

Pursuant to Article 200, paragraphs (17) and (18) and Article 248 of the Banking Law (Official Gazette of the Federation of BiH, No. 27/17), Article 5, paragraph (1), item h) and Article 19, paragraph (1), item c) of the Law on the Banking Agency of the Federation of Bosnia and Herzegovina (Official Gazette of the Federation of BiH, No. 75/17), and Article 12, paragraph (1), item d) of the Statute of the Banking Agency the Federation of Bosnia and Herzegovina (Official Gazette of the Federation of BiH, No. 3/18), the Management Board of the Banking Agency of the Federation of Bosnia and Herzegovina, at its session held on 29 March 2018, adopted the following

## **DECISION ON ESTABLISHING A BRIDGE BANK**

### **I. GENERAL PROVISIONS**

#### Article 1 Subject of decision

This Decision lays down the manner of application the bridge bank tool, i.e. the contents of documents and evidence that shall be submitted when establishing the bridge bank and the manner of prescribing the possibility of transfer of assets, rights, and liabilities to the bank under resolution to the bridge bank, as well as the possibility of transfer of the assets, rights, and liabilities of the bridge bank back to the bank under resolution, including the definition of assets and liabilities that are transferred to the bridge bank at the time of establishing the bridge bank.

#### Article 2 Application of the bridge bank tool

- (1) The bridge bank tool shall be implemented by the transfer of:
  - a) shares or other instruments of ownership issued by one or more banks under resolution to the bridge bank,
  - b) assets, rights or liabilities of one or more banks under resolution in full or partially to the bridge bank.
- (2) The Agency shall adopt the decision on the application of the bridge bank tool and shall submit a proposal to the Government of Federation of Bosnia and Herzegovina, i.e. the Federal Ministry of Finance (hereinafter: the Ministry) to establish the bridge bank for.

### **II. ESTABLISHMENT OF A BRIDGE BANK**

#### Article 3 Establishing of the bridge bank

The bridge bank shall be a legal person partially or fully owned by the state.

#### Article 4 Purpose of establishment and function

- (1) The bridge bank is established for the purpose of ensuring the continuity of critical functions and sale of the bank under resolution.
- (2) Functions of the bridge bank are organised in a conservative way ensuring its preparation for sale.

#### Article 5

##### Constitutional documents for establishment of the bridge bank

The following documents shall be attached for establishment of the bridge bank:

- a) the incorporation act;
- b) the statute;
- c) proof of payment of minimum charter capital;
- d) proposal for members of the supervisory board and management including data on their qualifications, expert knowledge, experience, business reputation, and renown;
- e) strategy and risk profile;
- f) business plan;
- g) other documents if requested by the Agency.

#### Article 6

##### Incorporation act of a bridge bank

- (1) The bridge bank is established under the treaty establishing.
- (2) The incorporation act referred to in paragraph (1) of this Article shall contain the following, mandatorily:
  - a) name and headquarter of the founder;
  - b) name and headquarter of the bridge bank;
  - c) activity, including the purpose of establishing;
  - d) rights and obligations of the founder;
  - e) amount of founding capital;
  - f) designation of the class, total number and nominal value of shares, including a description of the rights contained in a share;
  - g) the manner and amount of transfer of assets, rights and liabilities in case the assets, rights or liabilities of the bank under resolution are being transferred onto the bridge bank in full or partially;
  - h) manner of compensation for the costs of the founding;
  - i) managerial and governance bodies;
  - j) risk management and manner of covering the losses;
  - k) the duration of operations of the bridge bank, which cannot exceed 2 years from the date of the latest performed transfer of shares, i.e. assets, rights, and liabilities;
  - l) preconditions for expanding the deadline referred to in item j);
  - m) name and surname of the person that is representing the bridge bank in the process of founding.

