

Pursuant to Article 37, Paragraph 9, Item 3) and Article 187 of the Banking Law of Republika Srpska ("Official Gazette of Republika Srpska", No.: 4/17, 19/18, 54/19 and 63/24), Article 5, Paragraph 1, Item b), Article 20, Paragraph 2, Item b) and Article 37 of the Law on the Banking Agency of Republika Srpska ("Official Gazette of Republika Srpska", No.: 59/13 and 4/17), Article 6, Paragraph 1, Item b) and Article 19, Paragraph 1, Item b) of the Statute of the Banking Agency of Republika Srpska ("Official Gazette of Republika Srpska" No.: 63/17), the Management Board of the Banking Agency of Republika Srpska, at the 12th session, held on 10 December 2024, adopted the

DECISION ON CAPITAL BUFFER FOR SYSTEMICALLY IMPORTANT BANKS

Subject of the Decision

Article 1

- (1) The Decision on capital buffer for systemically important banks (hereinafter: the Decision) shall stipulate the method of determining systemically important banks in Republika Srpska and the requirements for maintaining the capital buffer for systemically important banks.
- (2) All banks headquartered in Republika Srpska, to which the Banking Agency of Republika Srpska (hereinafter: the Agency) has issued an operating license shall be obliged to apply the provisions of this Decision.
- (3) The bank shall not use the CET1 capital maintained to meet one of the elements of the combined buffer requirement to meet other applicable elements of the combined buffer requirement.

Definitions

Article 2

The definitions used in this Decision shall have the following meaning:

- 1) **Total risk exposure amount** - amount calculated in accordance with the Decision on calculating capital in banks.
- 2) **Systemically important bank** - shall have the same meaning as in the Banking Law of Republika Srpska (hereinafter: the Law).

Determining systemically important banks

Article 3

- (1) Systemically important banks in Republika Srpska shall be determined based on the following criteria defined by the Law:
 - 1) size,
 - 2) interconnectedness with other participants in the financial sector,
 - 3) substitutability in the financial sector and
 - 4) complexity of operations.

These criteria may consist of one or more indicators, taking into account the specificities of the banking sector of Republika Srpska.

- (2) Weights shall be applied on criteria, i.e. indicators referred to in Paragraph 1 of this Article in order to obtain the bank's systemic importance coefficient (BSIC) in a particular period, according to the following formula:

$$BSIC = \left(weight\ 1 \times \frac{Size_{ij}}{\sum_{i=1}^n Size_{ij}} \right) \times 10000 + \left(weight\ 2 \times \frac{Interconnectedness_{ij}}{\sum_{i=1}^n Interconnectedness_{ij}} \right) \times 10000 + \left(weight\ 3 \times \frac{Substitutability_{ij}}{\sum_{i=1}^n Substitutability_{ij}} \right) \times 10000 + \left(weight\ 4 \times \frac{Complexity_{ij}}{\sum_{i=1}^n Complexity_{ij}} \right) \times 10000$$

(3) The Agency shall separately stipulate the indicators and associated weights referred to in Paragraphs 1 and 2 of this Article in the Decision on the Methodology for determining systemically important banks and the capital buffer for systemically important banks (hereinafter: the Methodology).

(4) The threshold of the coefficient of systemic importance, based on which a bank is classified in the group of systemically important banks, is set at a total of at least 1500 basis points, taking into account all the criteria from Paragraph 1 of this Article.

(5) The Agency may designate a bank that does not meet the conditions referred to in Paragraph 4 of this Article as a systemically important bank in the following cases:

- 1) when a bank, based on one or more criteria from Paragraph 1 of this Article, meets the condition from Paragraph 4 of this Article relating to the threshold of the bank's systemic importance coefficient,
- 2) when a bank's systemic importance coefficient deviates by up to 300 basis points from the systemic importance coefficient threshold referred to in Paragraph 4 of this Article,
- 3) the existence of critical bank functions identified by the Agency, and
- 4) other specific circumstances.

(6) In the event of application of Paragraph 5 of this Article, the Agency shall provide an explanation for the same.

(7) After it is determined that the bank is systemically important based on the Methodology, the Agency shall issue a separate ruling for each systemically important bank, within which the deadline for compliance with the requirement to maintain the capital buffer for the systemically important bank will be defined.

(8) The Agency shall establish and update once a year the list of systemically important banks in Republika Srpska in accordance with the Methodology and review the obligation to maintain a capital buffer for systemically important banks, while respecting the principle that the capital buffer for systemically important banks must not lead to disproportionate adverse effects on the whole or parts of the financial system of Republika Srpska by creating obstacles to the functioning of the internal market. The Agency may announce publicly the list of systemically important banks in Republika Srpska referred to in this Paragraph.

(9) The Agency shall submit the list of systemically important banks in Republika Srpska referred to in Paragraph 8 of this Article to the Banking Agency of the Federation of Bosnia and Herzegovina, the Central Bank of Bosnia and Herzegovina and the Deposit Insurance Agency of Bosnia and Herzegovina.

(10) If, after issuing the ruling referred to in Paragraph 7 of this Article, and before the next determination of systemically important banks, there is a change in the circumstances defined in Paragraphs 4 or 5 of this Article, so that the bank no longer meets the conditions of systemic importance, the Agency may put out of force the ruling referred to in Paragraph 7 of this Article before the next determination of systemically important banks.

Capital buffer requirement for systemically important banks

Article 4

(1) The capital buffer for systemically important banks is the regulatory capital that the Agency requires a systemically important bank to maintain in the form of CET1 capital on an individual, consolidated or sub-consolidated basis.

(2) The CET1 capital maintained to meet the requirements referred to in Paragraph 1 of this Article shall not be used to meet the requirements referred to in Article 38, Paragraph 1, Items 1-3 of the Decision on calculating capital in banks, additional capital requirements following the supervisory review and assessment of banks, or capital recommendations issued based on the results of supervisory stress testing.

(3) The Agency may set a capital buffer ratio for systemically important banks in the range of 0% to 3% of the total risk exposure amount.

(4) When a bank is subject to the requirement to maintain capital buffer for systemic risk determined in accordance with the Decision on the capital buffer for systemic risk, that buffer shall be added to the buffer for a systemically important bank.

(5) The Agency may determine special regulatory requirements for systemically important banks relating to capital, risk exposure, liquidity and other performance indicators in accordance with the Law and other by-laws of the Agency, as well as special requirements regarding the reporting.

Transitional and final provisions

Article 5

This Decision shall come into force on the eighth day from the date of its publication in the "Official Gazette of Republika Srpska" and shall apply from 30 June 2025.

Number: UO-121/24

Date: 10 December 2024

PRESIDENT OF THE
MANAGEMENT
BOARD
Dejan Kusturić