

Pursuant to Article 5, Paragraph (1), Item h) and Article 19, Paragraph (1), item c) of the Law on the Banking Agency of the Federation of BiH (FBiH Official Gazette No. 75/17) and Articles 138 (3), 164 and 248 of the Law on Banks (FBiH Official Gazette No. 27/17), the Management Board of the FBiH Banking Agency, at its meeting held on 08.11.2017, adopted the following

**DECISION  
ON SUPERVISION OF BANKS AND PROCEDURES  
OF THE FEDERATION OF BOSNIA AND HERZEGOVINA BANKING AGENCY**

**I. GENERAL PROVISIONS**

Article 1

Subject

- (1) This Decision defines more closely conditions and manner of control and examination (supervision), imposing supervisory measures and obligations of the bank's managing bodies during and after supervision conducted by the Federation of Bosnia and Herzegovina Banking Agency (hereinafter: the Agency).
- (2) In accordance with the Law on Banks (hereinafter: the Law), other laws and regulations resulting from the Law, the Agency performs an examination of a banking group on a consolidated basis. It may also perform control of any member of such banking group pursuant to the Law.
- (3) The Decision also defines in more details actions by the Agency's authorised examination staff with respect to bank examination and implementation of relevant measures.
- (4) Main objectives of supervision performed by the Agency are to uphold trust in the banking system in the Federation of Bosnia and Herzegovina (hereinafter: the FBiH), preserve its safety and stability and ensure protection of depositors.
- (5) Provisions of this Decision shall apply to supervision of banks seated in the FBiH, organisational parts of banks seated outside the FBiH but doing business in the FBiH, subsidiaries and representative offices of foreign banks registered in the FBiH that are being subjects of supervision in accordance with the Law.
- (6) To an appropriate extent, provisions contained hereof shall also apply to examination of implementation of other laws that the Agency conducts over banks.

Article 2

Supervision scope and activities

- (1) In accordance with the Law and the Law on the Federation of Bosnia and Herzegovina Banking Agency prescribing the status, competencies and term of office of the Agency, the supervision conducted by the Agency shall include verification of lawfulness, quality, efficiency, stability and safety of banking operations, including corporate governance, organisation, strategies, policies, processes and procedures established by a bank to ensure compliance of its operations with regulations, prudent business standards and best practices.
- (2) The Agency shall assess risks to which banks are or might be exposed, to include also the effect of bank risks to the banking system and risks identified via stress testing of banks, considering therein also the nature, volume and complexity of banking operations.
- (3) Based on single bank supervision, the Agency may, if deemed necessary, perform an intensified supervision. This, among other things, shall mean the following:
  - a) Increase the number and frequency of on-site examinations for a particular bank,
  - b) Appoint an advisor in line with the Law,

- c) Ask for additional or more frequent reporting to the Agency by particular bank,
  - d) Perform additional or more frequent verification of operational, strategic or business plans of the bank,
  - e) Perform supervision over individual business segment and existing potential risks.
- (4) Over the course of a supervision, the Agency shall check and evaluate the following:
- a) Financial condition of the bank, including its solvency, assets quality, liquidity and financial result,
  - b) Management quality in the bank, risk management system and internal control system,
  - c) Approved loans, letters of credit and guarantees, as well as issued securities, all from the perspective of compliance with effective regulations,
  - d) Security instruments and guarantees received in relation to approved loans, as well as timeliness of debtor repayments,
  - e) Observance of concentration limits and the process of determination, monitoring and control of exposure concentrations,
  - f) Observance of standards regarding permissible risk levels in the banking business prescribed by the Agency, risk management in the banking business, including adjustments to the process of risk identification and monitoring, as well as risk reporting,
  - g) Assessment of the bank's capital status, maintenance and analysis,
  - h) Other important parameters impacting regular operations, performance and stability of banks, as well as adherence to laws and regulations of the Agency.
- (5) Agency's activities related to implementation of its legally prescribed competencies rest on the Core Principles for Effective Banking Supervision and standards defined by the Basel Committee on Banking Supervision and relevant directives of the European Union based on such principles and standards.

