

Based on Article 42 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, declared

**DECREE**  
**ON REQUIREMENTS AND THE PROCEDURE FOR ISSUING THE**  
**OPERATING PERMIT AND APPROVALS FOR ACQUIRING THE**  
**OWNERSHIP SHARES BY INVESTING AND TRANSFERRING THE**  
**MICROCREDIT FOUNDATION' ASSETS**

**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 to a microcredit company (hereinafter: MCC) formed by the investment and transfer of microcredit foundation' assets (alone or together with other domestic and foreign natural persons and legal entities) and
- approval for acquiring the ownership share for a microcredit foundation (hereinafter: MCF) that invests and transfers its assets into existing MCC and significant ownership interest of domestic and foreign legal entities and natural persons in this process.

**II ISSUING THE OPERATING PERMIT**

Article 2

During investments and transfer of MCF' assets for the purposes of establishing a new MCC, the authorized person of the MCF submits to the FBA the application for issuing the operating permit of the MCC, also submitting the following documentation:

1. the authorization for the person with whom the FBA will cooperate in the process of evaluating the application for permit issuance,
2. the MCF' decision on establishing the MCC by investing or transferring the assets,
3. founding enactment of a new MCC signed by the authorized person of MCF and other founders, that must contain all elements referred to in Article 4 of a Decree on Requirements and Procedure for Issuing and Revoking the Operating Permit and Other Approvals for Microcredit Organizations (hereinafter: Decree),
4. proposal of the MCC' Statute, that must contain all elements referred to in Article 6 of a Decree,
5. list of MCC' founders with the indication of a contribution in monetary funds that is paid by each founder, and if items and rights are being invested in a newly established company, it is necessary to submit the evaluation of the external auditor for legal

- entities, i.e. the evaluation of the authorized court assessor for natural persons,
6. statements of founders on the origin of monetary funds – payment sources, with the indication that those funds are not provided based on Article 26, Paragraph 4 of the Law on Microcredit Organizations,
  7. audited financial reports of the MCF that are not older more than 6 (six) months as of the application submission date and a description of methods based on which the value and the allocation of assets that is being transferred and the value of ownership that the MCF is acquiring in the MCC is determined, particularly comparing it to invested value of assets and ownership that every other participant in this process is acquiring, as well as the evidence on approvals obtained by creditors for the assets transfer,
  8. evidence on education (Bachelor degree diploma), professional qualifications and work experience (at least 3 years on these or similar tasks) for Director and executive directors of MCC, as well as excerpts from the criminal record for these persons,
  9. data on education, professional qualifications and work experience, as well as excerpts from the criminal record for members of the Supervisory board of MCC, with a precondition that more than one half of the Supervisory board' members must have a Bachelor degree diploma with at least 3 years of work experience,
  10. MCC' business plan for the first three years of operations, with detailed description of activities to be carried out, expected target market, projected rates of assets and liabilities growth, planned initial balance sheet and a projection of the balance sheet and income statement for the aforementioned time period, as well as policies for the provision of funds for credit activities and provision of credits (define the profile of credit beneficiaries), and policies for forming and maintaining the loan loss reserves,
  11. data on business premises, technical and staff qualifications for carrying out the activities.

### Article 3

MCF that establishes a new MCC in accordance with provisions of this Decree, together with other domestic and foreign natural person or legal entities must acquire ownership share of at least 51% of a capital in a newly established MCC.

In case if two or more MCFs establish new MCC in accordance with provisions of this Decree, it is considered that the requirement referred to in Paragraph 1 of this Article is being fulfilled if the sum of ownership shares of these MCFs is exceeding 51% of capital in a newly established MCC.

## III ISSUING THE APPROVAL

### Article 4

MCF can acquire the ownership share of at least 51% of the existing MCC' capital by investing or transferring its assets.

Together with the application for issuing the approval for acquiring the ownership share referred to in Paragraph 1 of this Article, the MCF submits to the FBA the following documentation:

1. the authorization for the person with whom the FBA will cooperate in the process of evaluating the application for approval issuance,
2. the decision on investing in other MCC by transferring the portion of assets with the analysis that contains indicators on how the investments will reflect on capital and other prescribed business standards of MCF,
3. audited financial reports of MCF that are not older more than six months as of the application submission date and a description of methods based on which the value and the allocation of assets that is being transferred and the value of ownership that the MCF is acquiring in the MCC is determined, particularly comparing it to invested value of assets and ownership that every other participant in this process is acquiring, in case if there are more participants in this process, as well as the evidence on approvals obtained by creditors for the assets transfer,
4. incorporation into the authorized court of MCC in which investments are being made,
5. business plan of the MCC,
6. information on professional qualifications and work experience for existing owners with ownership of more than 10%, members of the Supervisory board, Director, and executive directors of MCC in which the investment is being made,
7. audited financial reports of MCC for the last 3 (three) business years.

#### Article 5

In case if, in accordance with provisions of this Decree, a domestic or foreign legal entity together with the MCF establishes a new MCC in which it will acquire significant ownership interest of more than 10% of capital, or in case if it acquires significant ownership interest of more than 10% of existing MCC' capital, it is obliged to submit to the FBA the application for acquiring the significant ownership interest together with the following documentation:

1. registration with the authorized body,
2. decision of the authorized body on acquiring the significant ownership interest by participating in establishing the MCC, or by investing in existing MCC,
3. audited financial reports on its business operations for the last 3 years, as well as the last periodical financial report (non-audited),
4. value assessment of items and rights carried out by the external auditor, in case if those are invested in a capital of the MCC with description of methods based on which the value of the capital that is being acquired is determined,
5. statement on the origin of monetary funds – payment sources, with the indication that those funds are not provided based on Article 26, Paragraph 4 of the Law on Microcredit Organizations.

#### Article 6

In case if, in accordance with provisions of this Decree, a domestic and foreign natural person together with the MCF establishes a new MCC in which it will acquire significant ownership interest of more than 10% of capital, or in case if it acquires significant ownership interest of more than 10% of existing MCC' capital, it is obliged to submit to the FBA the application for acquiring the significant ownership interest together with the following documentation:

1. copy of a personal identification card or passport, with the residence certificate,
2. confirmation on paid amount of income tax for the last three years,
3. evidence on its professional qualifications (diploma) and work experience, as well as the excerpts from the criminal record,

4. evidence on ownership in other legal entities,
5. statement on indebtedness in other MCOs or banks,
6. statement on the origin of monetary funds – payment sources, with the indication that those funds are not provided based on Article 26, Paragraph 4 of the Law on Microcredit Organizations,
7. value assessment of items and rights carried out by the authorized court assessor, in case if those are invested in the MCC' capital.

#### **IV PROCEDURE FOR ISSUING THE PERMIT AND THE APPROVAL**

##### Article 7

Upon the receipt of the application 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 the 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.

FBA has a discretionary right to assess the methods based on which the value of planned transfer of assets and liabilities is determined, in accordance with Article 38, Paragraph 1 of the Law on Microcredit Organizations. In case of doubting the reality of assessing this value, the FBA may hire another external auditor at the expense of the MCF for carrying out a new assessment.

##### Article 8

FBA issues a decision on granting or declining the application for issuing the permit and approvals 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 permit and approvals in case the MCO fails to fulfil the requirements prescribed by Article 22, Point 1, 2, and 3 of a Decree.

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 9

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 10

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

### **V TRANSITIONAL AND CLOSING PROVISIONS**

#### 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. 01-1-393-7/07  
Sarajevo, March 14, 2007

PRESIDENT OF THE  
MANAGEMENT BOARD

**Eldar Arnautovic, M.A. (Econ.)**