

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 Bosnia and Herzegovina (Official Gazette of the Federation of BiH”, No. 75/17) and Articles 89, 90, 91, 92 and 248 of the Banking Law (Official Gazette of the Federation of BiH, No. 27/17), the Management Board of the Banking Agency of the Federation of Bosnia and Herzegovina, at its session held on 13 October 2017, adopted the following

DECISION ON LARGE EXPOSURES

Article 1 Subject

- (1) The Decision on Large Exposures (hereinafter: the Decision) shall prescribe the minimum requirements in the management of large exposures to which bank is exposed in its business operations, and which shall include the definition of exposures, the calculation of exposure values, the definition of large exposures, restrictions of large exposures, harmonisation with requirements for large exposures, the calculation of additional capital requirements for large exposures arising from items in the trading book, procedures to prevent banks from avoiding additional capital requirements, recognised credit risk mitigation techniques, exemptions and the calculation of the effects of applying credit risk mitigation techniques, substitution approach, the determination of total exposure to one person or a group of related persons in relation to transactions with respective assets, the determination and management of large exposures, and reporting requirements.
- (2) This Decision shall apply to all banks seated in the Federation of Bosnia and Herzegovina (hereinafter: the FBiH), to which the Banking Agency of the Federation of BiH (hereinafter: the Agency) has issued an operating licence.
- (3) Issues relating to the management of large exposures in banks, which are not defined under this Decision, but are defined under a law or another regulation, shall be subject to the application of the provisions of that law or another regulation.
- (4) Banks shall supervise and control their large exposures in accordance with this Decision.

Article 2 Definitions

The terms used in this Decision shall have the following meanings:

- a) **Controlling share** – defined in Article 2, item k) of the Banking Law;
- b) **Related persons** – defined in Article 2, item u) of the Banking Law;

Notwithstanding item 1) and 2) of the definition of a group of related persons referred to in Article 2, item u) of the Banking Law, when the central government defined in Article 2, item t) of the Decision on Calculation of Capital in Banks has direct control, i.e. a controlling share over or is directly interrelated to another one or more natural or legal persons, a group composed of the central government and all natural or legal persons which it, in accordance with line 1), has direct or indirect control over, i.e. a controlling share, or, in accordance with line 2), is interrelated with, does not have to be considered a group of related persons. Instead, the existence of a group of related persons made up of the central government and other natural or legal persons may be assessed separately for each person it, in accordance with line 1), has direct control over, i.e. a controlling share, or, in accordance with line 2), is

directly interrelated with and all natural and legal persons over which that person, in accordance with line 1), has control over, i.e. a controlling share, or which are, in accordance with line 2), interrelated with that person, including the central government. The same applies to the Government of the Federation of BiH, the Government of Republika Srpska and the Brčko District Government.

For the purpose of determining a group of related persons on the basis of economic or financial relatedness, a bank shall take into account the following qualitative criteria at a minimum:

- 1) when 50% or more of gross income or gross costs of one contractual party (at the annual level) are derived from transactions with another contractual party (e.g. an owner of a residential/commercial building and the lease holder that is paying a significant portion of the lease),
- 2) when one contractual party has, in full or partially, guaranteed for the exposure of another contractual party or is, in another way, accountable, and the exposure is so significant that it is probable that the status of default on liabilities of the provider of the guarantee shall onset,
- 3) when business operations of a person (e.g. a producer) depend on one or more suppliers, i.e. traders, and it would take a long period of time to identify a replacement for them, i.e. when a significant portion of production of a certain producer is intended for one buyer,
- 4) when it is the expected source of funding for the repayment of a credit that a bank is granting to another contractual party and that contractual party (the credit recipient) has no other source of income from which the credit could be repaid in full,
- 5) when it is probable that the financial problems of one contractual party would cause difficulties for the remaining other contractual parties in the context of full and timely repayment of liabilities,
- 6) when it is probable that insolvency or the status of default on liabilities of one contractual party would be connected with insolvency or status of default on liabilities of other contractual parties,
- 7) when two or more other contractual parties are relying on the same source for the majority of their financing even in case of the status of default on liabilities of the common source of financing and it is not possible to identify an alternative source of financing – in that case, the problems with the financing of one contractual party would probably spread to another contractual party because of the one-way or two-way dependence on the same main source of financing.