#### Article 7

##### Statute of the bridge bank

The statute of the bridge bank shall contain the following, mandatorily:

- a) name and headquarter of the bridge bank;
- b) activity, including the purpose of establishing;

- c) rights and obligations of the founder;
- d) amount of the founding (share) capital;
- e) designation of the class, total number and nominal value of shares, including a description of the rights contained in a share;
- f) amount of transferred assets, rights and liabilities in case assets, rights or liabilities of the bank under resolution are being transferred onto the bridge bank;
- g) manner of operations of the assembly;
- h) manner of selection, the number of members and competence of the supervisory board;
- i) manner of selection, the number of members and competence of the management;
- j) determination of the manner of compensation and the manner of payment to the members of supervisory board, salaries and earnings to members of the management and employees with special authorisations, and their rights and obligations;
- k) representation and advocating for the bridge bank;
- l) number and type of commissions, i.e. boards that re appointed by the supervisory board or the management;
- m) provisions on control functions;
- n) provisions on system of internal control;
- o) provisions on external audit;
- p) the duration of operations of the bridge bank;
- q) the manner of adoption of general acts.

#### Article 8 Operating licence for bridge bank

- (1) The Agency issue a temporary operating licence to the bridge bank if meets the conditions referred to in Article 200 of the Banking Law (hereinafter: the Law) and Articles 5, 6, and 7 of this Decision.
- (2) The Agency shall decide upon the application referred to in paragraph (1) of this Article within the deadline of two days at the latest from the date of receiving a comprehensive application.
- (3) The bridge bank shall have to meet all prudential requirements.
- (4) The Agency may, upon a request of the founder, when that is necessary for achieving the objectives of resolution, issue an operating licence to the bridge bank even if the conditions referred to in paragraphs (1) and (3) of this Article are not met.
- (5) In case of the exemption referred to in paragraph (4) of this Article, the deadline shall be determined for the exemption, which cannot exceed 6 months.
- (6) After receiving the operating licence, the bridge bank shall be under obligation to inform interested parties, without any delay, in the part in which the founding of the bridge bank concerns them.

### **III. MANAGEMENT OF THE BRIDGE BANK**

#### Article 9 Prior consent for members of supervisory board

- (1) The founder of the bridge bank shall submit to the Agency an application for issuance a prior consent for members of the supervisory board together with documents referred to in Article 5 of this Decision for the period for which the bridge bank was founded.

- (2) A member of the supervisory board can be a person who must meet the following requirements, at the minimum:
  - a) having appropriate qualifications, expert knowledge, skills and experience necessary for meeting the obligations from the scope of competence of management, including resolution;
  - b) good reputation, including behaviour on the basis of which one may conclude that he would conscientiously perform the tasks of a member of the supervisory board;
  - c) not being in conflict of interest relating to the bank under resolution, shareholders of the bank under resolution;
  - d) not being in conflict of interest in relation to the bridge bank;
  - e) meeting other requirements prescribed under the Law and the Agency's acts.
- (3) The fulfilment of the conditions under paragraph (2) of this Article, taking into account the objective of the establishing and the activity of the bridge bank, shall be assessed in compliance with the Decision on Conditions and Procedure for Issuance and Rejection of Issuance of Consents for Selection, Appointment of Members of Supervisory Board and Management of Banks and Revoking Issued Consents.
- (4) The evidence referred to in paragraph (3) of this Article cannot be older than 3 months.
- (5) If the documents referred to in paragraph (3) of this Article are submitted in a foreign language they shall have to be translated by an authorised translator into one of the official languages that are in use in the Federation of Bosnia and Herzegovina.
- (6) The decision for issuance of prior consent for members of the management shall be issued by the Agency within the deadline of two working days from the date of submitting the application with comprehensive documentation.
- (7) In case of changes a member of the supervisory board during the operations of the bridge bank, the founder shall submit to the Agency an application for issuance of prior consent for the new member of the supervisory board, and shall attach to that application the necessary documentation referred to in paragraph (3) of this Article, as well as the decision on dismissal of the previous member of the supervisory board with a detailed explanation of the dismissal.
- (8) The decision upon request for the issuance of prior consent referred to in paragraph (7) of this Article shall be issued by the Agency within the deadline referred to in paragraph (6) of this Article.

