R E P O R T
on Operation of Ombudsman for Banking System of Republika Srpska
for the period January 1 – December 31, 2012

Introduction

1. In accordance with the Law on Banking Agency of Republika Srpska ("Official Gazette of RS" No. 67/07 – Revised text, and 40/11), the main tasks of the Ombudsman for the banking system of Republika Srpska (hereinafter: Ombudsman) are as follows:

- providing information on the rights and obligations of beneficiaries and providers of financial services,
- reviewing complaints submitted by the beneficiaries of financial services and providing answers, recommendations and opinions, and proposing measures for resolving the complaints,
- monitoring and recommending activities to improve the relationship between the beneficiaries of financial services and financial organizations of the banking system of Republika Srpska,
- examination of activities at the financial market in order to protect the rights of beneficiaries of financial services,
- mediation in the peaceful resolution of disputes between the beneficiaries of financial services and financial organizations of the banking system of Republika Srpska,
- giving guidelines or recommendations related to the separate standard conditions or activities for the implementation of good business practices in the operations of financial organizations of the RS banking system,
- proposals to the Management Board of the RS Banking Agency related to the passing of acts in the area of the protection of rights of beneficiaries of financial services,
- cooperation with other competent authorities and performing other activities and operations in the area of protection of rights of beneficiaries of financial services.

After the initial establishment of the basic presumptions with regard to the instituting of the Ombudsman's organizational unit, during the reporting period and within the limits of available capabilities, it has been continued with the improving of material and administrative requirements necessary for the execution of tasks defined by the Law on Banking Agency of Republika Srpska and implementation of procedures prescribed by the Rulebook on Ombudsman for the Banking System of Republika Srpska under the reference or complaint made by the beneficiaries of financial services ("Official Gazette of RS" No. 111/11).
In terms of material presumptions for operations, during the reporting period, a specially designed and separate workspace for the reception and consulting of parties has been provided, and thus at the same time, the conditions for meetings regarding the mediation between the beneficiaries of financial services and financial organizations of the banking system of Republika Srpska have been created, which furthermore enabled the realization of and compliance with the prescribed principle of confidentiality in the mediation procedures.
Within the domain of internal organization, in addition to the person performing operations and managing the Ombudsman's organizational unit, within the observed period, another person has been employed in this organizational unit – executant, for who an appropriate training and familiarizing with the practical work on tasks and obligations performed in the Ombudsman's organizational unit, i.e. in the Banking Agency of Republika Srpska (hereinafter: the Agency) is being implemented.

1. Complaints, queries and other reports of the beneficiaries of financial services

1.1. Complaints resolving

As of 1 January to 31 December 2012, the Ombudsman's organizational unit has received 139 complaints and notices anent the incurred disputes and other legal affairs regarding a disputed subject matter or a general request to discuss certain questions in individual relations among the beneficiaries and providers of financial services, and related to the operations of financial organizations of the banking system of Republika Srpska. Out of the procedures currently being processed in this organizational unit, 11 complaints, i.e. notices are being processed at the various levels of proceedings.

In the observed period, out of 134 concluded proceedings under the complaints and notices of the beneficiaries of financial services, including 28 proceedings initiated in 2011:

41 well-founded beneficiaries' complaints were resolved in favor of the beneficiaries

6 well-founded complaints – beneficiary's proposal to resolve the dispute by means of mediation was not accepted by the financial organization

4 well-founded complaints – financial organization's proposal to resolve the dispute by means of mediation was not accepted by the beneficiary

21 well-founded complaints - complainants withdrew their complaints

19 ill-founded complaints

43 complaints – argued answers were given to the beneficiaries with the instructions related to the application of relevant material and procedural legislation in individual matters and necessary further procedures (19 complaints were forwarded to another authorized institution, since further processing is within the scope of authority of the Banking Agency of Federation of Bosnia and Herzegovina, bearing in mind actions arisen, possible jurisdiction or the assignment of competent authority or persons with public authority, while 3 complaints together with documentation were forwarded to competent judicial authorities).

a) Number of queries per providers of financial services

Providers of financial services	**Number of queries**
Banks	128
Microcredit Organizations	11
Leasing Providers	0
Saving-Credit Organizations	0
Other	0
Total	**139**

b) Number of queries per types of financial services

Types of financial services	Number of queries and percentage
Loans	97 (70%)
Deposit operations	6 (4%)
Payment transactions	9 (7%)
Electronic payment instruments	13 (9%)
Other	14 (10%)
Total	**139 (100%)**

