

Pursuant to Article IV 4. a) of the Constitution of Bosnia and Herzegovina, the Parliamentary Assembly of Bosnia and Herzegovina, at the second session of the House of Representatives held on December 18, 2019 and the fifth session of the House of Peoples, held on February 14, 2020 adopted the:

**LAW**  
**ON DEPOSIT INSURANCE**  
**IN BANKS OF BOSNIA AND HERZEGOVINA**

**CHAPTER I – GENERAL PROVISIONS**

**Article 1**  
**(Subject matter)**

- (1) The Law on Deposit Insurance in Banks of Bosnia and Herzegovina (hereinafter: the Law) regulates the establishment, status, operations, governance and management, authorisation, responsibilities and powers and financing of the Deposit Insurance Agency of Bosnia and Herzegovina (hereinafter: the Agency).
- (2) This Law is intended to provide, within the limits of this Law, for the protection of deposits of natural persons and legal entities in banks licensed either by the Banking Agency of the Federation of Bosnia and Herzegovina (hereinafter: the FBA) or the Banking Agency of the Republika Srpska (hereinafter: the RSBA) and thus contribute to the preservation of the overall financial stability.

**Article 2**  
**(Definitions)**

For the purpose of this Law:

- a) ***‘banking agency’*** means the FBA or the RSBA;
- b) ***‘Deposit Insurance Fund’*** (hereinafter: the Fund) means the account of the Agency opened according to Article 13 of this Law;
- c) ***‘target amount of the Fund’*** means the amount of funds which according to the medium-term risk assessment is sufficient to ensure fulfilment of the statutory mandate of the Agency;
- d) ***‘depositor’*** means a natural person or legal entity that holds an eligible deposit in a member bank;
- e) ***‘eligible deposit’*** means the aggregate of all means deriving from deposits, savings accounts or bank certificates deposited by a depositor in a member bank, reduced by the exclusions referred to under Article 6 of this Law. Eligible deposits form the basis of the deposit insurance premium calculation;
- f) ***‘Entity’*** means either the Entity of the Federation of Bosnia and Herzegovina (hereinafter: the Federation of BiH) or the Entity of the Republika Srpska;

- g) **'government body'** means any domestic or foreign beneficiary of government funds, regardless of government level, i.e. State, Entity, cantonal or municipal authority as well as any legal entity, including pension and health insurance funds, that is owned or controlled by such users of government funds;
- h) **'group of companies'** means a group that comprises the ultimate parent company of a legal entity, its subsidiaries and affiliated companies;
- i) **'insurance event'** means the event that requires the payment of deposit insurance according to the provisions of this Law;
- j) **'covered deposit'** means the part of an eligible deposit determined by the Management Board's decision, that is covered by the Deposit Insurance Fund;
- k) **'legal entity'** means a company, enterprise, association, institution or foundation registered in Bosnia and Herzegovina excluding any government body;
- l) **'natural person'** means an individual, regardless of citizenship or nationality;
- m) **'bank'** means a joint stock company that is licenced by the competent banking agency and that performs the business of receiving money deposits and granting loans and other activities in accordance with the Entity laws on banks;
- n) **'member bank'** means a bank that is participating in the deposit insurance scheme of Bosnia and Herzegovina according to the provisions of this Law;
- o) **'State'** means the State of Bosnia and Herzegovina.

### **Article 3**

#### **(Use of male or female gender)**

All expressions given in one grammatical gender shall for the sake of clarity relate to both male and female gender without discrimination.

## **CHAPTER II – DEPOSIT INSURANCE**

### **Article 4**

#### **(Deposit insurance)**

- (1) The Agency shall cover all eligible deposits in member banks within Bosnia and Herzegovina.
- (2) In case of an insurance event, the Agency shall commit itself to reimburse the covered deposit part of eligible deposits to depositors, subject to the limit of Article 5 and the exclusions of Article 6 of this Law.

### **Article 5**

#### **(Deposit insurance limit)**

- (1) The maximum amount of a covered deposit together with accrued interest to be reimbursed by the Agency per depositor per member bank shall be the eligible deposit decreased by the statutory or contracted debt of the depositor toward member bank, up to the amount determined by the decision of the Agency's Management Board or whichever an amount is smaller.

- (2) The Agency's Management Board, upon the recommendation of the Agency's Director, shall issue a decision on amending the level of covered deposit amount and shall publish it in the 'Official Gazette of Bosnia and Herzegovina'.
- (3) Decision of the Agency's Management Board on the amount of deposit insurance shall be an integral part of the contract on deposit insurance.
- (4) For repayment purposes, any financial means of a depositor denominated in foreign currency shall be converted into Convertible Mark (hereinafter: BAM) based on the average exchange rates of the Central Bank of Bosnia and Herzegovina (hereinafter: the Central Bank) as of the date of the insurance event.
- (5) Interest accrued on eligible deposits shall be calculated only until the date of the insurance event.
- (6) If a depositor is a joint holder of an account, each Depositor's share in the joint account shall be calculated equally between the holders of an account unless proof to the contrary is provided by each and every holder of an account. The total pay-out for any joint account shall be limited to the amount provided by this Law for a single depositor per member bank.
- (7) Depositors shall be given a three-month period following notification of the status change, to withdraw or transfer to another bank, without incurring any penalty, their eligible deposits including all accrued interest and benefits in so far as they exceed the coverage level at the time of the operation.

## **Article 6**

### **(Excluded deposits)**

Eligible deposits shall exclude the following financial means:

- a) deposits arising out of transactions that have been declared illegal by court decision and that are not subject to any further appeal;
- b) deposits kept in any account whereby the account title is not transparent as to its ownership or any non-nominative deposit;
- c) deposits kept in a bank's safe deposit box;
- d) deposits held in any kind of safekeeping custody arrangement with a bank, except earmarked deposit;
- e) deposits deposited by other domestic or foreign banks on their own behalf and for their own account;
- f) deposits from domestic or foreign government bodies;
- g) deposits from domestic or foreign insurance companies;
- h) deposits from domestic or foreign undertakings for collective investment;
- i) deposits from domestic or foreign pension and retirement funds not considered as a government body;
- j) deposits of persons in special relation with the bank as regulated by the Entity banking laws;
- k) deposits from companies in the same group as a member bank;

- l) deposits for which the depositor has obtained from the same member bank rates and / or any other financial concession which may have helped to aggravate the member bank's financial condition;
- m) deposits from companies which may be excluded from deposit insurance coverage by any other special law or governmental directive;
- n) debt securities issued by such member bank and any other liabilities arising out of such member bank's own acceptances and promissory notes;
- o) deposits from micro credit organisations.