#### Article 10

##### Revoking the consent for the members of the supervisory board

- (1) The Agency shall revoke the consent for the member of the supervisory board if ceases to meet the conditions prescribed under the Law and Article 9 of this Decision.
- (2) The bridge bank shall be under obligation, within the deadline of five days from the date of submission of the decision referred to in paragraph (1) of this Article to initiate the procedure in compliance with Article 9 of this Decision for appointment of a new member of the of the supervisory board.

#### Article 11

##### Prior consent for members of management

- (1) The founder of the of the bridge bank shall submit to the Agency an application for issuance of prior consent for members of management together with documents referred to in Article 5 of this Decision for the period for which the bridge bank was founded.

- (2) A member of the management can be a person who must meet the following requirements, at the minimum:
  - a) having appropriate qualifications, expert knowledge, skills and experience necessary for performing activities from the scope of competence of management, including resolution;
  - b) good reputation, including behaviour on the basis of which it can be concluded that he would honestly and conscientiously perform the tasks of a member of the management;
  - c) not being in conflict of interest in relation to the bank under resolution, shareholders of the bank under resolution or members of the supervisory board;
  - d) not being in conflict of interest in relation to the bridge bank;
  - e) meeting all other requirements prescribed under the Law and Agency's acts.
- (3) The fulfilment of the conditions under paragraph (2) of this Article, taking into account the objective of the founding and the activity of the bridge bank, shall be assessed in compliance with the Decision on Conditions and Procedure for Issuance and Rejection of Issuance of Consents for Selection, Appointment of Members of Supervisory Board and Management of Banks and Revoking Issued Consents.
- (4) The evidence referred to in paragraph (3) of this Article cannot be older than 3 months.
- (5) If the documents referred to in paragraph (3) of this Article are submitted in a foreign language they shall have to be translated by an authorised translator into one of the official languages that are in use in the Federation of Bosnia and Herzegovina.
- (6) The decision for issuance of prior consent for members of the management shall be issued by the Agency within the deadline of two working days from the date of submitting the application with comprehensive documentation.
- (7) In case of changes in a member of the supervisory board during the operations of the bridge bank, the founder shall submit to the Agency an application for issuance of prior consent for the new member of the supervisory board, and shall attach to that application the necessary documentation referred to in paragraph (3) of this Article, as well as the decision on dismissal of the previous member of the supervisory board with a detailed explanation of the dismissal.
- (8) The decision upon request for the issuance of prior consent referred to in paragraph (7) of this Article shall be issued by the Agency within the deadline referred to in paragraph (6) of this Article.
- (9) The bridge bank shall be under obligation to submit to the Agency the concluded labour contract for the director and the members of the management within the deadline of 5 days from the date of their signing.

## Article 12

### Revoking the consent for members of the management

- (1) The Agency shall revoke the consent for the member of the management if ceases to meet the conditions prescribed under the Law and Article 11 of this Decision.
- (2) The bridge bank shall be under obligation, within the deadline of five days from the date of submission of the decision referred to in paragraph (1) of this Article to initiate the procedure in compliance with Article 11 of this Decision for appointment of a new member of the management.

## Article 13

### Remuneration, salaries and duties

- (1) Remuneration to members of the supervisory board, salaries and other earnings of members of the management and employees shall be paid in compliance with the provisions of the statute of the bridge bank in which their duties are also prescribed.
- (2) The Agency shall issue consent to the remuneration and salaries of members of the supervisory board and management of the bridge bank.
- (3) The Agency shall, when issuing the consents referred to in paragraph (2) of this Article, take into account, especially, the level of assets ensured for the operations of the bridge bank, the amount of assets and liabilities and business performance.

#### **IV. STRATEGY AND RISK PROFILE OF BRIDGE BANK**

##### Article 14

##### Strategy and risk profile of bridge bank

- (1) The bridge bank shall be under obligation to adopt the strategy and risk profile.
- (2) The Agency shall approve the strategy and risk profile referred to in paragraph (1) of this Article.
- (3) The bridge bank shall be under obligation to discuss the documents referred to in paragraph (1) of this Article periodically, and upon request of the Agency even more frequently.
- (4) The bridge bank shall, in case of any changes to the facts and circumstances referred to in Article 15 of this Decision, be under obligation to submit to the Agency amendments of the strategy and risk profile. The Agency shall issue consent to the submitted amendment.

