

Pursuant to Articles 9 and 25 of the Law on Banking Agency of the FB&H (Official Gazette of the Federation of B&H No. 9/96, 27/98, 20/00, 45/00, 58/02, 13/03, 19/03, 47/06, 59/06, 48/08, 34/12 and 77/12), Articles 32 and 61 of the Leasing Law (Official Gazette of the Federation of B&H No. 85/08, 39/09 and 65/13), Article 13 of the Law on Protection of Guarantors in the Federation of Bosnia and Herzegovina (Official Gazette of the Federation of B&H No. 100/13) and Article 18 of the Articles of Association of the Banking Agency of the FB&H (Official Gazette of the Federation of B&H No. 42/04), the Management Board of the Banking Agency of the Federation of B&H, at its meeting held on 30.05.2014, adopted the following:

DECISION
ON MINIMUM STANDARDS FOR DOCUMENTING FINANCING UNDER LEASING
AGREEMENTS AND ASSESSMENT OF CREDIT STANDING

Article 1

- (1) This decision defines minimum standards for documenting financing under leasing agreements and conditions for assessment and documenting a credit standing of lessees, co-debtors and guarantors for a financing approved under leasing agreements, including financing in which a guarantor is security.
- (2) Lessee, co-debtor and guarantor are private individuals or legal entities.
- (3) In respect of this Decision, some terms have meanings defined under Article 4 of the Law on Protection of Guarantors in the Federation of Bosnia and Herzegovina (hereinafter: the Law).

Article 2

- (1) A leasing company shall request and obtain from at least data, information and documentation from a prospective lessee, whose application for financing is to be considered, in line with the minimum requirements from this Decision and the Decision on Minimum Standards of Leasing Companies' Activities on Prevention of Money Laundering and Terrorism Financing, as well as criteria set under internal regulations.
- (2) The leasing company shall make changes in tenors or other conditions of financing only in writing through respective amendments (annexes) to agreements and other documentation, which presents an integral part of a lease financing agreement.
- (3) In case a lease financing application is rejected, the leasing company shall return the collected documentation to an applicant along with relevant written application.

Article 3

- (1) The leasing company shall establish a file of a lessee for each lease financing approved before conclusion of the agreement and maintains and updates the file until the financing is fully repaid or concluded in any other way.
- (2) Keeping and maintaining the file of a lessee shall be a responsibility of a leasing company's officer who must ensure complete and reliable documentation in the lessee's file.

Article 4

- (1) The lessee's file shall contain all documentation based on which the financing has been approved and at least the following:
 - a) The application for financing, which is filled-in, signed and stamped by the applicant (lessee) and which clearly defines characteristics of the leasing object, its purpose and the option with/without purchase and ownership right over the leasing object;
 - b) Documentation on the lessee's status as follows:
 - 1) For legal entities: certified copy of the registration certificate for the applicant, identification numbers assigned by tax and other authorities based on which the lessee performs its registered business, documentation based on which the assessment and evaluation of the lessee's, co-debtors' and guarantors' financial standing was performed (e.g. latest financial statements, including balance sheet, income statement, cash flow statement, etc.);
 - 2) For private individuals: certified copy of identification document, certificate of residence (CIPS-issued certificate or other document evidencing residence), employment and salary certificate or annual income amount of the applicant, co-debtor and guarantor and documentation on other sources of funds (e.g. rent agreement, certified statement of the applicant on other income which cannot be documented in any other way);
 - 3) Certified copy of the decision by the respective managing body of the lessee, co-debtor and guarantor in case of self-employed persons;
 - c) Updated report from the Central Loan Registry (CLR) on regular repayment of liabilities by the lessee, co-debtor and guarantor and other loan registries, along with the written consent of a person appertaining to data from the registry, as well as any other public registries and database;
 - d) Decision by the relevant body of the leasing company on approval of financing, which includes tenors, interest and other conditions of the approved financing;
 - e) Preliminary invoice / invoice of the supplier of the leasing object defined in accordance with the specification by the lessee;
 - f) Financing offer for the leasing object signed by both lessee and the responsible officer of the leasing company;
 - g) In case of second-hand leasing objects, documentation on verification of value of the financed leasing object (by court appraiser, against value calculated under the Catalogue used by respective customs authorities of B&H, via Internet check-up, etc., depending on the type of financed object);
 - h) Original of the lease financing agreement, including a repayment schedule prepared in line with the FBA's regulations;
 - i) General terms and conditions, if these are an integral part of the leasing agreement. The general terms and conditions have to include a number of the leasing agreement they refer to and must be signed by the lessee and the leasing company on the date of executing the leasing agreement. Any additional amendments to general terms and conditions (if they make an integral part of the leasing agreement) must be signed by both contractual parties and archived into the lessee's file;
 - j) Leasing object handover report, which includes significant elements on the financed leasing object, is to be signed by parties to the relevant leasing arrangement;
 - k) Documentation evidencing ownership over the leasing object;
 - l) Documentation regarding security behind the lease financing;

- m) In case the applicant is the representative of another person, a copy of documentation confirming this fact;
 - n) In case of amendments to the leasing agreement, the documentation which confirms and defines this;
 - o) Documentation in respect of collection and measures which the leasing company has taken to collect any outstanding receivables;
 - p) Documentation based on which a credit standing assessment of the lessee and co-debtor or guarantor has been made, as well as their repayment capacity under the agreed terms and conditions with the analysis made and verified by the responsible officer of the leasing company;
 - q) Any correspondence and documentation in respect of contacts between the leasing company and the lessee, possibly co-debtors or guarantors in the period after concluding the leasing agreement;
 - r) Evidence that the leasing company informed the guarantor about financing conditions, financial standing of debtor and other relevant information (in case the financing has been arranged with a guarantor as security); and
 - s) Other documentation which the leasing company finds necessary.
- (2) The lessee's file shall include all the documentation stated in the Paragraph 1 of this Article for the co-debtor as well, i.e. in case the co-debtor is a part of the approved lease financing arrangement.

