

Track Changes

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March 2020

BOSNIA AND HERZEGOVINA INTRODUCE INTERIM RELIEF MEASURES TO ASSIST LOCAL BANKS IN MITIGATING NEGATIVE CONSEQUENCES OF THE COVID-19 OUTBREAK

Developments related to COVID-19 are occurring rapidly. Wolf Theiss will continue to distribute regular Client Alerts via email and publish up-to-date analysis on our website. A list of daily updated resources can be found here:

<https://www.wolftheiss.com/covid19/>

On 20 March 2020, the Banking Agency of the Federation of Bosnia and Herzegovina (FBA) and the Banking Agency of Republika Srpska (BARS), the competent financial regulators in Bosnia and Herzegovina (BiH) adopted special decisions (in almost identical texts) on interim relief measures which local banks may implement for the purpose of mitigating negative consequences caused by the COVID-19 outbreak (Decisions and each a Decision). The relevant Decision of BARS was published in the Official Gazette of Republika Srpska on 24 March 2020, while the Decision of FBA is expected to be published in the Official Gazette of the Federation of Bosnia and Herzegovina and to become effective on 27 March 2020.

The Decisions provide a legal framework and guidance to local banks for dealing with the expected impact of the COVID-19 outbreak on the ability of BiH clients to service their loans and other financial obligations vis-à-vis banks. In particular, the Decisions provide for the following measures which banks may grant (individually or as a combination of two or more measures):

- Moratorium on loan repayment (until the end of the state of emergency or up to six months, whichever is earlier);
- Approval of grace period for loan repayment (for a period of up to six months);
- Extension of the repayment term;
- Approval of additional facilities to help maintain liquidity; and
- Other appropriate measures which banks deem appropriate to facilitate servicing of the loan obligations to its clients and restoring of the clients' businesses.

The respective measures are available to both corporate and private clients of banks (legal and natural persons) who are directly or indirectly affected by the COVID-19 outbreak, provided they are not in a payment default (in a materially significant amount as defined under the appropriate FBA/BARS bylaws) for a period longer than 90 days. Clients who are in such a payment default, as well as clients who are not directly or indirectly affected by the COVID-19 outbreak are not eligible for the measures.

Clients who wish to apply for a measure should approach their banks with a request. However, if they identify problems in relation to certain client(s), banks may also unilaterally approve the measures if they deem appropriate on the basis of the repayment monitoring process. The banks may decide to implement the measures on a case-by-case basis or on a portfolio basis. However, before approving and implementing any measures the banks must duly inform the clients about the available options and effects of the measures and the clients must declare (in writing or electronically) if they accept such offer. Any change of the agreed terms of the loan must be agreed upon by all parties in the loan transaction.

Although both FBA and BARS confirm that the local banking sector is currently stable to sustain the current issues, the Decisions also envisage obligations for the local banks to regularly monitor impact of the approved relief measures on their business liquidity model and risk profile and to maintain the mandatory capital adequacy at all times. This means that the banks will need to retain the profit from 2019 and extend or cancel payment of dividends as well as bonuses.

Within 15 days from entry into force of the Decisions, the banks are required to adopt and deliver to FBA/BARS their programs of relief measures as adopted by the management. Any contemplated changes of the loan terms must also be published on the bank' web sites.

Does your business need support in implementing a work from home policy? We are pleased to offer our online collaboration platform WT Space to support you during the current COVID-19 pandemic.

WT Space is a fully customizable, secure collaboration platform that requires no additional hardware or software. Whether you need to collaborate on documents, manage project tasks or communicate more efficiently, WT Space can help bring your team together. Please let us know if you have questions or wish to discuss pricing. space@wolftheiss.com

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