement of the client and of all loan participants?</p> <p>Considering that the loan validity deadline is an essential element of the original contract, if we were to approve moratorium from Article 4(5) of the Decision approve for e.g. 3 months and shift the loan validity deadline, without execution of an annex to the contract/ agreement of all loan participants, this would run counter to Article 6(4) of this Decision. We need an answer on how to implement moratorium from Article 4(5) of the Decision in accordance with the Decision, because without term extension, the client's monthly obligations may increase significantly after the expiry of moratorium.</p>
FBA's answer:	<p>Prior to the approval of an appropriate modality to the client, the bank may also proactively approve moratorium from Article 4(5) of the Decision, without agreement</p>

	obtained from the clients and other loan participants, with the requirement to subsequently notify the client in situations defined by Article 8(4) of the Decision. The loan repayment deadline is shifted by the moratorium validity period.
<b>Answer date:</b>	<b>10 April 2020</b>
<b>Topic:</b>	<b>Temporary moratorium before definition of an appropriate modality – Article 4(5) of the Decision</b>
<b>Question number:</b>	<b>19-1</b>
<b>Bank's question:</b>	If the bank has applied moratorium from Article 4(5) as a temporary measure before approval of an appropriate modality for the client in the period since 29 February 2020 and the bank agrees upon moratorium from Article 5 as a special measure in that period (e.g. after 2 months). In that case, the start date of moratorium from Article 5 as a special measure starts from 29 February 2020 or from the moment of the termination of moratorium from Article 4(5) of the Decision as a temporary measure?
<b>FBA's answer:</b>	Moratorium from Article 4(5) of the Decision applied by the bank to mitigate the adverse economic effects caused by „COVID-19“ virus disease may be approved by the bank to the client before definition of an appropriate modality, with the aim of preparing a required credit analysis and determining an appropriate modality for the client. Once the appropriate modality for the client has been determined, the start date of the temporary measure from Article 3(1) of the Decision is the modification date, i.e. the date of the approval of the moratorium from Article 5 of the Decision.
<b>Topic:</b>	<b>Temporary moratorium - Article 4(5) of the Decision</b>
<b>Question number:</b>	<b>20</b>
<b>Bank's question:</b>	If moratorium as a temporary measure is determined in the duration of e.g. 3 months for the annuity loans, the bank would freeze maturities of annuities (principal and principal) and past-due days, and default interest accrual. Upon the expiry of three months, the bank would create amortization schedule in such a manner to carry over the receivables from moratorium to the final annuity that would ultimately include regular annuity + 3 annuities from moratorium (balloon loan).
<b>FBA's answer:</b>	In agreement with the clients, the bank agrees upon repayment of the obligations (principal and interest due prior to moratorium, as well as interest during moratorium), where interest on interest may not be accrued, guided by principles from the Decision that such model is to be appropriate to the client, that its purpose is business model viability and duly fulfillment of the obligations. Banks should be responsible enough and primarily view the provisions of the Decision in accordance with the circumstances, needs and objectives. In current state of emergency, need has arisen to mitigate the adverse economic effects to the maximum extent possible, in order to allow the clients who have been impacted by the adverse effects of current situation a sound model that will support duly fulfillment of all obligations and maintain the banking sector stability. Probably, the appropriate model for the majority of clients will be to distribute linearly the obligations through monthly annuities, but banks may also agree upon any other modalities if they believe that they are more appropriate to the clients.

	The bank should extend the annuity schedule by the moratorium duration period, in the aforementioned case by 3 months, considering that the moratorium has been approved for 3 months, that is shift the annuity schedule by 3 months (annuities).
<b>Topic:</b>	<b>Temporary moratorium - Article 4(5) of the Decision</b>
Question number:	<b>21</b>
Bank's question:	If the bank were to provide for moratorium as temporary measure to have maturity of the receivables from the moratorium on the final annuity, as a balloon, would this in such case also be considered moratorium that is provided for by the Decision as a special measure.
FBA's answer:	Moratorium must not lead to creation of „balloon loans“. See the answer to question 20.
<b>Answer date:</b>	<b>10 April 2020</b>
<b>Topic:</b>	<b>Temporary moratorium, accrual of ordinary interest and its recognition as revenue - Article 4(5) of the Decision</b>
Question number:	<b>21-1</b>
Bank's question:	<p>In your 02 April 2020 response to a query from the bank you stated that the bank may not create an annuity schedule in the form of a balloon loan while applying moratorium from Article 4(5) of the Decision, but that it is instead required to extend the repayment term by the moratorium duration period.</p> <p>Dilemma: Is the bank entitled to accrue ordinary interest during the moratorium on the amount of the used funds that the client is required to pay in agreement with the bank after the expiry of the moratorium (e.g. as an add-on to regular annuities) or the bank is only entitled to accrue and recognize as revenue the interest provided for by the initial amortization schedule, which would mean that in the last 3 months (if the moratorium has been approved for 3 months) the bank would charge the interest from the client, but would not have revenue under it?</p>
FBA's answer:	<p>The bank should extend the annuity schedule by the moratorium duration period, in the aforementioned case by 3 months, considering that the moratorium has been approved for 3 months, that is it should move the annuity schedule by 3 months (annuities). During the moratorium the bank shall accrue ordinary interest and recognize it as revenue, whereas the bank shall charge it from the clients after the termination of the moratorium.</p> <p>In agreement with the clients, the bank shall agree upon the repayment of the obligations (principal and interest due before moratorium, as well as interest during moratorium), where interest on interest may not be accrued and, guided by the principles from the Decision, that model is to be appropriate to the client, its purpose is to be business model viability and duly fulfillment of the client's obligations. Probably, the appropriate model for the majority of clients will be to distribute linearly the obligations through monthly annuities, but banks may also agree upon any other modalities if they believe that they are more appropriate to the clients.</p>