Loan operations. As the data given in the above table b) suggest, most of the complaints and notices of the beneficiaries of financial services were related to loan operations. In the observed period, the most common subject of the complaints of beneficiaries of financial services and incurred disputes was related to the regularity of negotiating of individual clauses on interest rate variability and practice of financial organizations in calculating and changing, i.e. increasing or avoiding to decrease contracted variable interest rates during the contractual relation, i.e. repayment of individual loans. In relation to the aforementioned, it should be noted that the complaints of this type were related to the practice of 4 banks from Republika Srpska, and 3 banks from the Federation of Bosnia and Herzegovina, and that in the observed period, 34 complaints having as a subject the mentioned dispute were submitted, representing more than a third of the complaints related to the rights and obligations of beneficiaries within the group of loan operations. Additionally, it should be emphasized that all complaints of such type are related to the period of conclusion of individual loan operations prior to the Law on Amendments to the Law on Banks of Republika Srpska ("Official Gazette of RS" No. 116/11) coming into force, and by which regulation, explicitly and additionally, in relation to the general and already existing rules, within the domain of financial services usage by physical entities, it has been impeded to negotiate clauses on interest rate variability on loans with undefined, i.e. indefinable elements, and such clauses to be the subject of contractual obligation, resulting in irregular practice in a concrete application. Within the frameworks of such disputes, in regards to the banks in Republika Srpska, the basic modalities in negotiating and acting on calculation and changing of the contracted interest rates differ:

- determining variable nominal interest rates, for which, in general, referent interest rates EURIBOR, i.e. LIBOR are negotiated, apart from a defined interest margin, as a variable element in the nominal interest rate calculation basis. The beneficiaries' complaints of these types of financial services were directed to the fact that, after the decrease in value of the abovementioned referent rates at the international financial markets, the financial organizations, within the scope of individual credit and legal operations, according to the newly established values of referent rates, avoided to adjust the amount of interest rates and, at the same time, appropriate annuities in contracted calculation periods. Particularly, the described practice has been realized by means of changing the contracted interest rate by internal bank decisions, although the criteria for its alternation have been unknown, which is why the interest owed amount of obligation was indeterminable for the loan beneficiary;

- determining variable nominal interest rates where the change, i.e. increase of interest rate has been conducted in relation to the contracted undefined "cases" within which the possibility of changing the interest rate was envisaged also by the method of internal bank decisions, but with the absence of concretization of both variable and fixed elements in the interest rate calculation basis and the possibility of increasing the amount of interest rate without limitation;

- determining nominal interest rates only in a specific absolute amount without defining its variability in contracted provisions, excluding a legal presumption on the element invariability in such cases;

- on the one hand, determining nominal interest rates as variable and dependent on the value trend of referent interest rates LIBOR, i.e. EURIBOR, and on the other hand, with the variability clause exclusively in cases of the increase of the contracted referent interest rate, with an undefined possibility of the interest rate increase, and the problem of applying the interpretation rules of onerous contracts at approach.

Taking into account, as a primary legal argumentation of the procedures validity, the approval and autonomy of will of the contracted parties, as a general condition of the contract coming into being and one of the principles of the contractual law, expressed by a formal acceptance of a certain status of rights and obligations of the beneficiaries, which, according to the statements made by beneficiaries at least indicates to the existence of certain misunderstandings when making a statement, in the course of discussing such issues, a commitment of financial organizations to discuss such issues in the proceedings before the competent judicial authorities has been strongly expressed, and this kind of trend has been also noted in the previous reports, noting that according to available data, a certain number of beneficiaries has initiated appropriate legal proceedings for the protection of their interests. Furthermore, in the course of this reporting period, the first law proceedings have been finalized at the lower courts, however, one of the financial organizations in question was the first one which accepted the beneficiary's proposal for the mediation in order to peacefully settle the dispute.
In terms of other disputes, the beneficiaries' complaints, related to the same or nearly the same legal and factual basis and modalities of contracting and practice of financial organizations when calculating and changing the contracted interest rates, were also related to the banks from the Federation of Bosnia and Herzegovina.