There may exist circumstances in which some of the aforementioned criteria would not automatically mean economic or financial interrelatedness that would result in the relatedness of two or more other contractual parties. Under the condition that the bank may prove that one contractual party that is economically closely related with another contractual party may overcome its financial difficulties or even the status of default on liabilities of that other contractual party by identifying alternative business partners or sources of financing within an adequate timeframe, it does not mean that there is automatically relatedness between the persons, but instead it is necessary for the bank to determine whether the financial difficulties may be transferred among persons.

- c) **Parent company of a legal person** – defined in Article 2, item l) of the Banking Law;
- d) **Subsidiary of a legal person** – defined in Article 2, item m) of the Banking Law;
- e) **Regulatory capital (Eligible capital)** – defined in Article 2, item kk) of the Banking Law;

- f) **Transaction** – exposure classified in the exposure class referred to in Article 48, item n) of the Decision on Calculation of Capital in Banks and other transactions in which there is exposure to respective assets;
- g) **Unknown person** – one hypothetical person to which the bank assigns all exposures for which it failed to determine a debtor, under the condition that Article 18, paragraph (2), items a) and b) and Article 18, paragraph (3), item a) of this Decision are not applicable.

CHAPTER I CALCULATION OF LARGE EXPOSURES

Article 3

Definition of exposure

For the purposes of this Decision, “exposure” shall mean any asset and off-balance sheet item that relates to capital requirements for credit risk under the standardised approach, without the application of the risk weight determined on the basis of the level of credit quality and the conversion factor for off-balance sheet items.

Article 4

Calculation of value of exposure

- (1) The values of exposures for assets items shall be their bookkeeping value remaining after deductions for loan loss provisions or impairment provisions for credit risk, whichever is greater per individual lot, additional impairment provisions in accordance with Article 5, paragraph (3) of the Decision on Calculation of Capital in Banks and reductions of regulatory capital related to the assets item. The value of the exposure to off-balance sheet items shall be its bookkeeping value after deductions for loan loss provisions or provisions for losses for off-balance sheet items, whichever is greater per individual lot.
- (2) The values of exposures for contracts referred to in Annex II of the Decision on Calculation of Capital in Banks shall be calculated in compliance with one of the methods referred to in Articles 45, 46 and 47 of that Decision.
- (3) Banks that calculate capital requirements for their transactions in the trading book in accordance with capital requirements for position risk, i.e. Articles 116 to 136 of the Decision on Calculation of Capital in Banks and Chapter VI of the Decision on Calculation of Capital in Banks, relating to the capital requirement for settlement/delivery risk, shall calculate exposures to individual persons arising from the trading book by adding up the following items:
 - a) surplus of other positions of the bank over its short positions in all financial instruments issued by a certain person, wherein the net position in each individual instrument shall be calculated according to the methods provided in the part of the Decision on Calculation of Capital in Banks relating to the calculation of capital requirements for position risk,
 - b) net exposure for the activities of providing a sponsorship service for the issuance of debt or equity instruments. The net exposure is calculated in such a manner that the amount of securities for which the bank has concluded a contract on redemption with a third party is subtracted from the amount of securities for which the bank has assumed the obligation of redemption, with the result then being reduced by the factors referred to in Article 133 of the Decision on Calculation of Capital in Banks

The bank shall establish systems for monitoring and control of its exposures resulting from the activities of providing sponsorship service between the moment of onset of the liability

and the following working day in connection with the nature of the risks that arise from doing business on the relevant markets,