##### Article 15

##### Contents of the strategy and risk profile

- (1) The strategy and risk profile referred to in Article 14, paragraph (1) of this Decision shall have to contain at least the following:
  - a) procedures for risk management;
  - b) provisions on liquidity risk management;
  - c) provisions on internal audit;
  - d) provisions on prevention of money laundering and terrorist financing;
  - e) provisions on outsourcing.
- (2) Along with the strategy referred to in paragraph (1) of this Article, the bridge bank shall also attach the Business plan and financial projections.
- (3) The business plan referred to in paragraph (2) of this Article shall contain at least the following:
  - a) location of services;
  - b) persons responsible for performance of individual segments of the plan;
  - c) internal organisation, including reporting lines;
  - d) employees and manner of implementation of internal control;
  - e) financial plan;
  - f) outsourcing.
- (4) The financial projections referred to in paragraph (2) of this Article shall contain at least the following:
  - a) accounts for revenues and expenses;
  - b) balance sheets;
  - c) capital and liquidity ratios;
  - d) detailed description of assumptions used.

## **V. MANNER OF TRANSFER OF SHARES, ASSETS, RIGHTS, AND LIABILITIES**

### **Article 16**

Manner of transferring assets, rights and liabilities of Bank under resolution to a bridge bank

- (1) If the decision on resolution stipulates that transfer of assets, rights or liabilities of the bank under resolution to the bridge bank is performed in full or partially, the Agency shall implement the procedure of transfer of the assets, rights, and liabilities to the bridge bank in compliance with Article 200 of the Law and provisions of this Decision.
- (2) The Agency may perform transfer to the bridge bank several times, pursuant to paragraph (1) of this Article.
- (3) In transfer of assets, rights, and liabilities, the total value of liabilities transferred to the bridge bank cannot exceed the total value of rights and assets transferred from the bank under resolution or rights and assets ensured from other sources.
- (4) The Agency shall, pursuant to paragraph (3) of this Article, determine the compensation for transferred assets, rights and liabilities in compliance with principles determined for the assessment of value of assets and liabilities for the requirements of resolution.
- (5) The transfer referred to in paragraph (1) of this Article, pursuant to Article 200, paragraph (2) of the Law, shall neither require consent of the shareholders of the bank in resolution, nor any other third party.
- (6) The Agency shall, in the case referred to in paragraph (1) of this Article determine, on the case to case basis, the items of assets and liabilities that shall be transferred to the bridge bank.

### **Article 17**

Conditions for returning the assets, rights, and liabilities to bank under resolution

- (1) The Agency may transfer back assets, rights or liabilities from the bridge bank in one of the following cases:
  - a) possibility of certain assets, rights or liabilities are transferred back is explicitly provided for in the instrument under which the transfer was performed;
  - b) certain assets, rights or liabilities actually do not fall into the categories of assets, rights or liabilities from the instrument under which the transfer of assets, rights or liabilities, was performed i.e. do not meet the conditions for their transfer.
- (2) The Agency may execute the authority referred to in paragraph (1) of this Article only if:
  - a) the situation in the specific market for such assets is that their liquidation in the course of bankruptcy proceedings could have a negative impact on one or more financial markets;
  - b) such a transfer is necessary in order to ensure the functioning of the bank under resolution or of the bridge bank;
  - c) such a transfer is necessary in order to realise maximum revenues from liquidation proceedings.
- (3) The transfer referred to in paragraph (1) of this Article may be performed within any deadline stated in the instrument used for that purpose and which is in compliance with all the other terms that are stated under it.

## **VI. TRANSITIONAL AND FINAL PROVISIONS**

### **Article 18**

Entry into force

This Decision shall enter into force on the eighth day from the date of its publication in the Official Gazette of the Federation of BiH.

No: U.O.-18-10/18  
Sarajevo, 29 March 2018

Chairwoman  
of the Management Board  
Ljerka Marić, M.Sc, sgd.