<b>Topic:</b>	<b>Temporary moratorium - Article 4(5) of the Decision</b>
Question number:	<b>22</b>
Bank's question:	After the expiry of moratorium as a temporary measure, which has been created as a balloon loan, if the client should become eligible and opt for any or a combination of special measures from Article 3 of the Decision, is it acceptable for the bank to credit the interest accrued during moratorium that was supposed to mature through the final annuity to the principal and create a new amortization schedule.
FBA's answer:	See the answer to question 20. The bank may not accrue interest on interest.
<b>Topic:</b>	<b>Temporary moratorium - Article 4(5) of the Decision</b>
Question number:	<b>23</b>
Bank's question:	In case of the implementation of moratorium as a temporary measure in the manner described above, which entails creation of balloon loans, is it still not considered a material modification under Article 6(1).
FBA's answer:	Moratorium from Article 4(5) of the Decision is not considered a material modification from Article 6(1) of the Decision and it does not lead to creation of balloon loans. See the answer to question 19.
<b>Topic:</b>	<b>Temporary moratorium - Article 4(5) of the Decision</b>
Question number:	<b>24</b>
Bank's question:	If the client at the time of introduction of a temporary moratorium (performed by the bank based on the client's request or its own assessment) has overdue obligations and past-due days under them, what is the bank to do with the overdue obligations if the past-due days in moratorium are 0? Are they to be reclassified at the time of introduction of temporary moratorium from accounts receivable? For future maturities, it is clear that there are not any during moratorium.
FBA's answer:	Introduction of moratorium applies to the client's all credit obligations from Article 2(1)(a) of the Decision (due and undue), and days-past-due counter is to be frozen during moratorium. Overdue obligations from before moratorium have the same status during moratorium, however the client is not required to pay them during moratorium and the number of past-due days does not increase. It is expected during the temporary moratorium for the bank to agree with the client the most appropriate modality for approval of special measures to the client, which will help them to be able to fulfill their obligations to the bank in the coming period, and to define an amortization schedule for the client's all credit obligations accordingly.
Bank question:	Article 1 of the Decision on Amendments to the Decision on Temporary Measures of Banks to Mitigate Negative Economic Consequences Caused by „COVID-19“

FBA answer:	<p>prescribes that Article 4, Paragraph (5) of the initial Decision shall change in a way that a bank, before it defines an adequate modality, may approve to a customer a moratorium of maximum duration of two months since revocation date of the state of natural or other disaster in the territory of Bosnia and Herzegovina. Since the said state in the territory of Bosnia and Herzegovina has been declared by the decision of the B&amp;H Council of Ministers and since the said authority has not yet decided to revoke this state, what is the reference date for maximum duration of the moratorium od 2 months – a date when the FB&amp;H Government issued the decision on termination of the state of disaster caused by the corona virus emergence in the territory of the Federation of B&amp;H or would this be the date when the B&amp;H Council of Ministers issues a formal decision on revocation of the state of natural or other disaster in the territory of Bosnia and Herzegovina?</p> <p>A reference date for determining the maximum duration of the moratorium from Article 1 of the said Decision is 2 months passed the date of 01.06.2020, i.e. a day after 31.05.2020 when the state of disaster caused by the corona virus emergence in the territory of the Federation of B&amp;H has ended as subject to the decision by the FB&amp;H Government issued on 29.05.2020 regarding termination of the state of disaster caused by COVID-19 emergence in the Federation of B&amp;H.</p>
<b>Area:</b>	<b>Moratorium</b>
<b>Topic:</b>	<b>Days-past-due counter - Article 5(3) of the Decision</b>
Question number:	<b>25</b>
Bank's question:	<p>If a client has overdue obligations, including also accrued default interest for the period preceding the onset of the emergency, that is prior to the implementation of moratorium, but which are not over 90 days past due, may the bank apply a measure (moratorium + any of modification modalities) to all overdue obligations including also the default interest, in a manner that they are rescheduled, that is reclassified as overdue debt and their maturity is scheduled in the months of moratorium?</p> <p>Considering that the obligations, including also the default interest, were incurred prior to the declaration of the state of emergency, we have construed that we might proceed in the manner described above. Additionally, the definition of credit obligations in Article 2(1) of the Decision provides that credit obligations also include „accrued and outstanding interest“, without exclusion of default interest.</p>
FBA's answer:	<p>The bank may, according to the provisions of the Decision, apply a special measure to all overdue obligations. However, the Agency's view is that banks should consider a write-off of default interest accrued earlier to the clients.</p>



<b>Answer date:</b>	<b>10 April 2020</b>
<b>Topic:</b>	<b>Differentiation in interest income recognition – Article 5 of the Decision</b>
<b>Question number:</b>	<b>25-1</b>
<b>Bank's question:</b>	In case of moratorium (Article 5) as a temporary measure, the bank will accrue ordinary income and recognize interest income during moratorium. In your view, should there be differentiation in interest income recognition for this temporary measure between the clients who have experienced a full suspension of business/termination of operations and those for which the new situation has caused a lower turnover/lower income than usual?
<b>FBA's answer:</b>	The Agency's view in the aforementioned case is that there should not be differentiation in interest income recognition between the clients who have experienced a full suspension of business/termination of operations and those for which the new situation has caused a lower turnover/lower income.
<b>Topic:</b>	<b>Days-past-due counter - Article 5(3) of the Decision</b>
<b>Question number:</b>	<b>26</b>
<b>Bank's question:</b>	<p>In order to stop the days-past-due counter on the introduction of moratorium, is it allowed to credit overdue obligations (overdue principal + overdue interest + default interest) to undue debt and to schedule the maturity after the expiry of moratorium in accordance with the defined modality? Default interest in accordance with the means or write it off or recalculate it to the level of the ordinary interest and credit it to undue debt.</p> <p>Since past-due days are calculated at client level, based on the answer that past-due days are 0 in case of moratorium, our understanding is that moratorium is performed at client level for all loans and guarantees, that is for the client's all exposure types because it is possible to have 0 past-due days only in such a manner since the counter is at client level and not at individual subaccount level.</p> <p>Is moratorium at individual subaccount level allowed and what happens in that case with the days-past-due counting if there are obligations maturing under other subaccounts (fees under guarantees or under other loans for which perhaps moratorium was not agreed upon with the client)?</p>
<b>FBA's answer:</b>	<p>Obligations due prior to the moratorium have the same status during moratorium, whereby payment of such obligations is deferred. The payment method for all obligations, including the overdue ones is to be addressed through the modality.</p> <p>Considering that the Decision defines that the special measures are to apply to the client's all obligations, moratorium is to be approved at client level. We draw your attention to the fact that the bank must not accrue interest on unpaid interest accrued earlier.</p>
<b>Topic:</b>	<b>Obligation repayment method after expiry of moratorium - Article 5</b>
<b>Question number:</b>	<b>27</b>