- c) exposures that arise from transactions with that person and relate to settlement/delivery risk, wherein the value of the exposure shall be calculated in compliance with Chapter VI of the Decision on Calculation of Capital in Banks.
- (4) Total exposures towards individual persons or groups of related persons shall be calculated by adding up exposures in the trading book and the banking book.
- (5) Exposure towards groups of related persons shall be calculated by adding up exposures towards individual persons from the group.
- (6) Exposures shall not include the following:
 - a) in case of currency purchase and sale transactions, exposures incurred during the regular period of settlement not longer than two working days after the date of execution of the payment,
 - b) in case of securities purchase or sale transactions, exposures incurred during the regular period of settlement, not longer than five working days after the date of execution of the payment or the date of delivery of securities, whichever takes place earlier,
 - c) in case of provision of cash transfer services, including services of payment operations, clearance, and settlement in all currencies and correspondent banking or clearance, settlement, and custody services relating to financial instruments, deferred inflows of assets, and other exposures arising from client operations, but which do not last longer than the next working day,
 - d) in case of provision of cash transfer services, including the provision of services of payment operations, clearance, and settlement in all currencies and correspondent banking services, within daily exposure towards banks providing the aforementioned services;
 - e) exposures that constitute a deductible item from regulatory capital under Articles 9, 19 and 25 of the Decision on Calculation of Capital in Banks.
- (7) In order to define total exposure towards one person or a group of related persons towards which the bank has exposures on the basis of transactions in the form of stocks or shares in investments funds or on the basis of other contracts under which there is exposure towards respective assets, the bank shall assess its respective exposures depending on the structure of the transaction and the risk of the respective exposure of that transaction for the purposes of determining whether it represents an additional exposure or not.

Article 5

Definition of large exposure

Exposure of a bank towards one person or a group of related persons shall be deemed a large exposure if its value is equal to or exceeds 10% of its eligible capital.

Article 6

Restriction for large exposures

- (1) Bank exposure towards one person or a group of related persons after application of credit risk mitigation techniques under Articles 10 to 13 of this Decision must not exceed 25% of its eligible capital.
- (2) According to Article 7 of the Decision, banks shall comply with the relevant restriction referred to in paragraph (1) of this Article at any given moment.
- (3) The restrictions referred to in paragraph (1) this Article can be exceeded only in extraordinary cases for exposures in the bank's trading book, provided that the following conditions are met:

- a) the excess of the restriction referred to in paragraph (1) of this Article arises completely from the trading book,
 - b) the bank shall meet the additional capital requirement in relation to the excess of the restriction referred to in the paragraph (1) of this Article, which shall be calculated in accordance with Articles 8 and 9 of this Decision,
 - c) if 10 days or fewer have passed since the excess, the exposure in the trading book towards that person or that group of related persons must not exceed 500% of the bank's eligible capital,
 - d) all excesses lasting longer than 10 days must not jointly exceed 600% of the bank's eligible capital.
- (4) The sum of exposures to the Government of BiH, the Government of the FBiH, the Government of RS and the Brčko District Government must not exceed 300% of the bank's eligible capital.
 - (5) In any of the cases of restriction excess, the bank shall immediately notify the Agency of the amount of the excess and the name of the person the excess relates to, and, when applicable, of the name of the group or related persons the excess relates to.
 - (6) For the purposes of large exposures, guarantees issued by the parent company of the bank or any related person of the parent company shall not be recognised as unfunded credit protection.

Article 7

Compliance with requirements for large exposures

If, in an exceptional case, exposures exceed the restriction referred to in the Article 6 of this Decision, the bank shall immediately notify the Agency of the value of the excess, and the Agency may, if circumstances justify it, grant the bank a certain period of time to comply with these restrictions.

Article 8

Calculation of additional capital requirement for large exposures arising from trading book items

- (1) The excess referred to in Article 6, paragraph (3), item b) of this Decision shall be calculated by selecting those items of total exposure in the trading book towards a certain person or a group of related persons, which carry the highest requirements for specific risk referred to in Chapter VIII Capital requirements for market risk, relating to the calculation of capital requirements for position risks (Art. 116 to 136 of the Decision on Calculation of Capital in Banks) and in Chapter VI of the capital requirement for settlement/delivery risk of the Decision on Calculation of Capital in Banks, whose sum equals the excess referred to in Article 6, paragraph (3), item a) of this Decision.
- (2) Unless the excess lasted longer than 10 days, the additional capital requirement shall amount to 200% of the amount of the requirement referred to in paragraph (1) for the aforementioned items.
- (3) In the period of 10 days from the onset of the excess, the items comprising the excess, selected pursuant to paragraph (1) of this Article, shall be distributed into appropriate rows in Column 1 of Table 1, in ascending order of capital requirements for specific risk referred to in Chapter VIII of the Decision on Calculation of Capital in Banks which relates to the calculation of capital requirements for position risks and in Chapter VI of the Decision on Calculation of Capital in Banks which relates to the calculation of capital requirements for settlement/delivery risk. The additional capital requirement shall be equal to the sum of the capital requirements for specific risk referred to in Chapter VIII of the Decision on Calculation of Capital in Banks which relates to the capital requirement for position risk and in Chapter VI of that Decision which relates to the