### Article 3

#### Supervision Plan

- (1) In accordance with the scope of supervision from Article 139 of the Law, the Agency shall enact a bank supervision plan at least on an annual basis.
- (2) The Supervision Plan from Paragraph (1) hereof shall have the following contents:
  - a) Description of methods in which the Agency performs supervision and methods in which it allocates available resources,
  - b) Identification of banks for which the Agency plans to perform an intensified supervision, and
  - c) Determination of the supervision location.
- (3) The Supervision Plan shall encompass the following:
  - a) Banks whose stress test result or supervision and assessment results from Article 139 of the Law, have indicated to major risks of possible deterioration of their financial position and financial stability or have pointed out to a breach of legal provisions with respect to their operations,
  - b) Banks of systemic relevance for the financial system, and
  - c) Other banks requiring on-site examination, as deemed necessary by the Agency.

## II. SUPERVISION METHODS

### Article 4

#### Examination types

- (1) The Agency shall conduct supervision of banking operations:
  - a) Via off-site examination,

- b) Via on-site examination,
  - c) By imposing supervisory measures,
  - d) Issuing opinions, approvals and consents and by performing bank assessments in accordance with the Law.
- (2) The Agency shall ensure that supervision from Paragraph (1) hereof shall be performed continuously, meaning regularly as per Article 5 hereof and via periodic and/or occasional examination from Article 7 hereof, in a way that monitoring of all relevant data ensures periodic analysis of individual bank operations.
  - (3) When determining frequency and intensity of supervision via on-site examination from Article 7 hereof regarding a single bank, the Agency shall focus on the extent of irregularity and/or unlawfulness identified in off-site examination of such bank from Article 5 hereof, size and importance of the bank for the FBiH banking system, as well as type, scope and complexity of its operations, as well as on the proportionality principle.
  - (4) As a part of continuous monitoring of bank operations, the Agency may hold meetings and communicate with the management board of the bank, its external auditors, managers of organisational units - control functions and, if necessary, with its supervisory board.

#### Article 5

##### Off-site examination

- (1) An off-site examination of banking operations shall be conducted by employees of the Agency (hereinafter: authorised employees per employment).
- (2) The Agency shall perform an off-site examination by collecting and analysing reports, documentation and information, continuous monitoring of operations or bank and other entities subject to a reporting obligation as per the Law and resulting regulations or as per other laws and their resulting regulations.
- (3) Reports and information shall mean prescribed (annual, semi-annual, quarterly, etc.) reports banks deliver to the Agency, as well as reports by external and internal auditors, bank correspondence, information, reports and statements delivered by banks at the request of authorised employees per employment, as well as any other available information, reports and notifications related to particular bank.

#### Article 6

##### Authorised on-site examination staff

- (1) An on-site examination of banking operations shall be performed by the Agency's employees based on an authorisation issued by its director (hereinafter: authorised staff).
- (2) The authorisation from Paragraph (1) hereof shall define the supervision scope and period. If authorised staff finds it necessary to extend the examination beyond the boundaries set out in the existing authorisation, it shall ask for an additional authorisation to be issued by the Agency's director.
- (3) As an exception, the Agency's director may authorise a certified auditor, an audit company or a person duly authorised by special laws to provide professional opinion (appraisers, experts, etc.) to conduct an on-site examination of banking operations.
- (4) Persons from Paragraph (3) hereof shall have equal authorisations and responsibilities as authorised staff conducting on-site examination of banking operations based on duly issued authorisations by the Agency.
- (5) Authorised staff of other competent regulatory bodies authorised to control, i.e. examine, operations of members of the same banking group as the respective bank may also participate in the on-site examination process of such bank. This shall be regulated by a cooperation agreement concluded between the Agency and such other regulatory body.

- (6) Authorised staff shall conduct an on-site examination on working days during regular business hours and, when required by the scope and nature of particular supervision, outside regular business hours as well.