Article 5

- (1) Leasing company shall perform the credit standing assessment of the lessee – private individual by analysing:
 - a) Loan exposure level of the lessee, which is determined as a ratio between total monthly loan obligations and total monthly net income of the lessee (confirmation of monthly income and certified annual income declaration);
 - b) His/her credit history, i.e. regular repayment of previously agreed loan obligations.
- (2) The leasing company' internal regulations shall determine maximum allowed limits of loan exposure level for the lessee in respect of his/her monthly net income, whereas the level of loan exposure of the lessee-private individual includes also financing for which the credit standing assessment of the lessee is performed. This level may not burden regular monthly net income in the amount higher than the one set under the Enforcement Law and the Labour Law.
- (3) In case of the financing arrangement which, in addition to a lessee-private individual, includes also a co-debtor – private individual, the leasing company shall make the credit standing assessment of such co-debtor in line with Paragraph 1 of this Article. The leasing company can include regular monthly net income of the co-debtor in total regular monthly net income of the lessee, but based on due consideration of the limits from Paragraph 2 of this Article.
- (4) In case of the financing arrangement which, in addition to the lessee-private individual, includes also a guarantor – private individual, the leasing company shall make the credit standing assessment for such guarantor in line with Paragraph 1 of this Article.
- (5) In the case of the financing arrangement which, in addition to the lessee-private individual, includes also a co-debtor and/or guarantor-legal entity, the leasing company shall make the

credit standing assessment of such co-debtor and/or guarantor in line with Article 6, Paragraph 1 of this Decision.

- (6) The credit standing assessment of the lessee, co-debtor and guarantor, along with documentation confirming the assessment from Paragraphs 1, 3, 4 and 5 of this Article, forms an integral part of the file of lessee – private individual.
- (7) In case of restructuring of previously approved financing, the leasing company shall make a new assessment of credit standing of the lessee, co-debtor and guarantor.
- (8) In sense of this article, a lessee/co-debtor – private individual means private individuals being financed for purposes of performance of an independent activity.

Article 6

- (1) The leasing company shall make the credit standing assessment of the lessee – legal entity based on the analysis of common business indicators (profitability ratios, liquidity, cash flow adequacy from the debt settlement aspect, financial structure indicators and debt ratios, industry branch of the lessee, market position, specific characteristics and other relevant indicators), credit history of the lessee, i.e. regular repayment of previous loan obligations, whereas a legal entity, having guarantors to repay its liabilities, cannot be approved a new financing without prior consent by them.
- (2) Based on the credit standing assessment, the lessee - legal entity, in line with Paragraph 1 of this Article, the leasing company shall attest to and provide evidence that the lessee is a legal entity, creditworthy for repayment of its current and future loan obligations in line with the agreed conditions.
- (3) In case of the financing arrangement which, in addition to the lessee-legal entity, includes also co-debtor and/or guarantor – legal entity, the leasing company shall make the credit standing assessment of the co-debtor in line with Paragraph 1 of this Article. Leasing company can perform a joint credit standing assessment of the lessee and the co-debtor.
- (4) In case of the financing arrangement which, in addition to the lessee-legal entity includes co-debtor and/or guarantor-private individual, the leasing company shall make the credit standing assessment for such co-debtor and/or guarantor in line with Article 5, Paragraph 1 of this Decision.
- (5) Credit standing of the lessee-legal entity, along with the documentation confirming the assessment from Paragraphs 1, 3 and 4 of this Article, forms an integral part of the file of a lessee-legal entity.

Article 7

Provisions of this Decision shall apply to any other private individual and legal entity which in any way join in and undertake liabilities in respect of the lease financing or which stand as guarantors for such financing.

Article 8

- (1) Upon conclusion of the agreement, the leasing company shall immediately deliver one copy of the agreement to the lessee, co-debtor and guarantor (to include also the repayment schedule).

- (2) Provisions of the Law shall apply to anything else not defined under this Decision in respect of financing through the leasing agreement having a guarantor as security instrument behind financing.

Article 9

The lessee can be changed only with the consent of the leasing company. In case of change of the lessee in the lease financing arrangement, the leasing company shall ensure the basic documentation in the file which includes at least the following:

- a) Documentation on a new lessee taking into account minimum requirements of this Decision and any other defined regulations;
- b) Written consent by the leasing company for transferring debt to the new lessee;
- c) Agreement on debt transfer between previous and new lessee and the existing (related) documentation;
- d) New agreement or amendments to the existing leasing agreement in respect of the changed lessee. This shall be in writing and signed by the leasing company and the new lessee; and
- e) Respective additional documentation related to the new lessee in case this new lessee provides additional or new collateral items instead of the existing ones.

Article 10

- (1) Based on provisions of this Decision, the leasing company shall make policies and procedures for documenting lease financing, including the procedure for the credit standing assessment for purposes of approving the financing and during the term of the actual financing. These policies and procedures shall be approved by respective bodies of the leasing company and be subject to periodic reviews and revisions in line with relevant results and at least on an annual basis.
- (2) The leasing company shall bring its operations in compliance with provisions of this Decision within 90 days from its effect date.
- (3) This Decision shall enter into force on the eight day after its publication in the Official Gazette of the Federation B&H.

**No. U.O.-59-5/14
Sarajevo, 30.05.2014**

**CHAIRMAN OF THE
MANAGEMENT BOARD**

Rajka Topčić, B.Sc. (Econ)