## **Article 7**

### **(Membership participation)**

- (1) All banks licensed by the competent banking agency must be members of the Agency.
- (2) A bank shall provide the Agency with a copy of the latest external fiscal year audit of the bank performed based on International Accounting Standards, or an opening balance sheet for a newly established bank.

## **Article 8**

### **(Monitoring of the quality of banks' business operations)**

- (1) The Agency shall, on an ongoing basis, monitor the member banks' business operations to be informed and prepared to execute duties within its competence.
- (2) Monitoring of member banks shall be in accordance with a regulation that the Agency's Management Board enacts by virtue of its Decision. This regulation shall be based on the quality standards defined by the Entity laws on banks and minimum requirements for risk management in banks, prescribed by the competent banking agencies.

## **Article 9**

### **(Obligations of banks)**

- (1) Banks are obliged to provide the Agency, within prescribed deadlines the following:
  - a) reports prescribed by the competent banking agencies;
  - b) external audit reports, and
  - c) reports prescribed by the Agency.
- (2) The Agency shall prescribe the manner of keeping records on deposits in member banks for the reporting of relevant data to the Agency that shall be regulated by the membership contract.
- (3) In order to test the accuracy of reporting to the Agency, in accordance with the Deposit Insurance Contract, the Agency shall monitor execution of the member banks' reporting responsibilities.
- (4) Member banks shall at all times make available to the Agency information on depositors and their deposits, in the form and manner as the Agency requests.

## **Article 10**

### **(Membership contract and certificate)**

- (1) The Agency and each member bank shall sign a membership contract prepared by the Agency at the time a bank becomes a participant in the deposit insurance scheme.
- (2) The membership contract shall be identical for each member bank and shall specify the rights and obligations of the Agency and of the member bank including the appropriate notification procedures that the Agency must observe in the event of a repayment of deposit insurance.
- (3) A new bank becomes a member of the deposit insurance program provided it pays one-time fee for a membership certificate issued by the Agency. Membership is achieved upon completion of both activities.
- (4) The Agency's Management Board, on the recommendation of the Agency' Director, shall set the level of the membership certificate fee and that decision shall be published in the 'Official Gazette of Bosnia and Herzegovina'.
- (5) The membership certificate fee shall be used to settle the costs involved in its ongoing relationships with the member banks and shall be the same fee assessed for all member banks.

## **Article 11**

### **(Display material)**

- (1) Member banks are obliged to provide information to depositors and other interested parties on deposit insurance under this Law, and in particular information on the amount and manner of payment of covered deposits.
- (2) The information referred to in paragraph (1) of this Article must be comprehensible and available in writing.
- (3) The information referred to in paragraph (1) of this Article, cannot be used by the bank for advertising purposes, or in a way that threatens the stability of the banking system and the confidence of depositors.
- (4) The Agency shall provide display material, including the Agency's logo, that must be exhibited prominently and all times by all member banks.
- (5) Member banks may also provide its own display material evidencing its participation in deposit insurance as long as the material's design is compatible with the Agency's official logo.
- (6) All display material shall be approved by the Agency as regards design contents and usage.
- (7) Member banks shall inform actual and intending depositors of the applicable exclusions from deposit insurance scheme protection.
- (8) Before entering into a contract on deposit-taking, depositors shall be provided with general information provided by the Agency. Depositors shall acknowledge the receipt of that information.
- (9) Confirmation that the deposits are eligible deposits shall be provided to depositors on their statements of account including a reference to the information sheet. The website of

the Agency shall be indicated on the information sheet. The information sheet shall be provided to the depositor at least annually.

- (10) The website of the Agency shall contain the necessary information for depositors, in particular information concerning the provisions regarding the process for and conditions of deposit guarantees.

## **Article 12**

### **(Insurance premium)**

- (1) Following the exclusion point m) of Article 6 of this Law and, after excluding means as defined by point a) to l) and points n) and o) of Article 6 of this Law, average total eligible deposits as per the end of each month increased for accrued interest shall be used as insurance premium base for a member bank participating in deposit insurance.
- (2) The premium shall be paid quarterly in advance by the first day of each quarter, based on the average balance of the eligible deposits in the previous quarter. The quarters begin the first day of January, April, July and October.
- (3) The Agency shall bill each member bank with an invoice for the deposit insurance premium not later than 10 days before the premium is due for payment.
- (4) The membership contract shall define the procedures for the calculation of the premium to be paid by member banks.
- (5) Not less than once a year, the Management Board of the Agency shall determine the level of the insurance premium rate of all member banks, based on recommendation provided by the Agency' Director.
- (6) At the beginning of the fourth calendar quarter, the Agency shall publish the existing insurance premium rate and the rate that will be effective the following calendar year. The Agency reserves the right to adjust the rate at any time, according to the needs of the Agency, but the new rate shall not become effective until the following calendar quarter after notification to the member banks.
- (7) Decision on the insurance premium rate shall be published in the Official Gazette of Bosnia and Herzegovina before the adjustment to the insurance premium rate becomes effective.
- (8) Decision on the insurance premium rate is an integral part of the contract on deposit insurance.
- (9) The Agency' Management Board may establish a ranking system in order to determine the level of the insurance premium rate for individual member banks arising from that ranking. Exceptionally, the Management Board of the Agency shall accept the ranking system of the relevant banking agency for the same purpose.
- (10) If the funds of the Deposit Insurance Fund are insufficient to pay the covered deposits in case of occurrence of insurance event the additional resources shall be provided by collection of extraordinary insurance premium.
- (11) If the Agency provided contribution to finance resolution and the Agency suffered greater losses than the losses it would have suffered under liquidation or bankruptcy proceedings

- the Agency shall be compensated up to the amount of loss that arose from the member bank resolution procedure by collection of extraordinary insurance premiums to the Fund.
- (12) Decision of the extraordinary collection of insurance premium, its amount and modalities of payment shall be issued by the Management Board of the Agency, and it shall be published in the 'Official Gazette of BiH'.

### **Article 13**

#### **(Deposit Insurance Fund)**

- (1) The Agency shall open the Fund account in the Central Bank into which it shall deposit the premiums received from member banks.
- (2) Premium proceeds referred to in Article 12 shall be used exclusively for increasing the capital of the Fund.
- (3) The Fund can also include donor funds subject to approval by the Agency's Management Board. Means of the Fund are also proceeds paid on the basis of subrogation from the liquidation and bankruptcy of the bank and proceeding costs in connection with covered deposits repayment and costs in connection with bank resolution.
- (4) Means of the Deposit Insurance Fund shall not be subject to execution, except in respect of the obligations of the Agency for payment of covered deposits and participation under member bank resolution.
- (5) The Agency shall invest the capital of the Fund according to an investment policy that has been approved by the Management Board of the Agency based on the proposal of the Director of the Agency (hereinafter: the Investment Policy).
- (6) The Agency shall invest the capital of the Fund in fixed income securities issued by, or guaranteed by, EU Member States, EU governmental agencies, and European supranational agencies as well as in fixed income securities issued or guaranteed by the government or governmental agencies of the United States of America.
- (7) The Agency may also invest the capital of the Fund in fixed income securities or other debt instruments issued by the EU companies or companies seated in the United States of America with the highest ratings. Such companies must have a minimum quality rating of 'A' or 'P1' or higher, or equivalent thereof, according to an internationally recognised bond-rating agency.
- (8) All investments of the Fund, in accordance with the Investment Policy, shall be undertaken with a view of preserving its capital and maintaining liquidity.