Bank's question:	In case of approval of moratorium up to the maximum period of 6 months, is the repayment term to be automatically extended and obligations are to be evenly distributed over the remaining repayment term or is this matter under the competence of banks? Are banks required to, when disclosing information on potential special measures, define and present this information to clients?
FBA's answer:	The obligation repayment term is to be extended by the moratorium duration period. Probably, the appropriate model for the majority of clients will be to distribute linearly the obligations through monthly annuities, but banks may also agree upon any other modalities if they believe that they are more appropriate to the clients. Banks are required to present this information as well to the client.
<b>Topic:</b>	<b>Obligation repayment method after expiry of moratorium - Article 5</b>
Question number:	<b>28</b>
Bank's question:	Is our understanding right that the bank may extend the maturity deadline to the client for more than the maximum 6 months allowed for moratorium, if needed for loan repayment (e.g. client also had overdue obligations prior to moratorium and interest accrued in the period of moratorium, so it is desirable to distribute those in equal annuities as they were before moratorium, requiring a longer repayment period)?
FBA's answer:	Banks should agree upon obligation repayment method with the client depending on their ability to repay and define an amortization schedule accordingly.
<b>Topic:</b>	<b>Obligation repayment method after expiry of moratorium - Article 5</b>
Question number:	<b>29</b>
Bank's question:	Is the bank entitled to accrue ordinary interest during moratorium and to later credit it linearly to the annuities until the maturity date or to defer its payment until the payment of the final annuity or after the non-annuity loan maturity date?
FBA's answer:	The bank is entitled to accrue ordinary interest during moratorium, while it should agree upon the repayment method for the obligations to the bank with the client depending on their ability to repay.
<b>Topic:</b>	<b>Moratorium for current account and credit card limits to be done by product</b>
Question number:	<b>30</b>
Bank's question:	Is it acceptable to do moratorium by product for current account and credit card limits? This moratorium would also consist of declaring current receivables undue and of waiving the accrual of ordinary and default interest, which would be dormant until the expiry of moratorium. Bearing in mind the complexity of current account and credit card products and different accrual practices in processing centers and including also the exposure under these operations in credit and guarantee exposure at client level, we believe that these products should also be treated by temporary moratorium.

FBA's answer:	The Decision defines that temporary measures apply to all of the bank's retail and corporate receivables incurred under the total amount of due and undue principal, accrued and outstanding interest, and the aforementioned products under that as well. The bank may approve special measures from the Decision for these products as well, including moratorium too. The technical aspect on the side of the processing centers must not be a constraint for the bank to agree upon moratorium or other measures. The bank may not accrue default interest on the total amount of on-balance sheet receivables.
<b>Topic:</b>	<b>Crediting accrual amount (principal/interest) to final repayment installment</b>
<b>Question number:</b>	<b>31</b>
Bank's question:	Has it been left up to the will of banks to individually, on a case-by-case basis, distribute accrual amount (principal/interest) incurred from moratorium after the expiry on a monthly basis over the loan validity period? Can this amount be credited to the final installment as a bullet repayment? Can the loan term be extended by moratorium period in order for the client have the same level of monthly obligation after moratorium?
FBA's answer:	<p>In terms of the obligations incurred prior to the agreed moratorium (overdue principal and interest), as well as interest accrued during moratorium, the Decision is rather flexible and allows banks to agree upon repayment of the obligations in agreement with clients, guided by principles from the Decision that such model is appropriate to the client, that its purpose is business model viability and duly fulfillment of the obligations. Probably, the appropriate model for the majority of clients will be to distribute linearly the obligations through monthly annuities, but banks may also agree upon any other modalities if they believe that they are appropriate to the clients, e.g. to credit them to the final installment, etc. The loan maturity period may be extended by the moratorium duration period.</p> <p>See the answer to question 20 for the obligations of clients that have accrued during the moratorium and which increase the debt due.</p>
<b>Topic:</b>	<b>Bank's complying with enforced collection orders – existing regulations</b>
<b>Question number:</b>	<b>32</b>
Bank's question:	Which practice should be applied if the bank has receivables outstanding and it has approved moratorium to the client, however it receives in the meantime or during moratorium promissory notes for collection from the suppliers? Does the bank have the possibility to intervene in terms of collecting its receivables?
FBA's answer:	The bank is to comply with enforced collection orders in accordance with the existing regulations governing the subject matter. We emphasize that it is important to ensure the solidarity of other creditors as well for successful implementation of temporary measures provided for by the Decision, in order not to have favorable treatment of any of receivables.

<b>Topic:</b>	<b>Responding to moratorium and new current liquidity funding requests</b>
Question number:	<b>33</b>
Bank's question:	How should the bank proceed with regard to the placements where there is a moratorium request and new current liquidity funding request? Where both requests have been granted and when the client finds themselves in the situation after two months that they are unable to service the loan that was additionally approved to them along with moratorium, can such loan as well be subsumed during moratorium under the existing moratorium period without modification?
FBA's answer:	Under Article 7(6) of the Decision, the bank may use 29 February 2020 instead of the modification date as the reference date for determination of credit risk level and number of past-due days in the period of three months from the day of the entry into force of this Decision. This means that the loans becoming repayable may also have the treatment of special measures from Article 3 of the Decision in this period. Under Article 4 of the Decision, the bank should define during this period an appropriate modality including special measures from Article 3 of the Decision, which will help clients establish a viable business model and duly fulfill their credit obligations to the bank in the coming period. This means that if the bank has approved new exposures under such modality, the repayment terms should be set based on individual credit analysis underlying the bank's assessment that the approved measures will help the client duly fulfill their obligations to the bank in the coming period. Accordingly, the bank is to apply special credit risk management rules from Article 7 of the Decision.
<b>Area:</b>	<b>Other modifications</b>
<b>Topic:</b>	<b>Fee charging – Article 6(3) of the Decision</b>
Question number:	<b>34</b>
Bank's question:	<p>Does the provision that defines that the bank may not charge additional service fees, that is fees related to exposure modification, apply only to the prohibition to charge loan/modification processing fees or it also applies to other costs that are related to the implementation of a relevant modality (including also approval of additional exposure for current liquidity support) such as promissory note costs, collateral verifications and registrations, notary costs, mortgage and other security instrument registration costs, as well as all other costs that are required to perform actions provided for by regulations, which need to be undertaken in case of repayment deadline extension or exposure increase?</p> <p>Our interpretation is that the concerned provision applies solely to the prohibition to accrue and charge loan processing fees, while other external costs of implementation of special measures may be borne by both the client and the bank, in keeping with their mutual agreement and depending on the client's vulnerability (e.g. the bank may agree to bear the burden of all implementation costs for the most vulnerable). Everything else would mean that the burden of operating costs of the implementation of special</p>