In the proceedings related to other disputes belonging to a group of loan operations, the subject of a complaint or notice was mostly related to the issue of loan prepayment fee charged to a beneficiary, disputes related to misunderstandings or defect of consent when concluding certain legal operations related to the loan approval, the issue of validity of additional claims requested from a beneficiary by a financial organization after the repayment of the main debt with regard to the provisions of the valid regulations governing this issue, disputes related to the loan repayment by means of partial salary seizure consents for direct repayment to the creditor for the purpose of collecting the receivables, out of which some are conducted according to the prescribed enforcement proceedings, while other consents are conducted as a method of fulfilling already existing loan financial obligations, which from the view point of the purpose and function of this consent, and in a procedural and legal sense whose framework is defined by the provisions of the Law on Enforcement Proceedings ("Official Gazette of Republika Srpska" No. 59/03, 85/03, 64/05, 118/07 and 29/10) for forced collection of receivables based on the writ of execution and credible documentation, is assessed as irregular and in that sense, the practice that should not be implemented. In view of such complaints and notices, a high level of positive resolutions of disputes has been achieved in favor of beneficiaries, where the assessed relevant factors of such tendency are as follows: the manner of execution of our basic tasks applied in practice, prescribed impartiality, expertise and intermediary character of practice, as well as the activities carried out in adopting legal or good business practice argumentation by the financial organizations with which the cooperation is being constantly expanded, and the activities to regulate certain issues in the existing regulations in detail.
A significant characteristic of the observed period is also an increase in the number of complaints or notices related to the rescheduling and restructuring of existing obligations of loan beneficiaries towards financial organizations, although in one hand, the key limitation regarding this issue, as pointed out in the explained responses communicated to the beneficiaries, is primarily the application of principle of

autonomy of will of the contracted parties as one of the basic principles of the contractual law, which also includes the freedom of dispose of contract, and on the other hand, the need for implementation of adequate and adapted activities for the purpose of safeguarding the banking sector stability, which is particularly the subject of secondary legislation within the Agency's scope of operations and one of the basic activities of its managing operations.

Deposit operations. The lowest number of complaints and notices was related to the deposit operations, mostly with the subject of disputes related to the formal conditions of access, insight and disposition of deposited funds and the method of calculation of interest rate on deposits. It should be noted that such complaints were generally ill-founded, and that the acting in individual matters indicated the presence of good solutions in the financial organization internal procedures. Other complaints and notices were related to the disputes regarding the implementation of the provisions of the Law on Amendments to the Law on Banks of Republika Srpska, and in that sense, it is important to emphasize that well-founded complaints have been already positively resolved in the previous procedure under the complaint in favor of beneficiaries, without conducting a formal procedure of mediation.

Payment transactions. Certain complaints' subject regarding the payment transaction operation was related to the validity of classification of a beneficiary into certain assets items categories, as prescribed by the Agency's by-laws, commonly based on a concluded contract regarding the opening and keeping of an account or, in connection to that, allowed overdrafts, and resulting in financial organization's occurred receivables which are in fact low amounts when compared to the absolute amount, but in terms of effects and limitations, stemming from the registration in the Central registry on loans, are regarded as identical as the receivables of a larger amount, according to which the abovementioned is accented as a typical example of the necessity of suitability application in the implementation of certain norms of the objective law.

The most significant complaint in terms of both merits and dispute regarding the execution of payment transaction services, and which referred to the payment of cash funds to a certain person, along with formal deficiencies in terms of the person's scope of authorizations, was positively resolved in favor of two beneficiaries, and in turn pointed out at the necessity to, through internal procedures and training of staff working directly with the beneficiaries, ensure thorough and more detailed knowledge of general rules regarding legal issues, content and the scope of authorization issued by the owner of the account or his/her legal representative, since it is a personal document often used for conducting necessary legal actions in all kinds of banking operations. According to the subjects of certain complaints, some complaints were related to the disputes occurred due to the usage of payment orders for the purpose of collection of receivables by financial organizations, in terms of the provisions of the Law on payment transactions ("Official Gazette of RS" No. 12/01) and the Law on internal payment transactions ("Official Gazette of RS" No. 52/01), thus stating inadequate relation, knowledge and practice when executing the orders, which are fully subjected to the legal regime of a separate civil and legal operation, i.e. contract standing order with all consequences. Also, it is notable that apart from using and relying on capacities supported by the application of modern technology, almost on a free-of-charge basis, there are still numerous requests for issuing various statements and other documentation related to the transfers and balances on various beneficiaries' accounts, also leading to disputes or causing additional expenses for beneficiaries of financial services.