### **Article 14**

#### **(Membership cessation with insurance repayment)**

- (1) The cancellation of membership in the deposit insurance program, for any reason other than those described under Article 17 of this Law, can only result from an action on the part of the member bank's respective banking agency.
- (2) After the official notification of the loss of member bank's operating license, the Director of the Agency shall notify the Agency's Management Board.

- (3) The subsequent loss of membership in the deposit insurance program, for reasons set out in this Article, shall be confirmed by the decision of the Management Board on recommendation of the Agency's Director.
- (4) The Agency shall publish the decision in the Official Gazette of BiH and further inform the FBA or RSBA.
- (5) If a member bank receives notification from paragraph (2) of this Article that its participation in deposit insurance is being terminated, it shall immediately inform, on an official basis and in written form, all of its existing depositors thereof.
- (6) In the event of an insurance deposit repayment, the rights of depositors, limited to the amount of insurance repayment, are legally conveyed to the Agency, by way of *cessio legis*.

### **Article 15**

#### **(Loss of the banking license of a member bank by action of Banking Agency)**

- (1) The payment of covered deposits is limited in the situation in case of loss of the member bank's operating license by action of the Banking Agency.
- (2) In accordance with the provisions of Articles 5, 6 and 14 of this Law, the Agency shall pay the covered amount of eligible deposits without undue delay and to start the payment process not later than 20 working days from the day the license of the former member bank was revoked.
- (3) The Agency has the right to make interim payments in the situations where there may be extended delays in the payment process.

### **Article 16**

#### **(Obligations of depositors)**

- (1) In situations described in Article 14 and 15 of this Law, the depositors shall submit, along with the repayment request, evidence of their legal ownership of the eligible deposit for which reimbursement is claimed.
- (2) Irrespective of the reason for the insurance repayment at a member bank, the request for claiming repayment of deposits expire within five years from the date of loss of member bank's operating license.
- (3) The Agency shall pay the depositors who have their rights to repayment earned by a final court judgment.

### **Article 17**

#### **(Membership suspension or termination without insurance payment)**

- (1) The suspension or termination of membership in the deposit insurance program without insurance repayment, for any reason other than situations described in Article 14 of this Law, shall result from a decision of the Agency's Management Board concerning suspension, upon recommendation of the Agency's Director.
- (2) The Agency shall inform the FBA and RSBA about decision from paragraph (1) of this Article.

- (3) Decision of the Agency is final and binding. The decision may be challenged in the proceedings before the Court of Bosnia and Herzegovina.
- (4) Decision shall be published in the 'Official Gazette of BiH'.
- (5) Upon receipt of the decision referred to in paragraph (1) of this Article, member banks shall issue a notification by conventional methods of publication and reporting that future deposits shall not be covered.

## **Article 18**

### **(Informing depositors)**

- (1) Within ten days before the entry into force of the Decision referred to in Article 17 of this Law, the Agency shall publish notice by conventional methods of publication and notification on circumstances and reasons for the adoption of a decision on the actual suspension or termination of deposit insurance in a member bank whose deposit insurance is being suspended or terminated without insurance repayment. This notice shall also be published in the 'Official Gazette of Bosnia and Herzegovina'.
- (2) The Agency shall give immediate notice to depositors to inform them that existing deposits will continue to be covered up to three months or until maturity of the individual deposit, from the date of suspension or termination of deposit insurance.

## **Article 19**

### **(Suspension of deposit insurance without insurance repayment)**

- (1) The suspension of deposit insurance is limited to the situation of the non-payment by a member bank of the insurance premium for one quarter.
- (2) Deposits of natural persons taken before the date of suspension of deposit insurance pursuant to this Article shall only continue to be covered as follows:
  - a) for a period of 90 days beyond the date of suspension of deposit insurance, or
  - b) until maturity deadline date of the individual deposit, whichever is longer.
- (3) The deposits from paragraph (2) shall be covered only at the same level as at the date the member bank was notified of the suspension of its deposit insurance.
- (4) New deposits, or additional funds added to existing eligible deposits, taken after the date the member bank was notified of insurance suspension shall not be covered.
- (5) Member banks are required to continue its premium payments to the Agency as long as any insurance cover is provided beyond the date of deposit insurance suspension because of the maturity of a deposit and the premium amount shall be based only on those deposits so covered.
- (6) Member banks shall return its original membership certificate to the Agency within five working days of being notified of the suspension of its deposit insurance and within the same time remove from all of its premises all tags of the Agency as well as promotional material. Should a member bank have its participation in deposit insurance restored prior to the termination of its participation in deposit insurance, the original membership certificate shall be returned to the reinstated member bank without signing a new membership contract or the assessment of a new membership certificate fee.



## **Article 20**

### **(Termination of deposit insurance without insurance repayment)**

- (1) Termination of deposit insurance is limited to the situation of the non-payment by a member bank of the insurance premium for more than one consecutive quarter.
- (2) Deposits taken before the date of termination of deposit insurance pursuant to this Article shall only continue to be covered according to the provisions and limit of Article 19 of this Law.
- (3) Should a member bank have its participation in deposit insurance restored, but only after the termination of its participation in deposit insurance, the original membership certificate shall not be returned to the reinstated member bank. Instead, a new membership certificate shall be issued, and a membership certificate fee assessed.

## **Article 21**

### **(Requirements for the use of the Fund under member bank resolution)**

- (1) When the competent banking agency takes a resolution action on a member bank, and provided that action ensures that depositors continue to have access to their deposits, the Agency shall provide contribution to finance resolution process in accordance with this law as follows:
  - a) when the bail-in tool is applied ('the internal bank resolution'), the amount by which covered deposits would have been written down in order to absorb the losses in the member bank, had covered deposits been included within the scope of bail-in and been written down to the same extent as creditors with the same level of priority in accordance with the laws governing the operation of banks;
  - b) when other resolution tools are applied, the amount of losses that covered depositors would have suffered, had covered depositors suffered losses in proportion to the losses suffered by creditors with the same level of priority under the laws governing the operation of banks.
- (2) The Agency is not required to make any direct contribution in the recapitalisation of the member bank under resolution, bridge bank, or asset management vehicle, but may contribute to the loss absorption.
- (3) The amount of the Fund's means that can be used to finance resolution of the member bank cannot exceed the amount that would be paid from the Fund in the event that instead of the resolution the member bank had been wound up under normal insolvency proceedings or bank liquidation as determined by independent valuation as defined under Entity laws on banks.
- (4) In no event shall the liability of the Fund in member bank resolution be greater than the amount of losses that it would have borne had the member bank been wound up under normal insolvency proceedings or liquidation respectively the loss represents the difference between the pay-out amount and the hypothetical recovery amount.
- (5) The Fund shall be included to finance the member bank resolution process only in those cases where the Fund's total contribution to the financing of a member bank resolution

does not exceed 50% of the target amount of the Fund. Use of the Fund's means under resolution shall be confirmed by the Decision of the Management Board of the Agency.