	measures is borne solely by banks, as well as the burden of default interest forgiveness in the period of emergency, liquidity burden in terms of forgoing the inflows in moratorium, which will further reduce credit potential of banks and increase the liquidity financing burden during and after the emergency – with the adverse impact on the liquidity, profitability and solvency of banks.
FBA's answer:	<p>The aforementioned applies to the prohibition to accrue and charge request processing fees for approval of special measures.</p> <p>In its operations, the bank should strive to avoid as much as possible imposition of additional costs for clients who have already been impacted by the adverse effects of Covid-19 and, in case that there are specific costs, it should strive to bear them jointly with the client where possible.</p>
<b>Answer date:</b>	<b>10 April 2020</b>
<b>Topic:</b>	<b>Fee charging and fee accruals and deferrals – Article 6(3) of the Decision</b>
<b>Question number:</b>	<b>34-1</b>
Bank's question:	<p>In case of a forbearance/modification of the original credit exposure and approval of a new credit exposure (with modified original terms) as a temporary measure, the bank is not entitled to charge a new loan application processing fee. How are we to treat the advanced original exposure loan processing fee, for which the revenues are to be deferred until its final maturity, i.e.:</p> <ul style="list-style-type: none"> <li>a) is it to be fully recognized as income at the moment of the cessation of the recognition of the original exposure, i.e., at the moment of the recognition of the forborne/modified exposure or</li> <li>b) is the advanced original exposure loan processing fee to be deferred until the maturity of the new forborne/modified exposure?</li> </ul>
FBA's answer:	The Agency's view is that the advanced original exposure loan processing fee is to be deferred until the maturity of the new forborne/modified exposure.
<b>Topic:</b>	<b>Agreement of contracting parties - Article 6(4) of the Decision</b>
<b>Question number:</b>	<b>35</b>
Bank's question:	<p>How is it reasonable to proceed when any of the contracting parties is unable to sign an agreement to modify originally agreed loan terms due to isolation, quarantine or other justifiable reasons? Is in such situation possible to only subsequently notify (and invite to sign) other contracting parties? How are we to proceed where there are second-ranked encumbrances by other creditors?</p> <p>If the client requests moratorium with an additional extension (deferral) of the repayment deadline (entailing modification of the originally agreed loan terms), but which he needs to mitigate the adverse effect of pandemic and allow duly repayment, however any of the participants is unable to sign the agreement due to isolation, quarantine or other justifiable reasons, banks will be prevented from supporting the client due to the provision of Article 6(4) of the Decision. It is very challenging to secure agreement of other contracting parties in the situation of the state of emergency,</p>

	with the subsequent agreement also not making much sense. It goes without saying that all loan participants have interest that the measures allowing reliefs to the clients be approved. Is adequate solution in such situation to agree with the client a modification of the original loan terms and subsequently, once the emergency has ended, notify (and invite to sign) other contracting parties?
FBA's answer:	The bank may also proactively approve temporary moratorium from Article 4(5) of the Decision, without agreement obtained from the clients and other loan participants, with the requirement to subsequently notify the client in situations defined by Article 8(4) of the Decision.
Answer date:	06 May 2020
Topic:	Modification materiality setting - Article 6(1) of the Decision
Question number:	37-1
Bank's question:	<p>Paragraph (1) of Article 6 (Other Modifications) of the Decision reads: "An exposure modification entails alteration of some or all terms of the original contract and shall be considered a material modification within the meaning of the Decision on Credit Risk Management, that is the bank shall cease to recognize the original financial asset item and shall start to recognize a new item, but it shall not be required to identify whether the concerned item is an asset acquired with impairment (POCI asset)."</p> <p>We kindly ask you for your confirmation of the bank's following understanding of this Article or an alternative interpretation:</p> <p>The provision that " An exposure modification entails alteration of some or all terms of the original contract and shall be considered a material modification ..." means that the bank should treat as material modifications all exposure modifications resulting from special measures approved by the bank to the client, which are prescribed by Article 3 of this Decision, except in the case of moratorium prescribed by Article 4(5) of the same Decision, which is not considered a material modification. The modification materiality for special measures defined by the Decision on the Temporary Measures for COVID-19 should not be set additionally by the bank in the manner prescribed by Article 6 (Financial Asset Item Modification Materiality) of the FBiH Banking Agency's Instruction for the Classification and Valuation of Financial Assets (no.: 01-2583/19 of 05 July 2019).</p>
FBA's answer:	The said clauses (in case of both, modification materiality and POCI treatment) have been prescribed for purpose of unification and simplification of processes in banks in relation to approval of special measures to customers affected by the corona virus pandemic. However, they do not represent an obstacle for banks (during their materiality assessment of modifications when approving special measures in line with the Decision) to act in manner defined by Article 6 of the Instructions for Classification and Measurement of Financial Assets (document issued by the Agency Director under number 01-2583/19 dd 05.07.2019). If a bank, subject to implementation of Article 6 of the said Instructions, finds that a modification is of material relevance and loan obligations of a customer were classified to the credit risk grade 1 or 2 as of the modification date, the bank shall flag such modification in its IT system as a modification caused by current needs of the debtor, as per Article 7, Paragraph (2) of the Decision.

<b>Area:</b>	<b>Special credit risk management rules</b>
<b>Topic:</b>	<b>Guarantee call and payments under guarantees - Article 7 of the Decision</b>
Question number:	<b>36</b>
Bank's question:	The possibilities that banks have with regard to clients to whom guarantees were approved should be defined. In case of a guarantee call and payment under the guarantee by the bank, may the bank initiate the process to recover its claims and which rules apply in terms of categorization?
FBA's answer:	Claims under the guarantees called and paid after 29 February 2020, for the clients who were in credit risk levels 1 and 2 on that date and if they fall into the group of clients from Article 2(1)(b) of the Decision, may have the treatment of credit obligations under Article 2(1)(a) of the Decision and special credit risk management rules from Article 7 of the Decision may be applied to them.
<b>Topic:</b>	<b>Declaring due obligations undue</b>
Question number:	<b>37</b>
Bank's question:	Have banks been left a possibility to, for clients who were classified in credit risk level 2 on 29 February 2020 and who had at the time the status of due obligations, declare the due obligations undue, in order for the day counter not to further calculate? On the contrary, the bank must credit the due portion of the debt to the principal (capitalization), taking the client directly to credit risk level 3.
FBA's answer:	For moratorium from Article 4(5) of the Decision that is not considered a material modification from Article 6(1) of the Decision, days-past-due counter is to be frozen as well during moratorium. For other measures from Article 3 of the Decision, entailing moratorium from Paragraph (1)(a) as well within the modality from Article 4 of the Decision, they are considered material modifications within the meaning of Article 6(1) and credit risk management rules from Article 7(3)-(5) apply. The technical aspect must not be a constraint for the bank to agree upon moratorium or other measures.
<b>Topic:</b>	<b>Number of past-due days - Article 7(3)-(4) of the Decision</b>
Question number:	<b>38</b>
Bank's question:	Does the number of past-due days include the period for which moratorium has been concluded?
FBA's answer:	Days-past-due counting is to be frozen during moratorium. In case of temporary moratorium that the bank may also proactively approve (without concluding an annex to the contract) until such time when it has made a decision on the most appropriate measure (or combination of measures), it is also not considered that the repayment is past due.



