



Pursuant to Article 9 and 25 of the Law on the Banking Agency of the Federation of Bosnia and Herzegovina (“Official Gazette of the Federation of BiH”, 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), Article 60b, paragraph 9 and Article 95 of the Law on Leasing (“Official Gazette of the Federation of BiH”, No. 85/09, 39/09, 65/13 and 104/16) and Article 18 of the Statute of the Banking Agency of the Federation of BiH (“Official Gazette of the Federation of BiH”, No. 42/04), the Management Board of the Banking Agency of the Federation of Bosnia and Herzegovina, at the session held on 24 July 2017, adopted the

DECISION ON OUTSOURCING OF BUSINESS PROCESSES OF LEASING COMPANIES

Article 1

Introductory provisions

- (1) This Decision prescribes the conditions and criteria for outsourcing business processes, the rules for managing the risks associated with outsourcing business processes, the obligation to prescribe internal acts of leasing companies related to outsourcing business processes, data and documentation access requirements as well as supervision by the Agency and the minimum content of the agreements with the service provider.
- (2) The provisions of this Decision apply to a leasing company seated in the Federation of BiH, which has been entered into the court register on the basis of a licence to perform leasing operations issued by the Agency.
- (3) This Decision does not apply to the procedure of outsourcing standardised services, such as services related to the use of the telecommunications infrastructure, advertising services, cleaning services, and the like.

Article 2

Meaning of terms

- (1) For the purpose of this Decision, the terms used shall have the following meaning:
 - a) **the Law** – the Law on Leasing (“Official Gazette of the Federation of BiH”, No. 85/08, 39/09, 65/13 and 104/16),
 - b) **the Agency** – the Banking Agency of the Federation of BiH,
 - c) **the outsourcing of business processes** is a contractual entrustment of service providers with the performance of actions, services or activities of the leasing company, which the leasing company would otherwise perform itself and
 - d) the **service provider** may be any natural person or legal entity that, in accordance with the legislation of the country it performs its activity in, is authorised to perform the tasks that are the subject of outsourcing.
- (2) The term core business activities shall be understood to mean business processes (actions, services or activities) that enable the leasing company to perform the registered activity, i.e. business processes that are crucial for the business operations of the leasing company in the sense that, without the aforementioned, it would be impossible for the leasing company to perform the activities for which the leasing company received the Agency's licence, and the aforementioned shall primarily be understood to mean the activities of contracting, assessing

and approving leasing arrangements, the activities of collecting receivables and repossessing and selling leasing objects under financial leasing arrangements.

- (3) The term activities that support the performance of the core business shall be understood to mean business processes (actions, services or activities) that support the performance of core business activities as defined in paragraph (2) of this Article, and the aforementioned shall be understood to mean IT support, marketing activities, human resources management, etc.

Article 3

Conditions and limitations for outsourcing business processes

- (1) A leasing company may outsource business processes related to activities that support the performance of the leasing company's core business to another entity, provided that the outsourcing of such business processes does not impair:
- a) the performance of regular business operations of the leasing company,
 - b) effective risk management of the leasing company,
 - c) the internal controls system of the leasing company, and
 - d) the Agency's ability to carry out supervision.
- (2) When assessing the fulfillment of the conditions referred to in paragraph 1 of this Article, the Agency shall pay attention to the fulfillment of the following in particular:
- a) the outsourced business process is carried out for objective reasons and solely in order to increase the efficiency of the performance of those activities,
 - b) the entity to whom the outsourced business processes are transferred must have all the necessary resources for a proper, high-quality and efficient performance of the outsourced tasks,
 - c) the other entity's authorised persons must have a good reputation as well as the professional qualifications and experience required to perform the outsourced business processes,
 - d) the leasing company must prove that the other entity is qualified and capable of performing the outsourced tasks, that it was selected with due care and that the leasing company can effectively monitor the performance of the outsourced business processes at any time,
 - e) the leasing company shall continuously monitor the implementation of the agreement on the outsourcing of business processes,
 - f) the leasing company shall not outsource the rights and obligations of the managing bodies, core business activities and the control functions of the leasing company (credit function, risk function and internal audit),
 - g) the leasing company shall not outsource business processes to others to the extent that it can no longer be regarded as a leasing company in the sense that one of the circumstances referred to in paragraph 1 of this Article would be significantly violated, as well as in cases where shortcomings and/or failures related to the performance of outsourced business processes could significantly affect the ability of the leasing company to fulfill the obligations prescribed by existing regulations and/or the smooth continuation of business operations,
 - h) business processes shall not be outsourced to an entity whose interests may be in conflict with the interests of the leasing company,
 - i) the outsourcing of business processes shall not diminish the efficiency of the supervision of the leasing company, and
 - j) the leasing company must be able to, at any time, give the entity to which the business processes were outsourced additional instructions or terminate the agreement on outsourcing with immediate effect when there is a justified interest in that regard.
- (3) The leasing company may outsource activities that support the performance of the core business to a bank whose subsidiary is the leasing company.