- (6) Where covered deposits at a member bank under resolution are transferred to another entity through the sale of business tool or the bridge bank tool, the depositors have no claim under against the Agency in relation to any portion of their deposits at the member bank under resolution that are not transferred, provided that the amount of funds transferred is equal to or more than the aggregate deposit insurance coverage decided by the Management Board of the Agency.
- (7) The member bank, which was the subject of resolution or which participated in the resolution process must be able to ensure the continuity of its core functions and key business activities.
- (8) If the Agency suffered greater losses under the member bank resolution proceedings than the losses it would suffered under liquidation or bankruptcy proceedings, and which is determined by independent valuation as defined under entity laws on banks, the Agency shall be entitled to compensation for the difference up to the amount of loss that it would have suffered under aforesaid proceedings from the extraordinary insurance premium funds.

## **CHAPTER III – DEPOSIT INSURANCE AGENCY**

### **Article 22**

#### **(Establishment)**

- (1) There is hereby established the Deposit Insurance Agency of Bosnia and Herzegovina.
- (2) The Agency shall have its seat in Banja Luka and two branches, one in Sarajevo and one in Banja Luka. The Agency may open additional organisational units but only if the proposed unit is to be fiscally viable from the date of its opening. The Agency may allocate its functions to either of two branches.
- (3) The branches or other organisational units shall have no legal status or powers independent from the Agency. Any additional branch or organisational unit of the Agency can only be established by a Decision made by the Agency's Management Board. The Board shall appoint directors of all organisational units of the Agency.
- (4) The Agency is an independent, non-profit legal entity with powers provided for under this Law.
- (5) The Agency shall have the capacity to contract, to acquire and to dispose of movable and immovable property, and to be a party to legal proceedings.
- (6) The Agency shall have a seal in accordance with the Law on Seals of Institutions of Bosnia and Herzegovina (Official Gazette of BiH, 12/98, 14/03 and 62/11). Branches shall have a seal, which additionally contains the title and the seat of the Branch.

**Article 23**  
**(Duties and powers)**

- (1) Tasks of the Agency are the following:
  - a) insuring eligible deposits of natural persons and legal entities in member banks in accordance with this Law;
  - b) issuing membership certificates to banks;
  - c) revoking membership certificates through suspension or termination;
  - d) investing the means of the Deposit Insurance Fund pursuant to the restrictions of the Agency's Investment Policy and in accordance with this Law;
  - e) paying out deposit insurance in the event of a member bank's cessation of operations according to this Law;
  - f) enacting regulations on deposit insurance and operations of the Agency in accordance with this Law;
  - g) participating in bank resolution procedures.
- (2) In the event the Agency and a member bank are unable to agree on the accuracy of any report required by this Law or by Decision of the Agency's Management Board, the Agency shall have right to require an audit of a member bank's business and the Agency has the right to engage an independent auditor to assess accuracy of the reports submitted by a member bank to the Agency. Costs of such audit shall be borne by the party whose interpretation was assessed by the independent audit as wrong.
- (3) When the Agency determines that a member bank does not maintain its obligations for its payment of the insurance premium to the Agency or does not maintain any other of its financial obligations to the Agency, the Agency is authorised to:
  - a) advise formally the FBA or the RSBA that the Agency plans to take measures as regards a member bank's action or condition that may affect the membership of that bank in the Fund;
  - b) file charges with an appropriate court;
  - c) institute the suspension and termination procedures.
- (4) The Agency shall have the right of inspection of any and all eligible deposits in its member banks and may request information on eligible deposits in writing. The member bank has two business days to acknowledge the receipt of the request and 10 working days to comply with any request for information on deposits.

**Article 24**  
**(Independence and immunity)**

- (1) In accordance with this Law, the Agency manages its operations on an independent basis.
- (2) From the date on which the Agency is established, the Director of the Agency, its Branch Director(s), and its staff, as well as other individuals recommended or appointed by the Agency to perform certain activities within the scope of this Law, cannot be prosecuted in a criminal or civil law procedure, for any action conducted in good faith, and in accordance with this Law, during the execution or implementation of any task within their powers.

- (3) The Agency shall bear the expenses, or reimburse the same, for any of its current or former staff, at whatever level of position, for any legal proceedings initiated against the employee from whatever source for actions conducted in good faith in executing or implementing their duties within the scope of this Law or their delegated powers if those expenses are not reimbursable from the party or parties that has or have brought suit against the Agency or its staff.

**Article 25**  
**(Statute of the Agency)**

- (1) The Agency's Statute prescribes the following:
- a) the Agency's organisation and operational manner;
  - b) the Agency's competence and working manner;
  - c) the Agency's powers for all representations;
  - d) the rights, obligations and responsibilities of persons carrying out activities and tasks with special powers and responsibilities; and
  - e) all other organisational issues related to the Agency's operation.
- (2) Management Board must review the Agency's Statute, on an annual basis, for its harmonisation with amendments in legislation that affects, either directly or indirectly, this Law.

**Article 26**  
**(Composition of the Management Board)**

- (1) The Management Board is the sole governing body of the Agency.
- (2) The Management Board shall consist of five members. This Law prescribes the composition and selection of the membership of the Management Board.
- (3) The Governor of the Central Bank and the Minister of Finance and Treasury of Bosnia and Herzegovina, or their nominees, are *ex officio* members of the Management Board.
- (4) The Governing Board of the Central Bank has the right to appoint one member of the Management Board and, within the limit of the respective laws of each Entity, the FBiH Minister of Finance and the RS Minister of Finance each has the right to appoint one member from their respective Entities to the Management Board.
- (5) Members of the Management Board, who are not *ex officio* members, must be individuals who have achieved reputations for financial or banking expertise and who also possess reputations for high moral standards by which to perform their entrusted duties.
- (6) The Management Board shall elect a Chairman and a Vice Chairman from among its members.
- (7) Individuals who are proposed as members of the Management Board must present a written statement as proof of their eligibility and a confirmation of acceptance in case of their appointment.
- (8) Mandate of the Management Board members shall be five years. The mandate may be renewed a maximum of two consecutive terms.
- (9) Provisions on duration and limit of the mandate shall not be applied for *ex officio* members.