<b>Topic:</b>	<b>Credit risk level - Article 7(6) of the Decision</b>
Question number:	<b>39</b>
Bank's question:	<p>Does Article 7(6) of the Decision entail that the bank may use 29 February 2020 for determination of credit risk level and number of past-due days within three months from the day of the entry into force of this Decision only for the clients who have agreed, that is who have provided the signed statement accepting the bank's offer of special measures (defined by Article 8(3) of the Decision), or does this rule apply to all vulnerable clients regardless of whether they have provided the signed statement and regardless of whether the measure has already been implemented in the banking application or not? May the bank for all clients for which it has been assessed that they are vulnerable (based on their affiliation with a specific activity or based on the client's request) on determination of credit risk level on 31 March 2020 automatically maintain the same credit risk level and percentage of exposure coverage with expected credit losses that they had on 29 February 2020, even though the signed request or statement accepting the offer still has not been received, that is if the implementation of proposed/approved measure has not been completed operationally for all clients?</p> <p>Our interpretation is that we may proceed in the manner described above, because this Decision provides us with a period of 3 months from the day of the entry into force of the Decision, meaning until 21 June 2020, that we may maintain the credit risk level that applied on 29 February 2020 for vulnerable clients.</p>
FBA's answer:	<p>In such cases, the bank is recommended to proactively approve (without concluding an annex) temporary moratorium to all clients for which it has assessed that they are vulnerable with the duration until the cessation of the state of emergency. During temporary moratorium, the bank should make a decision in agreement with the client on the most appropriate special measure (or combination of measures).</p> <p>The bank may maintain the same credit risk level and coverage percentage as of 29 February 2020 and on classification as of 31 March 2020 for the clients for which it has assessed that they are vulnerable, but it still has not approved moratorium to them due to a short time period. Banks are expected to undertake measures to approve temporary moratorium and/or other relevant special measures as soon as possible.</p>
<b>Topic:</b>	<b>Credit risk level - Article 7(3)-(4) of the Decision</b>
Question number:	<b>40</b>
Bank's question:	Is the client to be maintained in the same level only if moratorium is approved or is this the case also for other measures prescribed by Article 3(1) of the Decision?
FBA's answer:	The client is to be maintained in the same credit risk level if any special measures or combination of special measures have been applied, provided that they have been applied during the validity of the Decision. Further classification is to be performed under Article 7(3)-(5) of the Decision.

<b>Topic:</b>	<b>Credit risk level</b>
<b>Question number:</b>	<b>41</b>
<b>Bank's question:</b>	<p>Is it possible to determine a lower risk level (risk level 1) compared to the one at the time of approval of special measures (risk level 2), if an exposure meets the criteria to move to a lower credit risk level? Even though an exposure wound up in credit risk level 2 at the time of the approval of special measures, it is possible for it to meet the criteria to move to credit risk level 1 during the repayment and for the bank to reach a point to shift this exposure to that lower credit risk level on the regular monthly determination of credit risk level and calculation of expected credit losses according to the parameters for the homogenous group to which such exposure belongs. This would result in a release of the provisions for expected credit risks for that exposure. We believe that the treatment described above would be right instead of maintaining the exposure in credit risk level 2 until its maturity.</p> <p>According to this Paragraph, the same percentage of provisions should be maintained all until the repayment of the modified exposure. We believe that there is no need to maintain the same percentage of provisions on these exposures (individual approach), but that these exposures should instead have the coverage according to the credit risk level and homogenous group to which they belong in the reporting period. If this view is maintained, this would mean that even once the exposures have moved from risk level 2 to risk level 1, the exposure should maintain the same percentage of coverage as they had while they were in risk level 2, which we do not believe is reasonable considering that the exposures have met the requirements to move from a higher to a lower risk level, which should also be accompanied by a lower amount of the credit loss provisions.</p>
<b>FBA's answer:</b>	<p>The bank may classify these exposures in credit risk level 1 only after the expiry of the recovery period defined by the Decision on Credit Risk Management and Determination of Expected Credit Losses. This means that the exposure may be classified to credit risk level 1 if the client has fulfilled their obligations for three months and thereby reduce the impairment coverage percentage. It should be noted that the Decision defines that the modifications in credit risk levels 1 and 2 are considered a modification due to the debtor's current needs, that is they are not considered forbore exposures.</p>
<b>Answer date:</b>	<b>10 April 2020</b>
<b>Topic:</b>	<b>Identification of asset acquired with impairment (POCI asset) – Article 6(1) and Article 7(1) of the Decision</b>
<b>Question number:</b>	<b>41-1</b>
<b>Bank's question:</b>	<p>Is the provision from Article 6(1) of the Decision, which provides that the bank shall not be required to identify whether the concerned item is an asset acquired with impairment (POCI asset), FBA's minimum requirement and does not prevent the bank</p>