capital requirement for settlement/delivery risk for those items, multiplied by the corresponding factor from Column 2 of Table 1.

Table 1.

Column 1: Restriction excess (based on percentage of eligible capital)	Column 2: Factors
Up to 40%	200%
40% to 60%	300%
60% to 80%	400%
80% to 100%	500%
100% to 250%	600%
More than 250%	900%

Article 9

Procedures to prevent banks from avoiding additional capital requirements

- (1) Banks must not avoid the additional capital requirements referred to in Article 8 of this Decision, to which they are subject in relation to exposures that exceed the restriction referred to in Article 6, paragraph (1) of this Decision when the aforementioned exposures last longer than 10 days, in such a manner that they temporarily transfer the aforementioned exposures to another company, regardless of whether it is from the same group or not, or by undertaking fictitious transactions to close such exposures during the aforementioned 10-day period, or by generating new exposures.
- (2) Banks shall have systems that would ensure that the Agency is immediately notified of any transfer referred to in paragraph (1) of this Article.

Article 10

Recognised credit risk mitigation techniques

- (1) If the recognition of funded or unfunded credit protection is permitted under Articles 11, 12, and 13 of this Decision, it shall have to meet the recognition requirements and other requirements referred to in Chapter V of the Decision on Calculation of Capital in Banks relating to credit risk mitigation techniques.
- (2) Banks shall analyse, to the extent possible, their exposures towards collateral issuers, unfunded credit protection providers, and respective assets in accordance with Article 4, paragraph (7) of this Decision for the purpose of determining potential concentrations and, if necessary, undertake measures and notify the Agency of the aforementioned.

Article 11

Exemptions

The following exposures shall be exempt from the application of Article 6, paragraph (1) of this Decision:

- a) assets items that represent receivables from central governments, central banks and the Government of BiH, which would be assigned a 0% risk weight in accordance with Article 50 of the Decision on Calculation of Capital in Banks,
- b) assets items that represent receivables from the Government of the Federation of BiH, the Government of Republika Srpska, and the Brčko District Government, which would be assigned a 0% risk weight in accordance with Article 51 of the Decision on Calculation of Capital in Banks,

- c) assets items that represent receivables from international organisations or multilateral development banks, which would be assigned a 0% risk weight in accordance with Articles 53 and 54 of the Decision on Calculation of Capital in Banks, relating to the calculation of capital requirements for credit risk,
- d) assets items that represent receivables secured by explicit guarantees of persons referred to in items a), b) and c) of this Article,
- e) other exposures towards or guaranteed by persons referred to in items a), b) and c) of this Article,
- f) assets items and other exposures secured with collateral in the form of cash deposits deposited in the creditor bank,
- g) assets items and other exposures secured with collateral in the form of a deposit certificate issued by the creditor bank and which is deposited in the creditor bank,
- h) exposures that arise from undisbursed credit lines which are classified as low-risk off-balance sheet items in Annex 1 of the Decision on Calculation of Capital in Banks, provided that an agreement is concluded with a person or a group of related persons pursuant to which agreement the undisbursed portion of the credit line can be withdrawn only if it is established that it would not cause an excess of the restriction referred to in Article 6, paragraph (1) of this Decision.