## Article 7

### On-site examination

- (1) The Agency shall conduct an on-site examination through a review of bank's operations at its seat where the bank or another entity authorised by the bank performs the banking business, as well as on other locations in cases defined by the Law. This includes the following:
  - a) Review of accounting records, business books, auxiliary and other records and calculations, financial and other mandatory statements of the bank, policies and other internal documents and other documentation related to the banking business, either in paper or electronic form or in form requested by authorised staff,
  - b) Checking professional, organisational and technical capacities of the bank,
  - c) Obtaining written and oral explanations by the management board, supervisory board or employees of the bank.
- (2) A bank shall ensure that authorised staff checks compliance of its business books and other documentation with relevant regulations, as well as its information technology and systems.
- (3) A bank shall appoint a representative to liaison with authorised staff and provide all necessary assistance and thus ensure regular performance of such on-site examination.
- (4) An on-site examination may encompass overall banking operations or particular segment thereof.
- (5) During the examination process, the bank shall ensure the following at the request of authorised staff:
  - a) Access to all organisational parts and premises of the bank subject to observance of their security procedures,
  - b) Separate room for purposes of the examination of banking operations,
  - c) Original documentation submitted for a review and copies thereof concerning the subject of such examination,
  - d) Direct communication with bank managers and employees for purpose of obtaining relevant explanations.
- (6) As requested, members of the supervisory board, management board, proxy holders, other managers and employees of the bank shall provide authorised staff with written answers to questions of relevance for supervision and support them with adequate documentation.

## Article 8

### Notice of on-site examination

- (1) Not later than fifteen days prior to an on-site examination start date, the Agency shall send a notice to the bank of intended examination of its operations.
- (2) The on-site examination notice, in addition to the examination subject, shall contain information on planned examination start date, name of the examination team leader and list of documentation and information as a minimum required for performance of such examination.
- (3) If the period of on-site examination preparation and implementation includes use of computer applications or software (including computer-assisted supervision techniques) requiring direct access to the bank's information system, the notice of planned on-site examination shall also contain a list of authorised persons to be preparing and conducting the examination, time period during which the bank shall enable access to the information system, minimum resources the bank needs to allocate to ensure the information system access and other information and documentation required for preparation and implementation of an onsite examination assisted by computer applications or software.

- (4) Exceptionally from Paragraph (1) hereof and if required by the examination purpose, the Agency may deliver the on-site examination notice just before the very beginning of such examination.

## Article 9

### Examination report

- (1) Having conducted an on-site examination, authorised staff shall prepare an examination report irrespective of the fact whether or not the examination revealed unlawfulness or deficiencies and weaknesses in the banking operations.
- (2) An on-site examination end date shall be the last day of examination conducted on the bank's premises.
- (3) As an exception, if the bank delivers additional documentation and information it finds relevant for the on-site examination after the authorised staff has left its premises, the time period from Article 10 hereof may be extended by a decision of the Agency's director denoting the time necessary to adequately check such additional documentation and information depending on their volume.
- (4) Having conducted an off-site examination, authorised employees per employment shall prepare a report only if irregularities and unlawfulness in the banking operations have been identified over the course of such examination. An exception here is if a bank has sent a written notification to the Agency regarding such irregularities.
- (5) As an exception, the Agency may issue an order to the bank during the very course of the examination, i.e. prior to having prepared relevant report.
- (6) A procedure related to issuance of a report and imposing supervisory measures after finalised off-site examination shall be identical to the one related to an on-site examination.

## Article 10

### Report delivery

- (1) If authorised staff of the Agency identifies irregularities or unlawfulness over the course of an on-site examination, the Agency shall deliver the examination report to the bank within 20 days since the last day of the examination.
- (2) The Agency's director may issue a separate conclusion defining another delivery deadline for the examination report.
- (3) The bank may file a complaint to the report from Paragraph (1) hereof within 15 days since its receipt.
- (4) As an exception and subject to the bank's request, the Agency may extend the complaint deadline, but only if the report findings refer to the scope of activities of the supervisory board.
- (5) If the bank fails to adhere to the deadlines defined herewith and does not file a complaint to the report, i.e. to the report amendment, or its complaint does not contain justified reasoning to contest the report's findings or amended report denoting irregularities and weaknesses in its operations, the Agency shall impose an appropriate measure to the bank defined by the Law.
- (6) The on-site examination report shall be signed by authorised staff, while the off-site examination report shall be signed by authorised employees per employment.

## Article 11

### Report amendment

- (1) If, after due consideration, the bank's complaint to the report has been found justified and if this significantly changes facts stated in the report, authorised staff shall prepare a report amendment.
- (2) A report amendment shall be delivered to the bank within 15 days following delivery of the complaint to the report.

- (3) The bank may file a complaint to the report amendment within five days since its receipt.

#### Article 12

##### Termination of the examination process

- (1) If an individual on-site examination process revealed no irregularities, the Agency shall prepare relevant report and issue a conclusion on termination of this process.
- (2) The conclusion from Paragraph (1) hereof shall be delivered to the bank.