	from performing the aforementioned identification and treating the asset as POCI asset in order to ensure greater compliance with IFRS 9.
FBA's answer:	<p>Article 6(1) of the Decision on the Temporary Measures provides that the bank shall not be required to identify whether the concerned item is an asset acquired with impairment (POCI asset).</p> <p>Article 7(1) of the Decision on the Temporary Measures provides that the bank may not approve special measures under the Decision on the Temporary Measures to the clients who are over 90 days past due in their fulfillment of obligations to the bank in a material amount, but that it may approve measures to the clients whose exposures are classified in credit risk level 3 under UTP (Unlikeliness to Pay) criteria from Article 20(3) of the Decision on Credit Risk Management and Determination of Expected Credit Losses („Official Gazette of the Federation of BiH“, number 44/19, hereinafter: the Decision on Credit Risk Management).</p> <p>Therefore, the bank may (but it is not required to) designate as POCI the exposures approved within special measures from the Decision on the Temporary Measures, if they meet the following requirements:</p> <ol style="list-style-type: none"> <li>1) that, at the moment of the modification, they are classified in credit risk level under Article 20(3) of the Decision on Credit Risk Management; and</li> <li>2) that they meet the requirements from Article 21(2)(a) of the Decision on Credit Risk Management.</li> </ol>
Answer date:	10 April 2020
Topic:	<b>Approval of special measures for clients from credit risk level 3 – Article 7(1) of the Decision</b>
Question number:	<b>41-2</b>
Bank's question:	<p>Article 7(1) of the Decision on the Temporary Measures provides that the bank may not approve special measures under this Decision to the clients who are over 90 days past due in their fulfillment of obligations to the bank in a material amount, i.e. approval of special measures is allowed only to the clients whose exposures are classified in credit risk level 3 under the requirements according to which it is considered to be certain that the debtor will not fully fulfill their obligations to the bank defined by Article 20(3) of the Decision on Credit Risk Management.</p> <p>How are we to treat clients in default, who have been duly fulfilling all their obligations and are not past due, but the client cannot recover to performing for other reasons (e.g. financial indicators or other requirements), but the reason for the client's original default used to be at some point 90+ past due? Is application of temporary measures allowed for such clients and under what conditions?</p>
FBA's answer:	Regardless of the original reason for the determination of default being over 90 days past due in a material amount, the bank may approve special measures from the Decision to the client who was not over 90 days past due in a material amount on 29 February 2020 and their categorization in default, that is in credit risk level 3 on the aforementioned date is due to other situations specified in Article 20(3) of the Decision

	on Credit Risk Management and Determination of Expected Credit Losses ("Official Gazette of the Federation of BiH", no. 44/19).
<b>Topic:</b>	<b>Impairment coverage</b>
Question number:	<b>42</b>
Bank's question:	<p>Considering that different combinations of client measures are possible (modification on one of several subaccounts, on several subaccounts, on all subaccounts, namely through annexes to the existing or approval of new exposures), how are we to maintain the impairment coverage relative to the cut-off date of 29 February 2020? Are the impairment coverages to be maintained at the average impairment rate at client level (total impairments/total exposure on 29 February 2020) regardless of whether one or several subaccounts have been modified? According to this Paragraph (7), the same percentage of provisions should be maintained all until the repayment of the modified exposure. We believe that there is no need to maintain the same percentage of provisions on these exposures (individual approach), but that these exposures should instead have the coverage according to the credit risk level and homogenous group to which they belong in the reporting period. If this Paragraph is maintained, this would mean that even once the exposures have moved from level 2 (Stage 2) to level 1 (Stage 1), the exposure should maintain the same percentage of coverage as they had while they were in level 2, which we do not believe is reasonable considering that the exposures have met the requirements to move from a higher to a lower risk level, which should also be accompanied by a lower amount of the credit loss provisions.</p>
FBA's answer:	<p>We infer that there is misunderstanding of Article 7(6) of the Decision and it should be noted that the intention of this Article was not that the credit risk level and impairment coverage should be maintained if the client has been fulfilling their obligations to the bank after modifications (this Paragraph should be viewed in conjunction with other Paragraphs from the same Article).</p> <p>This Article applies only to the situations if the client has not been meeting their obligations to the bank even after the exposure modification. See the answer under 41.</p>
<b>Area:</b>	<b>Approval of special measures</b>
<b>Topic:</b>	<b>Acceptable form of loan term modification request - Article 8 of the Decision</b>
Question number:	<b>43</b>
Bank's question:	<p>Under Article 8(3), a modification of the loan use terms during the extraordinary circumstances will be agreed through electronic exchange of the bank's offer and the offer acceptance by the client. It is understandable that it is desirable for the offer acceptance to be provided in writing (printed document, signature, stamp), then photographed/scanned and electronically provided to the bank. However, in the situations where this is not possible for objective reasons, can the offer acceptance be considered acceptable, from the aspect of the regulator, if it is provided in a different</p>

	<p>manner, i.e. only through confirmation via e-mail, Viber message, by telephone with the call recording or in another similar manner.</p> <p>Also, concerning the provision of Article 8(3) of the Decision, namely specifically the words „provisionally accepted“ raise the question whether the original offer acceptances electronically provided by clients during the extraordinary circumstances will need to be collected once the extraordinary circumstances have ended, or perhaps this means that the offer acceptance may be electronically obtained during the extraordinary circumstances, and that, once the extraordinary circumstances have ended, the offer acceptance may be accepted only in the original. This means that, whatever has been collected in electronic form during the extraordinary circumstances, it is valid in such form and it does not have to be collected again in the original, considering Article 72(4) of the Law of Obligations. Moreover, additional arguments for such interpretation are: a) requesting the original acceptance subsequently carries a risk that clients will misuse such requirement and condition its fulfillment, b) absence of any instrument whereby the client would be obliged to provide the original offer acceptance (it is not an option to annul the modification made electronically), meaning that the original offer acceptance will never be collected for a number of clients, and yet they will be in the same status as those who provided it c) there is no added value in collecting the original offer acceptances, d) banks will spend material resources on this, e) this will be unnecessary spending on administration for the clients as well.</p> <p>Also, our understanding is that on the activation of moratorium as a temporary measure from Article 4(5) of the Decision, a new amortization schedule is not to be delivered to the client, but the client or the group of clients is only to be notified of it instead. Subsequently, on agreement of the model under Article 8(3), the amortization schedule will be delivered to the client as well. If the client does not agree to the modifications, the moratorium as a temporary measure will be deactivated, that is terminated. We kindly ask you for your confirmation of this approach or a clarification.</p>
FBA's answer:	<p>Article 8(2) of the Decision defines the requirement for the client to state their position on the bank's offer, and in case of acceptance of the bank's offer, the client shall provide the statement of their position to the bank in writing.</p> <p>Paragraph (3) of the same Article of the Decision provides that the offer acceptance may also be provided electronically during the state of „Natural or Other Disaster in the Territory of Bosnia and Herzegovina“, in order to prevent the spread of „COVID-19“ virus disease. This form of the offer acceptance, which entails all methods of electronic communication (e-mail, Viber message, SMS message, etc.) is of a temporary character. In the situations where it is not possible to electronically provide the bank's offer and/or the offer acceptance for objective, that is technical or other reasons, the bank may proactively activate moratorium from Article 4(5) of the Decision for natural persons. The bank is required to define the recording method and ensure the documentation of the aforementioned actions that is appropriate to the circumstances, as well as approach the client transparently and inform them in a timely fashion about all undertaken activities.</p>