Article 12

Calculation of effects of applying credit risk mitigation techniques

- (1) When calculating the value of an exposure for the purposes of Article 6, paragraph (1) of this Decision, the bank can apply the fully adjusted exposure value (E*) calculated pursuant to Chapter V of the Decision on Calculation of Capital in Banks, which relates to credit risk mitigation techniques, corrective factors, and adjustments for potential maturity mismatch.
- (2) A bank that applies the complex financial collateral method when calculating the value of an exposure for the purposes of Article 6, paragraph (1) of this Decision shall run periodic stress-testing of its credit risk concentrations, taking into account the value that could be obtained by collection of the accepted collateral. The periodic stress testing referred to in this paragraph shall relate to the risks arising from potential changes of market conditions that could have an adverse effect on the bank's regulatory capital adequacy, as well as on the risks arising from the realisation of collection from collateral in stress situations.
- (3) The implemented stress tests shall have to be adequate for assessing such risks. In case that such periodic stress-testing shows that the amount collected in case of realisation of the collateral would be lower than the amount which would be recognised in case of the complex financial collateral method, the value of collateral which can be recognised when calculating the exposure value for the purposes of Article 6, paragraph (1) of this Decision shall be reduced by the calculated difference.

A bank that applies the complex financial collated method shall include the following in its strategies for concentration risk management:

- a) policies and procedures to manage risks arising from maturity mismatch between exposures and all credit protections of such exposures,
- b) policies and procedures in case the stress-testing shows that the amount collected based on the realisation of collateral would be lower than the amount which would be recognised in case of the complex financial collateral method,

- c) policies and procedures related to concentration risk arising from the application of credit risk mitigation techniques, and particularly large indirect credit exposures, for example towards a single issuer of securities that are taken as collateral.

Article 13

Substitution approach

- (1) Where an exposure to a client is guaranteed by a third party, or secured by collateral issued by a third party, a bank may
 - a) deem the portion of exposure that is secured with a third-party guarantee as an exposure towards that third party, rather than to the client, provided that the unsecured exposure towards the protection provider would, pursuant to Chapter III of the Decision on Calculation of Capital in Banks, relating to capital requirements for credit risk, be assigned an equal or lower risk weight than the one assigned to the unsecured exposure to the client,
 - b) deem the portion of exposure secured with the market value of the recognised collateral as an exposure towards that third party, rather than to the client, provided that the exposure is secured with collateral and provided that the secured portion of the exposure would, pursuant to Chapter III of the Decision on Calculation of Capital in Banks, relating to capital requirements for credit risk, be assigned an equal or lower risk weight than the one assigned to the unsecured exposure to the client. The bank must not apply this approach if there is mismatch between exposure maturity and protection maturity.
- (2) The bank shall apply paragraph (1), item a):
 - a) if the guarantee is denominated in a currency different from the one in which the exposure is denominated, the amount of exposure which is deemed to be covered shall be calculated in accordance with the provisions on currency mismatch treatment for unfunded credit protection referred to in Chapter V of the Decision on Calculation of Capital in Banks relating to credit risk mitigation techniques,
 - b) mismatch between exposure maturity and protection maturity shall be treated in accordance with the provisions on maturity mismatch treatment in Chapter V of the Decision on Calculation of Capital in Banks, relating to credit risk mitigation techniques.

CHAPTER II

DETERMINATION OF TOTAL EXPOSURE TOWARDS ONE PERSON OR A GROUP OF RELATED PERSONS IN RELATION TO TRANSACTIONS WITH RESPECTIVE ASSETS

Article 14

Determination of total exposure

- (1) In order to determine the total exposure towards a certain debtor, which arises from the exposure of the bank to a certain transaction with respective assets, it shall be necessary to first determine the value of exposure for each of those exposures individually. The total value of exposure shall represent the sum of individual exposures, but it must not exceed the value of exposures that arises from the very respective assets.
- (2) Conditions and methodologies that shall apply to the calculation of exposures towards transactions with respective assets shall have to be identical regardless of whether the exposures are in the trading book or in the banking book.

Article 15

Determination of exposures arising from transactions

- (1) The bank shall determine the impact of a specific transaction on the total exposure to one person or a group of related persons in compliance with the methodology specified in Articles 16, 17, and 18 of this Decision. The bank shall, for each respective asset, determine its exposure towards that respective asset separately, in compliance with Article 17 of this Decision.
- (2) The bank shall assess whether a specific transaction represents an additional exposure in accordance with Article 19 of this Decision.