- (10) Any person, other than a member who is an *ex officio* member, may be appointed a member of the Management Board of the Agency for two consecutive terms only, so that during the appointing for each next mandate, at least two members from a previous mandate of Management Board shall be appointed.
- (11) Management Board members cannot be related to one another, or to the Agency's Director or the Agency's Branch Directors, by blood or marriage, up to the third degree of consanguinity.
- (12) Management Board members cannot be executives or members of the supervisory or Management Board of any member bank, or any other bank licensed within the State, during their mandate.
- (13) Member of the Management Board or a person related to him, at the right or collateral line to the third degree of consanguinity or marriage, cannot have, directly or indirectly, more than five percent of member banks' capital. A member of the management board, or a person related to him, at the right or collateral line to the third degree of consanguinity or marriage, shall inform the Management Board in writing, about their interest in the member bank.
- (14) Management Board members must provide to the Agency a written disclosure of all interests they, or any one related to them, by blood or marriage, up to the third degree of consanguinity, have in any other bank or commercial enterprise in which they own more than five percent of a bank's or an enterprise's capital.

## **Article 27**

### **(Removal, suspension and release of Management Board members)**

- (1) A majority of the membership of the Management Board has the right to remove a member of the Management Board in connection with serving on the Management Board. The subsequent appointment of an individual to that vacancy shall comply with this Law as regarding the membership appointing powers for the member being replaced.
- (2) It is the duty and responsibility of the Management Board to inform the Council of Ministers of Bosnia and Herzegovina of any criminal or illegal conduct of any member of the Management Board.
- (3) A Member of the Management Board shall be automatically suspended if acting in contradiction with Article 26, paragraphs (11) to (14) of this Law.
- (4) Members of the Management Board are responsible for notification to the Management Board on their status referred to in Article 26, paragraphs (11) to (14) of this Law.
- (5) During the tenure of the Management Board, its members cannot be prosecuted by a criminal or civil legal process for any action conducted in accordance with this Law and in good faith consistent with their duties as members of the Management Board.
- (6) Members of the Management Board may be released of their function before the mandate expires upon personal request of the Member.
- (7) Any person appointed to be, in lieu of a member who has been removed, suspended or released, a member of the Management Board shall perform this duty until the end of mandate of their predecessor.



## **Article 28**

### **(Sessions)**

- (1) Sessions of the Management Board shall be held at least once in a three-month period or once per each calendar quarter and may be held more frequently on an ad hoc basis.
- (2) The Management Board shall hold its meeting sessions alternately at each of the locations of the Agency's branches and on a regular basis.
- (3) The Chairman shall convene sessions of Management Board.
- (4) The Chairman shall also convene a special session upon the request of the Director of the Agency or upon the request of two members of the Management Board, but no later than 14 days from the day of submission of the request.
- (5) If the Chairman of Management Board fails to act in accordance with request from paragraph (4) of this Article, the person who submitted the request shall be authorised for convening the special session.
- (6) Written invitation for the session of Management Board precising the date, time of its commencement, place and the agenda of session shall be delivered to the members of Management Board no later than 7 days before the date of holding of the session. The materials for each of the items shall accompany invitation for session on the agenda.
- (7) Persons who are not members of Management Board may be present at the session upon written invitation by the Chairman.
- (8) For holding the session of the Management Board, a quorum of majority of the entire number of members is required. The Management Board shall issue its decisions by a majority of votes of the entire number of members.
- (9) The Chairman or any member of Management Board shall not vote on the issues that relate to himself personally.
- (10) The Agency's Director and Branch Director shall attend each session of the Management Board as non-voting participants. The Chairman may decide that the Agency's Director and Branch Director(s) may not attend sessions of the Management Board. Such a decision by the Chairman of the Management Board must be explained to the Management Board, Director of the Agency and Branch Director.
- (11) Each donor agency or donor country, domestic or foreign, may appoint an advisor to the Agency's Management Board. Rights and liabilities of these advisors shall be regulated by an agreement signed jointly by the Agency's Management Board and those donor agencies or countries.
- (12) Directors of the banking agencies shall be invited to attend the meetings of the Management Board without the right to vote.

## **Article 29**

### **(Tasks of the Management Board)**

The Management Board shall:

- a) appoint the Agency's Director and the Agency's Branch Directors;
- b) elect the Chairman and Vice Chairman of the Management Board;
- c) approve the Agency's Statute and its other acts of general application;

- d) approve all legislation, policies, guidelines and fees for the management and operation of the Agency and its Fund as required by this Law, any law of the State or by sound and prudent management practices;
- e) review annually this Law in relationship to the Law on Banks;
- f) establish and approve appropriate professional qualifications for Agency's Director and Branch Directors;
- g) issue regulations on the manner of monitoring of member banks' operations;
- h) approve membership participation of banks and membership cessation of member banks upon recommendation of the Agency's Director;
- i) adopt the Agency's financial plan upon recommendation of the Agency's Director;
- j) adopt an Investment Policy for the Fund upon recommendation of the Agency's Director;
- k) make decisions on the insurance premium rate and extraordinary premium assessed of member banks upon the recommendation of the Agency's Director;
- l) make decisions on change in deposit insurance coverage of Eligible Deposits upon the recommendation of the Agency's Director;
- m) make decisions on the membership certificate fee assessed of member banks upon the recommendation of the Agency's Director;
- n) approve the salaries and benefits for all the Agency's staff upon the recommendation of the Agency's Director, if not otherwise governed by a State law or regulation;
- o) approve all necessary legislation and guidelines for the work of the Management Board itself;
- p) annually approve the appointment of the Agency's external auditors upon the recommendation of the Agency's Director;
- r) make decision on appointment of independent auditor for situations of dispute with a member bank over reporting accuracy in accordance with this Law;
- s) adopt strategic plan of the Agency, the contingency plan and target amount of the Fund;
- t) make decision on usage of the Fund's asset for the member bank's resolution purposes.

### **Article 30** **(Reporting)**

- (1) The Management Board is responsible for the activities of the Agency.
- (2) The Management Board shall adopt the annual business report and financial plan for the next year and submit it for publication in the 'Official Gazette of Bosnia and Herzegovina' within three months from the end of the preceding calendar year.
- (3) The Management Board shall also provide a copy of its annual business report and its financial plan to the Presidency of Bosnia and Herzegovina for information within three months from the end of the preceding calendar year.

