Based on Article 53 of the Law on Microcredit Organizations ("Official Gazette of the Federation of BiH", No. 59/06), Article 4, 9 and 25 of the Law on Banking Agency of the Federation of BiH ("Official Gazette of the Federation of BiH", No. 9/96, 27/98, 20/00, 45/00, 58/02, 13/03, 19/03, 47/06 and 59/06) 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), on its session held on March 14, 2007, the Management board of the Banking Agency of the Federation of BiH, d e c l a r e d

DECREE

ON REQUIREMENTS AND THE PROCEDURE FOR ISSUING THE OPERATING PERMIT TO A MICROCREDIT FOUNDATION FORMED UPON THE MICROCREDIT ORGANIZATION' CHANGE OF FORM

I GENERAL PROVISIONS

Article 1

By this Decree, the Banking Agency of the Federation of BiH (hereinafter: FBA) defines general requirements and the procedure for issuing the operating permit for the provision of microcredits (hereinafter: operating permit) to a microcredit foundation (hereinafter: MCF), formed upon the change of legal form and organizing of microcredit organization registered in accordance with a Law on Microcredit Organizations ("Official Gazette of the Federation BiH", No: 24/00) (hereinafter: existing MCO)

II ISSUING THE OPERATING PERMIT

Article 2

During the existing MCO' change of legal form and organizing into MCF, the existing MCO, together with the following documentation, submits to FBA the application for issuing the operating permit to MCF:

- 1. the authorization for a person with whom the FBA will cooperate in the process of evaluating the application for permit issuance,
- 2. registration of existing MCO with the authorized ministry,
- 3. list of all registered founders of existing MCO, with the indication of founders that paid the founders contribution with the evidence on the paid amount,
- 4. the review on the structure of non-nominated capital of the existing MCO (donations, excess of income over expenses and other sources), signed by the authorized person,
- 5. the decision on the change of legal form and organizing of existing MCO into MCF,
- 6. proposal of the Statute that must contain all elements referred to in Article 6 of a Decree on Requirements and Procedure for Issuing and Revoking the Operating Permit and Other Approvals for Microcredit Organizations (hereinafter: the Decree),
- 7. information on professional qualifications (diploma) and work experience for members of the Management board, the Director, as well as for executive directors of MCF in cases if they are anticipated by the Statute, and excerpts from the criminal record for these persons,
- 8. list of organizational parts, with the indication of parts that are incorporated and those that are not incorporated into the authorized register, as well as the information on the starting date of business operations, the address and the authorized person,

- 9. audited annual financial reports for the last 3 (three) business years, and financial report that is not older more than six months as of the application submission date, and in cases if financial reports are not audited, balance sheet and income statement for aforementioned period should be submitted,
- 10. strategic plan of MCF for the first 3 (three) years of business operations with the indication of the intention to invest and transfer the assets in order to establish new microcredit company (hereinafter: MCC), if such intention exists.

III PROCEDURE FOR ISSUING THE OPERATING PERMIT

Article 3

Upon the receipt of the application of existing MCO for issuing the operating permit referred to in this Decree, the FBA processes the application, determining the compliance of the requirements and submitted documentation with the Law and this Decree.

As additional measures, the FBA can:

- carry out the interview with representatives of existing MCO,
- perform the on-site control,
- request supplements and other documentation as needed,
- request checking or the confirmation of financial data based on current and previous situation.

Article 4

FBA issues a decision on granting or declining the application for issuing the operating permit referred to in this Decree, and it is being adopted within 60 days from the day of submitting regular and complete application.

FBA may decline the application for issuing the operating permit in case some of the requirements referred to in Article 22, Point 1, 2 and 3 of the Decree are not fulfilled.

FBA may revoke the permit from the MCF in case some of the reasons referred to in Article 26 of the Decree do exist.

The applicant is obliged to pay the tariff prescribed by a special conclusion of FBA for issuing the decision, in accordance with a Decree on Tariffs Paid by Microcredit Organizations to the Banking Agency of the Federation of Bosnia and Herzegovina.

Article 5

In case if the applicant did not submit all necessary documentation or information together with the application, the FBA may request the supplement of the application and determine the deadline for its submission.

If the applicant does not submit necessary documents or information in a prescribed deadline, the FBA shall decline the application with the conclusion that it is incomplete.

Article 6

The decision of the FBA is final, and the administrative dispute procedure against this decision may be launched, by filling charges at the competent court.

IV TRANSITIONAL AND CLOSING PROVSIONS

Article 7

Existing MCOs are obliged to submit to the FBA applications for issuing the operating permit referred to in this Decree, together with complete documentation, until August 12, 2007 at the latest.

Article 8

Existing MCO that do not obtain the operating permit from the FBA and which do not apply for the incorporation of the MCF into the authorized register until October 12, 2007, cease to exist and they are deleted from the register kept with the authorized body.

Article 9

Only the founder of existing MCO can be registered as the founder of the MCF, without the ownership rights in the MCF' capital.

Organizational parts of the existing MCO become organizational parts of MCF.

Article 10

MCFs that are incorporated into the register of foundations are obliged to harmonize the amount of capital in accordance with provisions of the Law on Microcredit Organizations, within the period of 3 (three) months after the day of the incorporation into the register of foundations, and maintain the amount of capital as long as they have the FBA operating permit.

Article 11

This Decree shall come into effect on the eight day after its being published in the "Official Gazette of the Federation of BiH".

No. 01-1-393-5/07 Sarajevo, March 14, 2007 PRESIDENT OF THE MANAGEMENT BOARD

Eldar Arnautovic, M.A (Econ.)