Article 16

Respective exposures to transactions with respective assets of their own

- (1) When calculating respective exposures of a transaction (transaction A) that has its own respective exposure to another transaction (transaction B), the bank shall, for the purposes of Articles 17 and 18, treat the respective exposure to transaction B as a replacement for the exposure towards transaction B.
- (2) Paragraph (1) of this Article shall apply as long as the respective exposures represent exposures to transactions with respective assets.

Article 17

Calculating values of exposures

- (1) Exposure of a bank towards respective assets of a transaction shall correspond to whichever is lower of the following values:
 - a) the value of exposure arising from the respective assets,
 - b) the total value of exposure of the bank towards respective assets arising from all the exposures of the bank towards the transaction.
- (2) For each exposure of the bank towards the transaction, the value of exposure towards the respective assets shall be determined as follows:
 - a) if the exposures of all the investors in that transaction are ranked equally, the value of exposure towards respective assets shall be equal to the proportional portion of the exposure of the bank towards the transaction multiplied by the value of the exposure that arises from the respective assets,
 - b) with the exception of the cases referred to in item a), the value of exposure towards respective assets shall be equal to the proportional portion of the exposure of the bank towards the transaction multiplied by whichever is the lower of the following values:
 - 1) the value of exposure arising from the respective assets,
 - 2) the total value of exposure of the bank towards the transaction together with all the other exposures towards that transaction that are ranked equally as the exposure of the bank.
- (3) The proportional portion of the exposure of the bank towards the transaction shall be the value of exposure of the bank divided by the total value of exposure of the bank and all other exposures towards that transaction that are ranked equally as the exposure of the bank. In case that the status of default on liabilities onsets for the respective assets, the losses shall always be allocated between the exposures that are ranked equally, i.e. in proportion to the share of each of those exposures. The total loss of the bank shall be limited to the total loss of the respective assets, which corresponds to the portion of the exposure of the bank in the total value of all exposures that are ranked equally. The value of exposure towards respective assets shall depend exclusively on the proportional share of the exposure of the investor in relation to the exposure of all investors.

Article 18

Procedure for determination of impact of respective exposures to total exposures

- (1) For each exposure to credit risk for which the identity of the debtor has been determined, the value of the exposure towards the corresponding respective assets shall be included by the bank in the calculation of the total exposure towards that debtor as an individual or a group of related persons to which that debtor belongs.
- (2) If the bank has failed to determine the identity of the debtor of the respective exposure to credit risk, or if the bank cannot confirm that the respective exposure does not represent an exposure to credit risk, the bank shall assign that exposure as follows:
 - a) if the value of the exposure does not exceed 0.25% of eligible capital of the bank, the bank shall assign that exposure to the transaction, as a separate person.

If the bank is not in a position to determine all the debtors of the respective assets of transactions in which it is investing, and if the exposure to respective assets is sufficiently small for its impact not to be significant for the total exposure to one person or a group of related persons, such exposure should be assigned to the transaction, as a separate person. The total value of such exposures towards respective assets of the same transaction shall continue to be subject to the restriction for large exposures that applies to that transaction. The impact of the respective assets to the total exposure shall not be significant if it would take a minimum of 100 exposures to respective assets of the transaction to reach the restriction of 25% of eligible capital of the bank. The value of the exposure should not exceed 0.25% of eligible capital of the bank;
 - b) if the exposure amounts to 0.25% of eligible capital of the bank or exceeds that value, and if the bank may ensure that the respective exposures of the transaction are not connected with other exposures in its portfolio, including the respective exposures from other transactions, the bank shall assign that exposure to the transaction, as a separate person,
 - c) except in the cases referred to in items a) and b), the bank shall assign that exposure to an unknown person. In order to prevent unlimited total exposure as a result of a lack of information, exposures whose values exceed 0.25% of eligible capital of the bank and for which data on the debtor are not available, should be assigned to a hypothetical person (unknown person) to which the restriction of large exposures of 25% should apply.
- (3) If the bank cannot differentiate the respective exposures of the transaction, the bank shall assign the total value of its exposures to the transaction as follows:
 - a) if the total value of the exposure does not exceed 0.25% of eligible capital of the bank, the bank shall assign that total value of exposure to the transaction, as a separate person,
 - b) except in the case referred to in item a), the bank shall assign that total value of exposure to the unknown person.
- (4) For the purposes of paragraphs (1) and (2) of this Article, the bank shall regularly, and at least once a month, monitor such transactions due to potential changes in the composition and relative share of respective exposures.