## **Article 31**

### **(Appointment of the Agency's Director and Branch Directors)**

- (1) The Management Board appoints the Director and Branch Directors of the Agency for a five-year period. The Management Board may reappoint the Director and the Branch Directors without a limit as to the number of appointments, but the confirmation process must be repeated at each appointment.
- (2) The Management Board shall be obliged to appoint a Director or Branch Director(s) of the Agency within 60 days after either position becomes vacant.
- (3) If a Director or Branch Director(s) is/are not appointed by the Management Board within the deadline from paragraph (2) of this Article, the Chairman of the Management Board shall then appoint a Director or Branch Director(s), as appropriate, on a temporary basis until appointment by the Management Board.
- (4) The person appointed on a temporary basis by the Chairman of the Management Board in accordance with paragraph (3) of this Article shall have full power to perform their duties in accordance with this Law.
- (5) The Director and the Branch Directors cannot be members of the Supervisory or Management Board of any member bank or any other bank by themselves or by anyone related to them, by blood or marriage, up to the third degree of consanguinity.
- (6) The Director or the Branch Directors cannot own, by themselves or by anyone related to them, by blood or marriage, up to the third degree of consanguinity, either directly or indirectly, more than five percent of the capital of any member bank.
- (7) The Director and the Branch Directors must provide to the Agency a written disclosure of any and all interests they have by themselves or by any one related to them, by blood or marriage, up to the third degree of consanguinity, in any member bank and in any other bank or commercial enterprise in which they own of any share of a bank's capital or they own more than five percent an enterprise's capital, or they are members of the supervisory or management boards of any commercial enterprise.
- (8) The Director and the Branch Directors shall not accept a position in a member bank within two years after their employment with the Agency has ended without the prior written permission of the Agency's Management Board.

## **Article 32**

### **(Tasks of the Director of the Agency)**

- (1) The Director of the Agency represents the Agency, manages the Agency's operations and is responsible for the Agency's operations.
- (2) The Director of the Agency shall:
  - a) make recommendation to the Management Board regarding membership participation of a bank and membership cessation of a member bank;
  - b) propose to the Management Board all individual enactments regarding specific member banks;
  - c) propose to the Management Board all acts of general application, rules and guidelines regarding all member banks;

- d) propose to the Management Board the Agency's financial plan and Investment Policy of the Fund;
  - e) represent the Agency in relations with member banks and all other institutions;
  - f) enforce all policies and decisions made by the Management Board;
  - g) establish and approve appropriate professional qualifications for Agency's staff below the level of Branch Directors;
  - h) make decisions in consultation with the Branch Directors on the hiring and firing of all employees below the level of Branch Directors, in accordance with a State law or regulation;
  - i) makes recommendation to the Agency's Management Board regarding the salaries and benefits for all the Agency's staff; in accordance with a State law or regulation;
  - j) at least once a year reviews the insurance premium rate assessed of member banks and makes recommendation regarding the same to the Management Board;
  - k) makes recommendation to the Management Board for deciding about issuing of the extraordinary insurance premium;
  - l) make recommendation to the Agency's Management Board regarding the selection of the Agency's external auditor;
  - m) make recommendation to the Agency's Management Board regarding the appointment of independent auditor in situations of disputes with a member bank over reporting accuracy as provided for by this Law;
  - n) make initiative to the Management Board regarding a change of the amount of deposit insurance coverage;
  - o) make recommendation to the Agency's Management Board on issuing a regulation on manner of monitoring member banks' operations;
  - p) regularly reviews the functional viability of the repayment system;
  - r) make recommendation to the Management Board adoption of the strategic plan, the contingency plan and the target amount of the Fund;
  - s) make recommendation to the Management Board to issue decision about use of the Fund under member bank resolution process.
- (3) The Branch Directors of the Agency govern and organise work in the Branches and assist the Director of the Agency in performing the duties from paragraph (1) of this Article. One of the Branch Directors is acting Director when delegated these powers by the Director during the official absences of the Director. Duties of the Agency's Director from paragraph (2) of this Article may be delegated by the Director to the Branch Directors as the Branch Director's individual power, or with powers shared with the Director of the Agency.
- (4) All delegations given by the Director to the Branch Directors shall be in writing. Any delegation may be withdrawn, with immediate effect, at any time with appropriate written notification. The Director of the Agency may delegate responsibilities only to the Branch Directors.

- (5) It is the responsibility of the Director to keep the Branch Directors continually informed of all aspects of the Agency's operations so that the Branch Directors are in the position to assume the duties of the Director as provided by paragraph 4 of this Article.
- (6) The Director and the Branch Directors participate in the deliberations of the Agency's Management Board but have no voting rights with the Management Board.
- (7) The Director and the Branch Directors are responsible for their work to the Agency's Management Board.
- (8) The Director of the Agency consults with the Branch Directors, as well as with other appropriate Agency staff, in forming decisions regarding the Agency's work or in forming recommendations to the Management Board. All decisions and recommendations are the final powers and responsibility of the Agency's Director.

### **Article 33**

#### **(Agency's Business Secrets)**

- (1) Members of the Agency's Management Board, the Director and the Branch Directors and all staff of the Agency, any persons engaged by the Agency in its work, as well as all other individuals performing any work on a short-term basis, are obliged to keep, as a business secret, all the information that they may have gained in their work.
- (2) The secrecy provision of paragraph (1) of this Article is also applicable after the cessation of the working relation, engagement or membership in the Management Board or employment of any type at the Agency.
- (3) The Agency may approve disclosure of the business secret in criminal procedure before appropriate court for the person referred to in paragraph (1) of this Article.

### **Article 34**

#### **(Financing of the Agency)**

- (1) The Agency's operational expenses shall be financed from revenues of fees, membership fee and returns on investments of the Fund's means.
- (2) Decision to collect membership fee, its amount and modalities of payment shall be issued by the Management Board of the Agency, and it shall be published in the 'Official Gazette of Bosnia and Herzegovina'.
- (3) Funds from the Agency's operational account can only be utilised for the Agency's operational expenses and the funds that comprise the Fund account can only be utilised for the payment of deposit insurance in the event of an insurance repayment and under member bank resolution process.
- (4) Donations may be used to finance the operational expenses of the Agency. All donations and any conditions attached thereto, that are not included in the Agency's approved financial plan, shall require the approval of the Agency's Management Board.
- (5) Annually, any surplus of the Agency's revenues achieved from sources described in paragraphs (1) and (3) of this Article over the Agency's expenditures shall be allocated to the Fund upon decision of the Agency's Management Board on the recommendation of

the Agency's Director. Surplus of income over expenditures can be used to cover potential losses that may arise in the work of the Agency.