#### Article 13

##### Process discontinuance

- (1) If, during an on-site examination, certain previous issues have been identified that fall outside the Agency's competencies, the process shall be discontinued until competent authorities resolve these issues.
- (2) The Agency shall prepare a report and form a conclusion on the process discontinuance, but only with respect to the relevant issue, while the examination of any other issues shall continue as such without a need to form a special document.
- (3) Over the course of an on-site examination, if the bank prevents performance of the examination in line with Article 6 hereof, the Agency will discontinue the process and issue relevant report and conclusion on the process discontinuance.
- (4) If the bank acted contrary to Article 6 hereof, it shall be deemed that it has prevented the Agency from conducting the examination and has not cooperated with the authorised staff of the Agency. This shall also refer to the following cases:
  - a) If the bank failed to adhere to the deadline for delivery of all requested information and evidence, especially information the bank is required to hold in line with relevant laws, regulations or standards of prudent banking business,
  - b) If the bank intentionally or due to gross negligence, delivers incorrect or incomplete information,
  - c) If the bank does not ensure that authorised staff has all necessary conditions for performance of an examination, i.e. if it does not prevent interruptions by bank employees or other persons,
  - d) If the bank fails to deliver mandatory periodic reports in line with the Law or regulations and if it does not meet the repeated request by the Agency for delivery of such reports or data by the given deadline.
- (5) The conclusion from Paragraphs (2) and (3) hereof shall be delivered to the bank, whereas the bank may file relevant complaint within 15 days since its receipt to the second-instance commission of the Agency.

### III. SUPERVISORY MEASURES

#### Article 14

##### Types of supervisory measures

- (1) If the Agency finds that the bank acted contrary to the Law, Agency's regulations or other regulations or prudent banking business standards, i.e. if the bank acted in a way jeopardising its good standing, the Agency shall perform one of the following measures with respect to such bank, as based on Article 150 and criteria from Article 156 of the Law:
  - a) Issue a written warning,
  - b) Issue a written order for elimination of unlawfulness, i.e. weaknesses or deficiencies identified in banking operations,
  - c) Issue a warning to management board members,

- d) Implement early intervention measures,
  - e) Initiate an assessment procedure regarding fulfilment of conditions to start the restructuring process,
  - f) Revoke a banking license and initiate a process of forced liquidation or issue a decision on filing a proposal for opening bankruptcy proceedings.
- (2) Over the course of an examination (on-site and off-site), the Agency may impose to a bank one or several measures to eliminate irregularities and unlawfulness if it finds there was a serious breach of regulations and business principles, thus jeopardising or potentially jeopardising financial condition or liquidity of the bank and interest of depositors, thus requiring implementation of urgent measures.
- (3) A bank's obligation to publicly disclose an acquisition offer, as defined by the law regulating acquisition of shareholder companies, shall not apply to cases where an acquiree receives bank shares in the process of a common equity increase:
- a) Implementation of measures to eliminate irregularities and unlawfulness in banking operations and measures of early intervention by the Agency, or
  - b) Conversion of the bank's capital instruments to be taken into account during its capital calculation and to be converted to shares upon fulfilment of relevant conditions prescribed by the Law.
- (4) An exemption right from Paragraph (3) hereof may be exercised by an acquiree subject to a prior consent by the Agency, only if it deems that implementation of this right is aimed to preserve financial stability. The Agency shall notify the Securities Commission of this accordingly.
- (5) If an organisational part of the bank seated in the Republika Srpska and the Brcko District conducts operations in the territory of the Federation of BiH and therein acts contrary to the Law and the Agency's regulations, the Agency may impose appropriate supervisory measures to such banks' organisational part.
- (6) Supervisory measures from Paragraph (1) hereof may be imposed and submitted to the bank after expiry of a complaint deadline regarding an examination report, i.e. after expiry of a complaint deadline regarding a report amendment.