- (4) The responsibility of the leasing company to others cannot be transferred to the service providers.

Article 4

Internal acts related to outsourcing business processes

- (1) The leasing company shall prescribe the procedures related to the outsourcing of business processes through internal acts.
- (2) The internal acts referred to in paragraph 1 of this Article shall consist of one or more documents that must at least contain the criteria and procedures related to:
- a) the decision-making process regarding the outsourcing of business processes and the manner of selecting the service provider,
 - b) determining the core business activities of the leasing company in the sense that it would be impossible to provide leasing services without the aforementioned,
 - c) risk analysis and assessment of the impact of outsourcing business processes,
 - d) service provider analysis,
 - e) managing contractual relations with service providers, and
 - f) monitoring the performance of the activities that are the subject of the agreement.

Article 5

Impact assessment and risk management associated with outsourcing business processes

- (1) Prior to the making a decision on outsourcing business processes, the leasing company shall assess the impact of outsourcing, which primarily refers to the financial analysis of the effects of outsourcing, the financial results and continuity of the leasing company's business operations and the degree of difficulty and time required to select an alternative service provider or return the performance of these activities to the leasing company, if necessary.
- (2) The leasing company shall establish an appropriate risk management system related to outsourcing business processes.
- (3) General rules for the application and establishment of a risk management system and an internal controls system for the purpose of the Law and regulations adopted on the basis of the Law must also apply to the management of risks associated with outsourcing business processes.
- (4) The leasing company shall define the roles and responsibilities of the organisational units or persons in charge of the supervision and management of a separate business process for each separate business process, as well as the leasing company's exit strategy in the event of an early termination of the contractual relationship and/or the inability to fulfill contractual obligations.

Article 6

Documentation and data access

The leasing company shall contractually oblige the service provider to enable the leasing company, the leasing company's authorised auditor, the leasing company's internal auditor and the Agency timely access to the entire documentation and all data related to the outsourced business processes and in the possession of the service provider.

Article 7

Supervision by the Agency

- (1) The leasing company shall ensure that supervision by the Agency in the segment of operations of a service provider that is or may be linked to an outsourced business process, as well as the direct supervision of the performance of the activities that are the subject of the agreement, shall not be in any way prevented, limited or made difficult.

- (2) The leasing company shall, at the Agency's request, submit the concluded agreements with the service providers for review, along with other documentation related to the outsourcing of business processes and deemed relevant by the Agency.
- (3) In the event that, on the basis of the submitted documentation referred to in paragraph (2) of this Article, the Agency determines that the agreement with the service provider on outsourcing business processes is detrimental to the leasing company or is contrary to the provisions of the Law and this Decision, the Agency is authorised to:
 - a) prohibit the outsourcing of certain business processes,
 - b) request the fulfillment of additional conditions,
 - c) request an amendment or termination of the agreement, and
 - d) take other measures in order to comply with the provisions of the Law and this Decision.

Article 8

Contractual relationship between leasing company and service provider

- (1) When concluding an agreement with a service provider, the leasing company shall make sure that the contractual provisions cover, according to their scope and content, the risks associated with outsourcing business processes and that they are adequate to the scope and complexity of the outsourced tasks.
- (2) The agreement with the service provider must be in written form, clearly define all relevant data and terms, conditions, rights and obligations and responsibilities of the contracting parties and contain at least:
 - a) a description of the activities that are the subject of the agreement, as well as the level and quality of performance of the requested services,
 - b) the duration of the agreement,
 - c) the cost of the service and any other potential related costs,
 - d) the manner of monitoring the performance of the activities that are the subject of the agreement,
 - e) the obligation to keep professional secrets and the obligation to store and the manner of protecting confidential data,
 - f) the obligation of the service provider to notify the leasing company in a timely manner about all facts and changes in circumstances that significantly affect or could significantly affect the fulfillment of contractual obligations, compliance with the Law or this Decision,
 - g) the obligation of the service provider to enable the Agency to conduct direct supervision at the location of the service provider, i.e. with the service provider, and to ensure access to the documentation and data related to the outsourced business processes and in the possession of the service provider,
 - h) a description of the conditions for termination and/or cancellation of the agreement, including the leasing company's right to terminate or cancel the agreement with the service provider if ordered to do so by the Agency,
 - i) a description of the rights and obligations of the contracting parties in the event of an early termination of the agreement in order to ensure the continuity of the provision of services, and
 - j) the manner of dispute resolution.

Article 9

Transitional and final provisions

- (1) This Decision shall enter into force on the eighth day following its publication in the "Official Gazette of the Federation of BiH".
- (2) The leasing company shall harmonise its internal acts with this Decision within three months following this Decision's entry into force.

- (3) The agreements the leasing company concluded with service providers on outsourcing business processes prior to the entry into force of this Decision shall be harmonised with this Decision by the leasing company within six months following its entry into force.

No.: U.O.-05-03/17
Sarajevo, 24.07.2017

**Chairwoman
of the Management Board**

Ljerka Marić, M.Sc. (Econ.), sgd.