- (6) All premiums paid by member banks shall be added to the Fund.
- (7) In a situation where the utilisation of the Agency's revenues, as described in paragraphs (1) and (3) of this Article, are not sufficient to finance the operational expenses of the Agency, the Management Board, upon recommendation of the Agency's Director, can decide on temporary usage of premium payments to ensure necessary funds. Such decision shall last for a period determined by the Management Board's Decision, within which period these temporary used funds shall be returned to the Fund and is conditional on the Agency's having exhausted all practical ways of reducing operational expenses.
- (8) In a situation where the Fund is not sufficient to meet the Agency's obligations in connection with paying out covered deposits, and all the provisions of this Article have been exhausted, the Agency, within the limit of the laws of the State, can secure loans and guarantees or issue debt securities for the acquisition of necessary funds. In such a situation the Management Board upon recommendation of the Agency's Director may approve the use of future premium claims as security and of future premium payment as source of serving that debt of the Agency.

### **Article 35**

#### **(Cooperation with a Banking Agency)**

- (1) The Agency and the banking agencies shall establish based on reciprocity, the necessary and timely cooperation on a regular basis and the exchange of information relevant to the implementation of their respective statutory tasks.
- (2) Cooperation and exchange of information referred to in paragraph (1) of this Article shall be regulated in more detail in the cooperation agreement between the Agency and the banking agencies.
- (3) If the Agency obtains confidential information from banking agencies, it shall treat this information as a trade secret of the Agency in accordance with Article 33 of this Law and may disclose this information only if there is prior consent of the Banking Agencies that submitted the information, and only for the purposes for which the banking agencies gave consent.
- (4) The Agency cannot be held responsible for the activities undertaken by the banking agencies based on information provided by the Agency or the Agency may hold the Banking Agencies responsible for the decision made by the Agency based on information received from the Banking Agency.
- (5) The competent banking agency shall inform the Agency of the planned resolution measures for the member bank.
- (6) If the Fund's means should be provided during the member bank's resolution, the Agency is obliged to provide, at the request of the Entity banking agency, an opinion on the estimation of the costs and the possibility of payment of the covered deposits in order to determine the possibility of conducting the liquidation or bankruptcy procedure of the

bank, respectively an estimate about possible volume of financing member bank's resolution with the Fund's means.

- (7) The Agency shall submit to the competent Banking Agency its opinion from paragraph (6) of this Article within 24 hours from submission of the Entity banking agency's request.
- (8) At the request of the competent Banking Agencies, the Agency shall supply necessary information for the calculation of the amount of a hypothetical liquidation.
- (9) After competent banking agencies officially notified the Agency that a formal decision on member Bank resolution was taken and about the amount which should be provided from the Fund, the Agency shall ensure that within 48 hours the funds to finance resolution of the member bank are provided.

### **Article 36**

#### **(Cooperation with the Central Bank of Bosnia Herzegovina)**

- (1) The Agency shall provide, on a reciprocal basis, to the Central Bank all information it collected while carrying out powers under this Law.
- (2) The Agency cannot be held responsible for any action(s) taken by the Central Bank based on information provided to the Central Bank by the Agency.
- (3) The Central Bank shall provide, on a reciprocal basis, to the Agency reports and information it disposes with, that are needed for the Agency to monitor banks' business operations.

## **CHAPTER IV – PENALTY PROVISIONS**

### **Article 37**

#### **(Minor offences)**

- (1) A fine of BAM 40,000 to BAM 200,000 shall be imposed on a member bank if it:
  - a) fails to submit or untimely submit reports to the Agency;
  - b) fails to pay insurance premium as it matures;
  - c) fails to pay membership certificate fee;
  - d) fails to pay a membership fee;
  - e) fails to display logo of the Agency and promotional material as an evidence of its deposit insurance membership;
  - f) declines to accede deposit insurance contract;
  - g) submits inaccurate information to the Agency.
  - h) if the information on deposit insurance specified in this law is used for advertising purposes in a way that threatens the stability of the banking system and the confidence of depositors;
- (2) For violations referred to in paragraph (1) of this Article a monetary fine from BAM 2,000 to BAM 10,000 shall be imposed to member of Board of Directors of the member bank.

- (3) For violations referred to in paragraph (1) of this Article a monetary fine from BAM 2,000 to BAM 10,000 shall be imposed on a supervisory board members of the member bank.

### **Article 38**

#### **(Minor offence proceedings)**

- (1) Minor offence proceedings shall be initiated and conducted in accordance with the legislation governing minor offence proceedings.
- (2) Establishing of responsibility and pronouncing of measures in accordance with this Law does not exclude establishing of responsibility and pronouncing of measures determined by other laws.

### **Article 39**

#### **(Cessation of Agency's Operations)**

- (1) In the case whereby the Agency shall cease its operations for any reason other than the complete repayment of any insurance obligation, any Agency's means shall be distributed as follows:
- a) payment of all legal obligations of the Agency, including any outstanding staff salary and benefits;
  - b) up to the amount available, means must be returned to any donor up to the principle amount contributed or on a pro rata basis if all donor fund principle amounts cannot be returned;
  - c) all the remaining means available must be returned to the member banks on a pro rata basis of all member banks' paid-in premiums.
- (2) The Agency's Management Board may undertake action to reorganise the Agency's organisational and operational arrangements but may do so only by an amendment of this Law in part or in whole. Should this action occur, the Agency shall continue its operations as prescribed by this Law and shall submit any amendments necessary to be affected due to a change in its organisational operation to the BiH Parliamentary Assembly for legislative procedure within six months of the date the Agency's organisational and operational arrangements were approved by the Agency's Management Board.

## **CHAPTER V – TRANSITIONAL AND FINAL PROVISIONS**

### **Article 40**

#### **(Repeals)**

Upon entry into force of this Law, the Law on Deposit Insurance in Banks of Bosnia and Herzegovina shall cease to have effect ('Official Gazette of Bosnia and Herzegovina,' 20/02, 18/05, 100/08, 75/09, and 58/13).

**Article 41**  
**(Entry into force)**

This Law shall enter into force on the eighth day following its publication in the ‘Official Gazette of Bosnia and Herzegovina’.

Number: 01,2-02-1-1027/18  
February 14, 2020  
Sarajevo

Chairman of the  
House of Representatives of the  
Parliamentary Assembly of BiH

Denis Zvizdić, PhD

Chairman of the  
House of People of the  
Parliamentary Assembly of BiH

Dragan Čović, PhD

**EXPLANATION OF THE**  
**LAW ON DEPOSIT INSURANCE IN BANKS**  
**OF BOSNIA AND HERZEGOVINA**

***I. CONSTITUTIONAL BASIS FOR ENACTMENT OF THE LAW***

The constitutional basis for the adoption of the proposed Law is determined by the Constitution of Bosnia and Herzegovina and Article IV 4 a), which defines the jurisdiction of the Parliamentary Assembly of Bosnia and Herzegovina for the enactment of laws that are necessary to implement decisions of the Presidency or to carry out the functions of the Assembly.