Article 19

Additional exposure representing transaction structure

- (1) The structure of a transaction shall not represent an additional exposure if the transaction meets both of the following conditions:
 - a) the legal and operating structure of the transaction is defined in such a manner that it does not allow the person that is managing the transaction or a third person to redirect any cash flow that arises from the transaction towards persons that, in compliance with the terms of the transaction, are not entitled to receive those cash flows,

- b) it can be required neither from the issuer nor from any other person to perform, within the framework of the transaction, payments to the bank additional to the cash flows from the respective assets or as an advance for them.
- (2) Additional exposure shall not be recognised for investment funds that are investing in transferrable securities because the cash flows must not be redirected to persons that are not entitled to receive them.

Article 20

Capacity for determination and management of large exposures

- (1) Banks shall establish adequate administrative and accounting procedures and appropriate internal control mechanisms for the purposes of identification, management, monitoring, reporting and recording of large exposures and their subsequent changes in accordance with this Decision.
- (2) Banks shall establish an internal controls system that would prevent temporary transfer of existing exposures to another person for the purpose of fictitious closing of existing exposures and generating new ones.
- (3) Banks shall establish a system that would ensure that the Agency is immediately notified of the transfers of exposures referred to in the previous paragraph of this Article.
- (4) Internal audit shall continuously evaluate the effectiveness and application of policies and procedures as well as the effectiveness of the internal controls system referred to in this Article.

Article 21

Reporting requirements

- (1) Banks shall submit to the Agency the following information on all large exposures, including large exposures that are not subject to Article 6, paragraph (1) of this Decision:
 - a) data on person or group of related persons towards which the bank has a large exposure;
 - b) value of exposure before application of credit risk mitigation techniques, if applicable;
 - c) if applicable, type of funded or unfunded credit protection;
 - d) value of exposure after application of credit risk mitigation techniques calculated for the purposes of Article 6, paragraph (1) of this Decision.
- (2) Reporting shall be performed on the quarterly basis.

Article 22

Transitional and final provisions

- (1) For any excess of the restrictions stipulated under this Decision, which occurred before the entry into force of this Decision, the banks shall obtain the opinion of the Agency on the plan for adjustments of excess of restrictions.
- (2) Within 60 (sixty) days from this Decision's entry into force, the Director of the Agency shall issue Instructions for the Application and Compiling of Reports of Banks, which shall prescribe in more detail the reporting as well as the manner and methodology for filling out the forms that are an integral part of the aforementioned Instructions.
- (3) The reports for 2017 shall be submitted to the Agency in accordance with the provisions of the Decision on Minimum Standards for Management of Concentration of Risks in Banks (Official Gazette of the Federation of BiH, No. 48/12). In the transitional period from 01.01. to 31.12.2018, all prescribed reporting to the Agency shall be submitted simultaneously in accordance with the provisions of the Decision on Minimum Standards for Management of Concentration of Risks in Banks (Official Gazette of the Federation of BiH, No. 48/12) and in accordance with this Decision.

(4) As of the date of entry into force of this Decision, the Decision on Minimum Standards for Management of Concentration of Risks in Banks (Official Gazette of the Federation of FBiH, No. 48/12) shall cease to be valid, except for Article 11, which specifies the manner and deadlines for reporting for the period referred to in paragraph (3) of this Article.

Article 23

Entry into force

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

**No.: U.O.-08-03/17
Sarajevo, 13.10.2017**

**CHAIRWOMAN
OF THE MANAGEMENT BOARD**

Ljerka Marić, M.Sc. (Econ.), sgd.