	<p>With regard to the part of your query relating to the temporary documentation of the electronic offer acceptance, under the provisions of the Decision, the bank is required to, after the cessation of the state of „Natural or Other Disaster in the Territory of Bosnia and Herzegovina“, adequately document the temporary measure it applied in the credit relationship with the client, which entails the original offer acceptance document. In case of inability to subsequently document the offer acceptance as mentioned above for some reasons, the bank is required to draw up an official record of this with a detailed description of the reasons.</p> <p>The Agency confirms the understanding contained in the part of the query relating to the issues of delivery of the amortization schedule on the activation of moratorium in the context of implementation of Article 4(5) and Article 8(3) of the Decision as correct.</p>
<b>Topic:</b>	<b>Means of communication with clients - Article 8(1) of the Decision</b>
Question number:	<b>44</b>
Bank's question:	May the bank send an invitation through its website to its clients to approve moratorium and deem those clients who fail to respond to the invitation as not having agreed to it?
FBA's answer:	Banks are expected to send an invitation through their website to their clients to contact them with a request for approval of special measures. However, banks should not deem those clients who fail to respond as not having agreed to it, but they should try instead to undertake activities within their means to contact the clients in other ways as well. Also, the bank may also proactively activate moratorium under Article 8(4) of the Decision.
<b>Topic:</b>	<b>Means of submission of requests</b>
Question number:	<b>45</b>
Bank's question:	Is it permitted for the bank to allow submission of requests through electronic channels (bank's website, electronic mail, internet and mobile banking applications)? The clients would be phoned based on such received requests to confirm the request, while they would sign the request on the signing of a new contract that would include the special measures. We believe that such means of submission of requests should be allowed, in order to avoid crowds in banks, especially in the first days after the start of implementation of this Decision, and to protect the health of clients and staff in banks.
FBA's answer:	We believe that submission and acceptance of the client's request through electronic communication channels in the conditions of emergency are reasonable, however the bank is to make a reasonable effort to invite the client to sign the request when conditions are there for it.
<b>Topic:</b>	<b>Means of submission of requests</b>
Question number:	<b>46</b>



Bank's question:	Does it suffice for the client to submit to the bank only a request for approval of special measures or are they required to document the adverse effects (e.g. buyer's/supplier's letter, competent authority's decision on temporary prohibition to perform an activity, etc.)?
FBA's answer:	The bank should define through its internal regulations the minimum documentation that will be acceptable to it for approval of special measures.
<b>Topic:</b>	<b>Client notification - Article 8(2) of the Decision</b>
Question number:	<b>47</b>
Bank's question:	<p>Does this mean that the bank is to notify all clients of the Agency's Decision and all available possible measures, or is the bank required to send a personalized offer of special measures to each client individually? If the answer is that a personalized offer needs to be provided, what should the offer include as a minimum? Does it suffice for the personalized offer to include the following:</p> <ul style="list-style-type: none"> <li>• Explanation and presentation to the client of one or combination of specific possible measures offered to the client,</li> <li>• Clarification of how the measure(s) will affect the disburdening of the client's monthly obligations, that is the decrease in the client's outflows in the emergency period,</li> <li>• Explanation of the desired effect of these measures,</li> <li>• Information that the bank will not charge the costs of modification processing fee,</li> <li>• Information that, due to moratorium (credit obligation payment deferral) and/or other special measures, the total accrued ordinary interest until the end of the loan repayment will be increased under a new annex to the amortization schedule to be signed by the client prior to the implementation of the measure,</li> <li>• Representative generic example of how moratorium or specific special measure affects the overall retail and/or corporate loan interest cost.</li> </ul> <p>In addition to raising awareness of the option to use the measures, Article 8(2) of the Decision particularly emphasizes the terms and effects of the measures. That is a very broad and stretchable interpretation and can entail, e.g. the requirement for the bank to define how the monitoring measure will be implemented (whether to go with automatic term extension or not, then how to distribute obligations associated with the monitoring period, etc.).</p> <p>A question may also arise as to whether the client is to state their position on the disclosed offer of special measures or does any personalized offer with the measures offered to the specific client also have to be done alongside this offer.</p> <p>The simplest and most practical for the quickest possible implementation of special measures from the Decision would be to have the client agree to the offer disclosed by the bank and have the bank go, based on such agreement and request itself, with the analysis and approval of the measure and finally implementation of the measure, whereby a new amortization schedule will also be generated and delivered to the client</p>



	for signature. If all of this were to be required in advance, that would cause the clients to have to come physically as many as 2 times merely for the implementation.
FBA's answer:	<p>The bank should provide a personalized offer (which may be done through e-mail or other form of electronic communication) to all clients who contact the bank (by telephone, e-mail, mail, request submission, etc.), as well as the clients for which it is assessed through regular monitoring that they are vulnerable.</p> <p>The offer must be clear to the client, allowing them to conclude from it what are their obligations and costs, with the aim of providing protection to the customers.</p>
<b>Area:</b>	<b>Bank's capital conservation</b>
<b>Topic:</b>	<b>Dividend and variable remuneration payout - Article 9(1) of the Decision</b>
Question number:	<b>48</b>
Bank's question:	<p>Is the implementation of the concerned provision mandatory even if the bank follows and complies with the provisions of Article 9(1) of the Decision and if the bank's liquidity and capital adequacy are not undermined by the payout of the items specified in Article 9(2)(1) and (2) of the Decision or it may be treated as a recommendation?</p> <p>Based on the Agency's Memorandum entitled „Recommendations to Banks Concerning Implementation of Measures for Mitigation of the Adverse Effects of „COVID-19“ Virus of 16 March 2020, number 03-3-949/20, our interpretation of Article 9(2) is that this is a recommendation of a measure and not a requirement if it does not undermine the bank's liquidity or capital adequacy, as well as that this recommendation will be repealed during the year, following the expiry of the emergency.</p> <p>The dividend payout is considered viable and reasonable if the bank has met all requirements for it and regulatory capital requirements will not be undermined thereby in the coming period. Variable remunerations are considered viable if in the period from their setting to their final payout the financial situation is not undermined, that is the bank does not generate losses, the bank's capital or liquidity position is not undermined.</p>
FBA's answer:	<p>Considering the fact that the exact effects of the crisis caused by the pandemic around the globe and in Bosnia and Herzegovina cannot be estimated right now, the Decision precludes payout of the 2019 profits.</p> <p>Article 9(2) of the Decision provides that, in the function of maintaining the bank's capital in the new circumstances, the profits made in 2019 are to be retained, payouts of the dividends, variable remunerations to the governance body members in supervisory and management functions and to staff whose professional activities have a material impact on the bank's risk profile are to be deferred and/or canceled.</p>
<b>Topic:</b>	<b>Capital conservation buffer - Article 9(3) of the Decision</b>
Question number:	<b>49</b>