***II. RATIONALES FOR ENACTMENT OF THE LAW***

In order to contribute to preserving the overall financial stability and recognition of the role and importance of the Deposit Insurance Agency of Bosnia and Herzegovina as a indispensable part of the financial sector, there is continuously monitored the actuality of application of the current law, and considered the need of compliance with appropriate EU Directives on Deposit Guarantee Schemes, hence the proposed Law is primarily made because of these reasons. A further reason for the proposed amendments is the obligations which the Bosnia and Herzegovina assumed by signing the Letter of Intent with the IMF, as well as the technical corrections of the Law.

***III. THE PRINCIPLES ON WHICH PROPOSED LAW IS BASED***

The principles on which the Proposed Law is based are the principle of constitutionality and

legality, the principle of transparency, the principle of protection of the public interest and the principle of fiscal responsibility.

#### ***IV. EXPLANATION PER ARTICLES OF THE LAW***

Article 1 – It establishes the framework for the application of law, establishment, status, activity, governance and management, powers, obligations and financing of the Agency as well as the purpose of the law, protection of depositors and preservation of financial stability.

Article 2 – defines terms used in proposed law.

Article 3 – compliance with Unique rules for drafting legal regulations in the institutions of Bosnia and Herzegovina.

Article 4 – determines the insurance principle of all Eligible Deposits with Member banks.

Article 5 – limit on deposit insurance are determined by determining the insurance coverage limit, payments in convertible marks and the date of calculation of interest until the day the operating license is withdrawn from the bank member.

Article 6 – It determines insurance exclusions in such a way as to exclude deposits of banks, microcredit organisations, government bodies, investment funds, insurance companies, persons in a special relationship with the bank, and the like.

Article 7 – Participation in membership of deposit insurance and the principle of compulsory membership is determined for all banks in Bosnia and Herzegovina that have operating license issued by the competent banking agency.

Article 8 – Monitoring of the quality of member banks operations is determined for fulfillment of the legal mandate of the Agency, reimbursement of covered deposits, determination of potential liability, calculation of premium, differentiated premiums, target amount of the Fund.

Article 9 – Determined is herewith the reporting of the member banks towards the Agency in terms of accuracy, timeliness and availability of data.

Article 10 – The obligation to sign a membership contract and issue a membership certificate is determined.

Article 11 – The Agency is obliged to provide promotional material to member banks in order to provide depositors with as much information as possible on the deposit insurance.

Article 12 – It determines the obligation of member banks to pay insurance premiums, its basis, amount, collection, defining a differentiated and extraordinary insurance premium.

Article 13 –Determines the Deposit Insurance Fund, the composition of Fund means, the Fund's investment.

Articles 14, 15, and 16 – The termination of membership is determined by the repayment of covered deposits, when it arises, the deadline for making deposits available (twenty working days), depositor obligations, and subrogation, i.e., transfer of depositors' rights to the Agency for the paid amount of the deposit.

Article 17, 18, 19, and 20 – The suspension of member banks is regulated in more detail if banks fail to fulfill the obligation to pay the insurance premium.

Article 21 – The conditions for use of the Fund in the processes of the member bank resolution are determined, as follows:

In order to preserve financial stability the new laws on banks foresee a resolution process which, through the resolution of banks' operations, helps to create a self-sustainable bank and one of the

resolution funding sources is the Deposit Insurance Fund. The decision on the use of funds would be made by the Management Board of the Agency, it would give its opinion to the resolution authority in the banking agencies, which would also issue a decision on approval of the resolution.

The safeguards of the Deposit Insurance Fund in the resolution financing processes are:

- Financing of the process means that position of the Deposit Insurance Fund will be the same or more favourable to participate in bank resolution in relation to liquidation or bankruptcy (contribution up to the amount of expected loss). The independent assessment of means and liabilities of banks as defined by banking laws is used for these valuations;
  - Level of contribution by the Deposit Insurance Fund is limited to 50% of the target amount of the Fund.
  - Opinion of the Agency on resolution processes, especially in relation to a hypothetical liquidation or bankruptcy
  - The Management Board, being the highest governing body makes a decision on the use of the Fund's means
  - In case the Deposit Insurance Fund suffered greater losses than it would suffered in the process of liquidation or bankruptcy, it is entitled to refund the difference from the extraordinary premium.

These solutions are in line with the EU Directive on Deposit Guarantee Schemes and Bank Recovery and Resolution.

Article 22 – It determines the establishment of the Agency, its definition as an independent non-profit legal entity, an organisational form, a structure composed of a seat and two branches.

Article 23 – It is determining the basic tasks of the Agency through the provision of eligible deposits, issuance of certificates of membership for member banks, seizure by suspension of membership certificates, investment of the Fund, repayment of covered deposits, participation under member bank's resolution, issuance of bylaws.

Article 24 – It defines the independence in the work of the Agency and the immunity of the former and current employees of the Agency for the good intentions in the performance of their duties.

Article 25 – The adoption of the Statute of the Agency and its mandatory content is defined.

Article 26, 27, 28, and 29 – The Management Board is appointed as the sole management body, its composition, the institutions that are authorised to appoint members of the Management Board, dismissal, suspension and dismissal of the members of the Management Board, the manner of holding sessions and determining the quorum and the competence of the Board.

Article 30 – The reporting of the Agency to the Presidency of BiH is determined.

Articles 31 and 32 – The managing bodies of the Agency, their appointment and tasks are determined.

Article 33 – The business secret of the Agency is determined.

Article 34 – It determines the financing of the Agency, its sources as well as the sources if there are no funds for its operational work or for the payment of covered deposits and participation under resolution process.

Article 35 – It defines in more details and regulates cooperation with the entity banking agencies in terms of regular business and in case of liquidation or participation under member bank's resolution.

Article 36 – The cooperation with the Central Bank of Bosnia and Herzegovina is defined.

Article 37 – The violations of this law and the penalties for these are defined.

Article 38 – The conduct of the proceedings and the bodies for conducting misdemeanor proceedings are defined.

Article 39 – The termination of the Agency's work is defined.

Article 40 – The termination of the current law is defined.

Article 41 – The entry into force of the law is defined.

#### **IV. FINANCIAL MEANS**

It is not necessary to provide funds in the budget of institutions and international obligations of Bosnia and Herzegovina for the implementation of this law.

#### **V. EXPLANATION OF THE POSSIBLE ECONOMIC, SOCIAL AND ENVIRONMENTAL IMPACT OF REGULATION**

In accordance with Article 60, paragraph (2) of the Uniform Rules for the Preparation of Legal Regulations in the Institutions of Bosnia and Herzegovina, the proposer of the Regulations considers that the nature of this letter does not require an explanation under this paragraph.