

Further Clarification of Published Press Releases

Sarajevo, March 26th, 2020

Subject: Further Clarification of Published Press Releases

In order to adequately inform the public about the measures passed by the Banking Agency of the Federation of Bosnia and Herzegovina (hereinafter: Agency), in the form of bylaws and with the aim of mitigating the economic effects of the „COVID-19“ virus disease and maintaining the stability of the banking system entities in such conditions, and to eliminate any dilemmas concerning the application of the decisions passed by the Agency that are evident from the queries submitted by media, citizens and businesses, we are hereby highlighting the points below as a way of further clarifying the press releases that have been published so far.

The Agency passed, within its competence and in response to the current emergency in the Federation of BIH, the following decisions:

1. A Decision on the Temporary Measures to Be Applied by **Banks** to Mitigate the Adverse Economic Effects Caused by the Outbreak of „COVID-19“ Virus Disease;
2. A Decision on the Temporary Measures to Be Applied by **Leasing Companies and Microcredit Organizations** to Mitigate the Adverse Economic Effects Caused by the Outbreak of „COVID-19“ Virus Disease.

The Agency's decisions, as temporary measures, provide for the types of special measures that may be applied by banks, MCOs and leasing companies to mitigate the adverse effects on the financial system, citizens and businesses in the Federation of BIH caused by the outbreak of „COVID-19“ virus disease.

The above-mentioned Agency's decisions are the result of the ongoing monitoring and analysis of available information and data, and of the examination of all possible measures and activities for mitigating the economic effects of the „COVID-19“ virus disease and for maintaining the stability of the banking system entities. Also, before the passing of the decisions by the Agency, the Agency's views were presented at a 13 March 2020 meeting at the Federation of BIH Government's headquarters, which was attended, in addition to representatives of the Federation of BIH authorities, by representatives of the banks, the Federation of BIH Banking Agency and the Federation of BIH Association of Employers (information from the meeting was published at: http://fbihvlada.gov.ba/bosanski/aktuelno_v2.php?akt_id=8438).

Since the outset of the emergency circumstances, the Agency has been informing the public on a regular basis about the activities which it has been implementing with regard to its timely response to the emergency, but inaccurate, incomplete or misinterpreted information has appeared in public about the Agency's activities concerning the meaning of the measures and the entitlement to the measures from the decisions on the temporary measures to be applied by

banks, MCOs and leasing companies to mitigate the adverse economic effects caused by the outbreak of „COVID-19“ virus disease.

The formulation „that banks, MCOs and leasing companies may approve the special measures to their clients....“ has been used in the releases so far, because the Agency’s decisions provide for several types of special measures, which are to be applied by banks, MCOs and leasing companies depending on an assessment of the effects on the client’s performance that can result from the given measure to mitigate the adverse effects of the emergency circumstances. Such measures may be:

- - a moratorium, i.e. a deferral in the repayment of the credit obligations,
- - the introduction of a maximum 6-month „grace“ period for the repayment of the principal of the credit obligations in case of loans which are repaid in annuities,
- - the extension of the repayment deadline of loans which are repaid in annuities,
- - a maximum 6-month extension of the maturity of bullet loans, including also revolving loans and transaction account overdrafts, where the clients could also use during that period the portion of the exposure that had been unused on the date of the modification,
- - the approval of an additional amount of the exposure for the purposes of overcoming their current difficulties with liquidity,
- - other measures undertaken by banks (or non-depository financial institutions) in order to facilitate the servicing of their clients’ credit obligations and establish business viability of their clients.

The above does not mean, as some media have been reporting, that the Agency’s decisions are based on the principle „may, but does not have to“, **because the Agency’s decisions clearly provide for the requirement for banks, MCOs and leasing companies to approve one of the special measures or modality of several special measures, which will help the clients to, both in the period of emergency circumstances and in the coming period, to establish a viable business model and duly settle their credit obligations to banks, MCOs and leasing companies.**

We are specifically highlighting that clients, both natural and legal persons, whose creditworthiness has deteriorated, i.e. whose sources for the repayment have been reduced, which in turn has either prevented or will prevent them from settling their obligations to banks, MCOs and leasing companies, namely due to the adverse effect caused by the „COVID-19“ virus disease pandemic, are entitled to one of the special measures to be approved by banks, MCOs and leasing companies.

Therefore, the right to the special measures may be exercised only by the clients who have been affected, either directly or indirectly, by the emergency circumstances caused by the „COVID-19“ virus disease.



The clients of banks, MCOs and leasing companies, who have been seamlessly or to a slightly lesser extent performing their business activities and generating income in the same or slightly lower amount compared to the situation before the onset of the emergency circumstances, as well as the clients whose orderly repayment had been overdue for more than 90 days before the onset of the emergency circumstances, are not entitled to the advantages from the Agency's decisions, nor may those approved to them by banks, MCOs or leasing companies in the context of the decisions on the temporary measures.

The Agency is aware of the issues that we have all been facing in these emergency circumstances. Therefore, the Agency must provide by its decisions those measures that will ensure the main goal of the Agency, i.e. maintaining and strengthening the stability of the banking system and protecting depositors, and improving its safe, quality and legal operation. The decisions that were passed constitute the measures that have been recognized as adequate and currently necessary to create the conditions for maintaining the stability of the banking system during and after the emergency circumstances, and for the subsequent recovery and mitigation of the adverse economic effects on the clients' business viability caused by the outbreak of „COVID-19“ virus disease.

Banks, MCOs and leasing companies may pass a moratorium and other special measures on the request of a natural and legal person or may initiate their utilization on their own initiative, as part of its regular process of monitoring overdue receivables. The clients, natural persons, do not have to submit their requests in person, but instead they may do it electronically. Banks, MCOs and leasing companies may also initiate the application of specific measures provided for by the decisions on their own, if they have assessed that client is not able to make contact with them, provided that the client in question has been affected by the adverse effects of the emergency circumstances.

Banks, MCOs and leasing companies may not charge default interest and special costs of processing on approved moratoria and other special measures, nor may they increase the contractual interest rate.

We are highlighting that all banking system entities (banks, MCOs and leasing companies) in the Federation of BIH have been made aware of the fact of the adoption of the decisions concerned and that they would enter into the force the next day from the date of their gazetting in the Official Gazette of the Federation of BIH, with the gazetting expected in the tomorrow's issue of the Official Gazette of the Federation of BIH (March 27th, 2020).

The Banking Agency of the Federation of Bosnia and Herzegovina will follow the situation on the ground and will respond with additional measures, according to the evolution of the situation on the ground and if it assesses that it is necessary.

THE FEDERATION OF BIH BANKING AGENCY