Bank's question:	<p>Can the bank be left a 12-month deadline to come out of the status of using capital buffer?</p> <p>What if the bank at the end of the duration period of the emergency still uses the capital conservation buffer? Can we assume that the declared emergency will not last longer than 3 months and is it realistic to assume that in that period the bank that starts using the capital conservation buffer will not be able to compensate for the capital gap in a couple of months (either through recapitalization or reduction of at-risk assets).</p>
FBA's answer:	<p>The bank will not be required to draw up Capital Conservation Plan under Article 42 of the Decision on Bank Capital Calculation throughout the validity period of this Decision. After the expiry of the Decision, banks will submit their capital conservation plans to be agreed on by the Agency.</p> <p>It should be noted that the bank will not be able to pay out either the profits or variable remunerations under Article 9(2) of the Decision.</p>
<b>Area:</b>	<b>EXAMPLES</b>
<b>Topic:</b>	Example number 1
Question number:	<b>50</b>
Question number 1:	<p>A corporate client is classified in credit risk level 1. Under the Decision on the Temporary Measures:</p> <p>a) the bank approves moratorium from Article 4(5) of the Decision on the Temporary Measures to the client</p> <p>b) after the expiry of the aforementioned moratorium, the bank approves one or combination of measures from Article 3(1) to the client (repayment modality that is appropriate to the client's repayment capacity based on the assessment done in the approval process).</p> <p>The client is not past due in a material amount on the repayment approved under the modality from Subparagraph b) of this example.</p> <p>Is the client to remain in exposure class 1 throughout the duration period of the aforementioned moratorium and measures under b) approved by the bank after the expiry of the moratorium?</p>
FBA's answer:	The bank's understanding laid down in Example 1 is correct.
<b>Topic:</b>	Example number 2
Question number:	<b>51</b>
Question number 2:	<p>A corporate client is classified in credit risk level 1. Under the Decision on the Temporary Measures:</p> <p>a) the bank approves moratorium from Article 3(1)(a) to the client</p>

	<p>b) after the expiry of the aforementioned moratorium, the bank approves one or combination of measures from Article 3(1)(b) to (f) to the client (repayment modality that is appropriate to the client's repayment capacity based on the assessment done in the approval process)</p> <p>The first question is whether it is at all possible to make this combination of measures? If yes, is the client to remain in exposure class 1 throughout the duration period of the aforementioned moratorium and the aforementioned measures approved by the bank after the expiry of the moratorium, if the client is not past due in a material amount?</p>
FBA's answer:	<p>The bank may firstly approve moratorium from Article 4(5) of the Decision to the client during the state of „Natural and Other Disasters in the Territory of Bosnia and Herzegovina“. During moratorium from Article 4(5) of the Decision, the bank may prepare an appropriate modality for the client, wherein moratorium from Article 5 of the Decision in the maximum duration of 6 months may be approved as one of the measures as well. Exceptionally, the bank may agree upon moratorium from Article 5 two or more times in the period while the Decision is in force, provided that it cumulatively does not exceed the maximum period of 6 months (e.g. two moratoria in the duration of 3 months each).</p> <p>During the moratorium, the client is to remain in the credit risk level in which they were on 29 February 2020, and once the moratorium from Article 5 of the Decision has expired, the process of classification in credit risk levels runs under Article 7(3)-(5) of the Decision (days-past-due counter in a material amount).</p>
<b>Topic:</b>	Example number 3
<b>Question number:</b>	<b>52</b>
Bank's question:	<p>A corporate client is classified in credit risk level 1. Under the Decision on the Temporary Measures:</p> <p>the bank approves one or combination of measures from Article 3(1)(b) to (f) to the client, that is the repayment modality that is appropriate to the client's repayment capacity based on the assessment done in the approval process. During the repayment of the loan under the above agreed upon modality, the client's performance further deteriorates due to the adverse effects cause by Covid-19 virus disease. The client contacts the bank again with a request for approval of a new repayment modality, that is modification of previously agreed upon modality.</p> <p>The bank approves a new repayment modality to the client, that is it modifies the previously agreed upon modality in order to adjust it to the deteriorated circumstances of business operations.</p> <p>May the bank maintain the client in credit risk level 1 even after the modification of the repayment modality as laid down in Subparagraph b) of this example?</p> <p>How many times may the bank modify the repayment modality while maintaining the client in credit risk level 1?</p>

FBA's answer:	<p>During the validity of the Decision, the bank may modify the exposure multiple times, applying to it the rules for classification in credit risk levels under Article 7(3)-(5) of the Decision (days-past-due counter in a material amount). Once the Decision has been repealed, each subsequent modification is to be treated under the Decision on Credit Risk Management and Determination of Expected Credit Losses.</p> <p>Still, the Agency's view is that banks will apply multiple modifications from Article 6 of the Decision exceptionally and not as a rule, considering that the purpose of moratorium from Article 4(5) of the Decision is to give time to the bank and the client to analyze and subsequently agree upon an appropriate modality.</p>
<b>Topic:</b>	Example number 4
Question number:	<b>53</b>
Bank's question:	<p>Could the bank approve moratorium from Article 4(5) to a corporate client (legal entity), and could it then also approve to them moratorium from Article 3(1)(a) after the expiry of such moratorium?</p> <p>If the answer is affirmative, does the client remain classified in the same credit risk level in which they were on the date of the approval of the initial moratorium from Article 4 all until the expiry of the follow-up moratorium from Article 1?</p>
FBA's answer:	The bank's understanding is right. The client maintains the same credit risk level all until the expiry of the follow-up moratorium.