## Article 15

### Agency's assessment

- (1) The Agency shall form its decision to impose a measure to a bank based on the following:
- a) Gravity of identified irregularities,
  - b) Demonstrated readiness and capacity of the bank's managing bodies to eliminate the identified irregularities,
  - c) Extent to which the bank jeopardises financial discipline and regular functioning of the banking system.
- (2) When assessing the gravity of irregularities identified with respect to the bank's operations, the Agency shall focus on the following in particular:
- a) Financial position of the bank,
  - b) Degree of capital adequacy vs. Assumed risks,
  - c) Effect of actual irregularity on the bank's future position,
  - d) Number of identified irregularities and their interdependence,
  - e) Duration and frequency of actual irregularities,
  - f) Lawfulness of the bank's operations.
- (3) When assessing the demonstrated readiness and capacity of the bank's managing bodies to eliminate identified irregularities, the Agency shall especially focus on the following:
- a) Capacity of the bank's management to identify, measure, monitor and manage risks in the its operations,

- b) Efficiency of internal audit and internal control systems of the bank,
  - c) Efficiency of elimination of previously identified irregularities, especially regarding implementation of previously imposed measures,
  - d) Level of cooperation by bank employees and managing bodies in relation to authorised staff over the course of an examination.
- (4) When assessing the extent to which the bank jeopardises financial discipline and regular functioning of the banking system, the Agency will look into the bank's relevance for the financial system and its effect to a systemic risk.

#### Article 16

##### Written warning

- (1) During a supervision process (on-site and off-site examination), if the Agency identifies weaknesses or deficiencies that do not constitute a breach of regulations or do not directly impact its financial condition, but may eventually lead to such an impact if not eliminated, the Agency may issue a written warning to the bank asking for performance of measures and actions to improve its operations.
- (2) The written warning shall denote, i.e. indicate to identified weaknesses, deficiencies or inconsistencies in operations and shall contain a deadline and manner of elimination of such weaknesses or deficiencies in the banking operations, i.e. dynamics of the bank's reporting to the Agency regarding fulfilment of requirements listed in the written warning.
- (3) The Agency shall check whether the bank has eliminated the identified weaknesses or deficiencies after expiry of the deadline from Paragraph (2) hereof or prior to such deadline if it has been notified by the bank that such irregularities have been eliminated.
- (4) If the bank fails to meet requirements from the written warning by the deadline and in manner defined therein, the Agency may impose a new measure to the bank in line with Article 14 hereof.

#### Article 17

##### Written order

- (1) The Agency shall issue a written order for elimination of identified unlawfulness, weaknesses or deficiencies in the banking operations and for taking actions to improve safety and stability of such operations, thus imposing actions and measures as per Articles 152, 153 and 154 of the Law.
- (2) The written order from Paragraph (1) hereof shall determine a manner in which the bank shall eliminate identified irregularities and unlawfulness, as well as relevant deadline for such actions and manner of notification to the Agency thereof. This shall be delivered to the chairman of the management board and chairman of the supervisory board of the bank.
- (3) The management board chairman shall inform other management board members of the contents of the written order from Paragraph (1) hereof at the very next management board meeting.
- (4) Upon receipt of the written order from Paragraph (1) hereof, the supervisory board chairman shall immediately notify other supervisory board members of the measures imposed by the Agency.
- (5) The bank shall inform the Agency of implementation of the actions and measures from Paragraph (1) hereof in manner and within deadlines defined in its written order.
- (6) The Agency shall check implementation of actions and measures from Paragraph (1) hereof after expiry of the deadline for their implementation or prior to such deadline if it has been notified by the bank of performance of such actions.
- (7) A follow-up examination of the written order shall be subject to Articles 6 through 13 hereof.



## Article 18

### Warning to management board members

- (1) The Agency may issue a warning to a competent management board member in cases where a bank failed to act in manner and within deadlines defined in a written warning and in line with the Law or if a bank fails to implement the imposed supervisory measures listed in the written order in manner and within deadlines defined in such order, as well as in other cases where conditions have not gathered for revocation of an Agency's approval of the management board member.
- (2) The warning from Paragraph (1) hereof shall be issued towards the competent management board member whether or not such member is still performing this function at the time of its issuance or within two years at the longest from occurrence of circumstances giving rise to such a warning.

## Article 19

### Early intervention measures

- (1) If an examination reveals that a bank acts contrary to the Law, Agency's regulations or other regulations or reveals a possibility of a bank breaching the Law in a near term future due to rapid deterioration of its financial condition, including worsened liquidity situation and increase of debt, non-performing loans or exposure concentrations, the Agency may issue a written order imposing one or several measures from Article 164 of the Law. This is irrespective of the measures taken to eliminate unlawfulness and irregularities from Article 153 of the Law.
- (2) The written order from Paragraph (1) hereof shall define a deadline by which the Bank is required to implement the imposed measures and provide the Agency with relevant evidence thereof.
- (3) If the Agency finds that the bank has acted in timely manner regarding measures from Paragraph (1) hereof and that irregularities giving rise to the measures have been eliminated to the extent that only less significant irregularities remained – it shall terminate the examination process of the bank. Conversely, the bank shall be imposed with a new measure from Article 164 of the Law in line with criteria from Article 156 of the Law.
- (4) If the bank failed to implement the imposed measure from Article 164, Paragraph (1), Item c) of the Law in manner and within deadlines defined by the Agency, the Agency may convene the bank's general meeting of shareholders and identify relevant agenda in order for relevant decisions to be reached.
- (5) In case of a significant deterioration of the bank's financial condition or serious breach of the Law, Agency's regulations or other regulations or internal documents of the bank and upon assessing that other measures from Article 164 of the Law would not be sufficient to remedy such condition in the bank, the Agency may issue a decision revoking approval of appointment of individual or all members of the management board and supervisory board of the bank and may ask for their recall, as well as recall of its senior management, all in line with Article 166 of the Law.
- (6) In addition to measures from Paragraph (5) hereof, the Agency may take measures towards all or individual members of the management board, supervisory board and senior management of the bank in line with Article 166, Paragraph (2) of the Law.
- (7) If the Agency finds it necessary to perform a more detailed assessment and monitoring of the bank's financial condition, it may appoint one or several advisors to temporarily work together with managing bodies in line with Articles 167, 168 and 169 of the Law.
- (8) While conducting its supervisory function, the Agency may appoint an external administrator if it finds that early intervention measures from Article 166 of the Law would not be sufficient to improve the banking operations and restore sound and stable management of the bank.

## Article 20

### Revocation of a banking license

The Agency shall issue a decision to revoke a banking licence in cases defined in Article 22, Paragraphs (2) and (3) of the Law and Article 16 of the Decision on Conditions and Procedure for Issuance, Refusal of Issuance and Revocation of a Banking Licence.

## Article 21

### Issuance of a written order

- (1) Based on facts identified during the examination process and listed in the examination report, the Agency shall issue a written order concerning matters identified during this very process.
- (2) A bank may file an appeal against the written order from Paragraph (1) hereof to the second-instance commission of the Agency within 15 days since delivery of such order.
- (3) Exceptionally from Paragraph (2) hereof, a bank may file an appeal against the Agency's decision on banking licence revocation, appointment of an advisor, external administrator, special administrator and liquidator, as well as implementation of restructuring instruments, within 8 days since its delivery.
- (4) The Agency's second-instance commission shall decide on the appeal within 15 days since its due delivery. Decisions of the second-instance commission are final and may not be subject to an administrative lawsuit, whereas an appellant may file a claim in separate proceedings before a competent court.
- (5) An appeal filed against the Agency's decision has a delaying effect, except in cases from Paragraph (3) hereof, if which case the appeal has no such effect.
- (6) Cases where an appeal has no delaying effect on the decision refer to implementation of urgent measures and prevention of adverse consequences that cannot be eliminated in any other manner.

## Article 22

### Imposing a fine

In addition to imposing supervisory measures from Article 14 hereof, the Agency may impose a fine in line with the Penalty Provisions from Articles 240 through 246 and in line with Article 247 of the Law if it finds that the bank acted contrary to the Law, other laws or Agency's regulations.

## IV. SUPERVISION ON CONSOLIDATED BASIS

## Article 23

### Consolidated supervision of a banking group

- (1) The Agency shall perform a consolidated supervision of a banking group in which a bank seated in the Federation BiH holds a status of a parent company or an affiliate.
- (2) The Agency shall perform the supervision from Paragraph (1) hereof by:
  - a) Analysing consolidated financial statements of a banking group,
  - b) On-site examination of the banking group, i.e. its members, for purpose of determining accuracy of data from consolidated financial statements, as well as for purpose of determining risks to which a banking group member or entire banking group is exposed to, and
  - c) Assessing the banking group's condition.
- (3) During the supervision from Paragraph (1) hereof, the Agency is authorised to examine the following:

- a) Adequacy of supervision conducted by the management of the parent bank or a holding company regarding foreign operations of the bank,
  - b) Possibility that a parent bank has access to information of foreign subsidiaries and affiliates in host countries,
  - c) Expertise of local management, and
  - d) Efficiency of supervision in host countries.
- (4) The Agency is authorised to visit a bank abroad if it subject to the supervision from Paragraph (1) hereof, as well as to meet with the host country's supervisors.
  - (5) The Agency may limit activities of the consolidated group, as well as location of such activities, if:
    - a) the bank or the group is exposed to excessive risk and/or it is not being managed adequately,
    - b) supervision in the host country is not adequate, or
    - c) certain obstacles appear before consolidated supervision.
  - (6) Supervision shall be performed by the regulatory body of the holding's home country if:
    - a) the holding is seated outside the Federation of BiH,
    - b) the regulatory body of the holding's home country performs consolidated supervision in manner that meets the Agency's requirements,
    - c) there is an appropriate cooperation between the Agency and the regulatory body from Item b) of this Paragraph.
  - (7) The banking group structure must be transparent to the extent enabling the Agency to determine the following:
    - a) ultimate parent company of the banking group and persons holding control over or holding significant share in such company,
    - b) location and type of business activities conducted within the banking group,
    - c) financial condition and business result of the banking group and its members,
    - d) types and levels of risks to which the banking group and its members are exposed to,
    - e) manner in which risk management is organised and performed at the banking group level,
    - f) business, financial and other relations between the banking group members.
  - (8) The banking group structure must be such that enables adequate internal and external audit, as well as regular performance of the Agency's examination function.

#### Article 24

##### Types of supervisory measures for banking group members

- (1) If the Agency finds that a banking group member, other than a bank, has violated the Law or Agency's regulations or that actions or financial position of any of its members may have adverse consequences to the bank's financial stability or may jeopardise bank's depositors, it shall order such members to eliminate the irregularities within the deadlines it has previously defined.
- (2) If the irregularities from Paragraph (1) hereof have not been eliminated by the given deadline, the Agency may take the following measures:
  - a) order the bank to temporarily suspend investments in its subsidiary company,
  - b) order the parent company seated in the Federation of BiH to temporarily suspend use of its rights and benefits arising from the controlling share in the bank, including also direct and indirect voting rights,
  - c) order the parent company to perform a capital increase in the bank,
  - d) order the banking group member to temporarily suspend all direct and indirect business activities between the bank and the banking group members,
  - e) order a legal entity in which another legal entity holds a controlling share, which in turn holds a share in the bank, to temporarily suspend use of rights and benefits arising from an

- ownership share in the bank, including also use of direct or indirect voting rights, as well as any direct or indirect business activities between the bank and such legal entity.
- (2) If measures from Paragraph (2) hereof do not lead to elimination of irregularities from Paragraph (1) herewith, the Agency may take the following measures:
- a) ask the bank to reduce investments in a subsidiary company to the extent it is no longer a subsidiary company of the bank,
  - b) revoke approval to the parent company to acquire a controlling share in subsidiaries,
  - c) ask from the parent company to sell a significant or controlling share in subsidiaries,
  - d) withdraw an approval of share acquisition in the bank that was granted to an entity already holding share in the same bank and in which other entity holds a controlling share.
- (4) If circumstances require an urgent action, the Agency may also take measures from Paragraphs (2) and (3) hereof even before expiry of the deadline it has determined in line with Paragraph (1) herewith.
- (5) If the banking group member from Paragraph (1) hereof is an entity being supervised by some other regulatory body in the Federation of BiH or in the Republika Srpska, the Agency shall notify such regulatory body of measures it has implemented therein.

## **V. TRANSITIONAL AND FINAL PROVISIONS**

### Article 25

#### Final provisions

- (1) This Decision shall render ineffective the Decision on Supervision of Banks and Procedures of the Federation of Bosnia and Herzegovina Banking Agency (FBiH Official Gazette No. 3/03).
- (2) All examination procedures initiated prior to the effect date of this Decision shall be finalised in line with provisions of the Decision on Supervision of Banks and Procedures of the Federation of Bosnia and Herzegovina Banking Agency (FBiH Official Gazette No. 3/03), except if not contradicting the Law.

### Article 26

#### Entry into force

This Decision shall become effective on the eight day since its publication in the FBiH Official Gazette.

**No. U.O.-10-6/17  
Sarajevo, 08.11.2017**

**CHAIRWOMAN OF THE  
MANAGEMENT BOARD  
Ljerka Marić, M.Sc. (Econ), sgd.**