Electronic payment instruments. The subjects of complaints related to the issuance and use of electronic payment instruments are, by rule, disputable issues and relations emerging due to the use of such instruments by beneficiaries or non-functioning ATMs of the organizations that are the issuers of electronic payment instruments, as well as disputes related to the refund by an issuer in the mentioned cases. In the previous year, certain situations indicated that a special cause of disputes may be different forms of abuse, so-called intrusions into a computer system, although the complaint filed under this

factual basis was positively resolved in favor of a beneficiary by the bank that is the issuer of the electronic payment instrument. The primary normative protection in this field of providing financial services is governed by the Law on Consumers' Protection in Bosnia and Herzegovina ("Official Gazette of Bosnia and Herzegovina" No. 25/06). In this sense, considering certain responsibilities of the electronic payment instrument issuer regarding unapproved transactions, i.e. the amount of indemnification on that basis and primary irresponsibility of a beneficiary in cases of payment instrument usage without his/her presence or identity card, it can be stated that, based on the practice, a certain responsibility of the issuer of the electronic payment instrument according to an objective criterion has been established, the responsibility which, in principle, is an exception in our legislation. In terms of the above mentioned, the banks, as the most common issuers of the electronic payment instruments, could be potentially exposed, to a smaller or greater extent, to certain expenses that, in any case, apart from possible indemnifications include expenses related to the proving of cash funds transfer regularity, since the ex lege burden of such proof is on the issuers, as well as the expenses related to preventive protection of, above all, technical capacities ensuring the proper functionality of the system elements, noting that similar solutions have been envisaged by the Law on Consumers' Protection in Republika Srpska ("Official Gazette of Republika Srpska" No. 6/12).

Other complaints. In cases of other complaints and notices, the subject of disputes was still mostly related to the issues part of the court enforcement proceedings for the purpose of forced execution of receivables. Based on the beneficiaries' complaints, although in terms of such complaints, in a formal sense, the Agency, i.e. the Ombudsman has no authority to act, the beneficiaries were given explained answers and statements related to the rights and obligations of beneficiaries and providers of financial services appearing as parties in the enforcement proceedings. However, for the purpose of adequate practice, the most expedient would be to: discuss certain issues within judicial institutions, primarily conducting individual proceedings against debtors and guarantors albeit, by nature of transactions concluded, upon the emergence of delay, the same factual and legal basis has been established for all parties concerned; the validity issue of undertaking enforcement actions; unknown structure and reasons for the emergence of receivables in concrete amounts requested by the financial organizations as enforcers, although they are often unable to prove that the guarantors have been informed if the main debtors are in delay; delivering and ways of implementing enforcement decisions by officers; certain issues under complaints of enforcees for the purpose of opposing the enforcers' request.
On the other hand, a significant misunderstanding has been noted regarding the rights and obligations of the persons who, with the status of a co-debtor, have participated in legal operations on financial services, in terms of being a party of the obligation in solido, and not being equalized with the beneficiary of service.
In terms of the bill of exchange issues, due to the examination of individual activities at financial market and received complaints, the following has been noted, primarily in the microcredit part of the banking system: issuing bills of exchange in order to ensure the fulfillment of individual contracts with the absence of the guarantee with the persons who should guarantee the fulfillment of assumed obligations, which in return has certain consequences considering more strict legal regime that the b/e debtors were subjected to when compared to the civil-legal guarantee, as well as a certain number of complaints indicating the unauthentic signature of the b/e debtor.
Additionally, in the reporting period, several citizens' complaints have been received related to the requests of the Republic of Srpska Investment-Development Bank (IRBRS) a.d. Banja Luka for the payment of a certain amount of cash funds on default interest, after the fulfillment of contractual obligations on apartment repurchase, which the citizens have concluded with Republika Srpska Housing Fund managed by this institution and, furthermore, those citizens were referred to competent authorities and relevant material regulation by means of explained answers, although there is no basis for our actions in terms of these complaints, since this is a bank established by a separate law, and not by a license of the

authorized body, and to whose operations the provisions of regulation governing the operation of public enterprises are primarily applied.

Complaints of persons who personally ensure the fulfillment of obligations. In the observed period, the largest number of complaints of such persons, complaints of guarantors in general, was related to the irregularities in the procedures of loan and micro credit approval by the financial organizations and determining responsibilities for possible omissions, the conditions for loan approval concerning the credit status of both loan beneficiary and guarantor in terms of obligations fulfillment, and in that sense, possible authority abuse, malpractice or omissions made by financial organization officers or third parties, the validity of documentation collected for the purpose of considering the loan approval request, especially the issued bills of exchange and consent for the seizure and direct pay off of a part of a salary, and irregularities in their usage, the validity of actions undertaken in non-judicial and forced collection of receivables and receivables themselves, the disputable inclusion of these persons when classifying assets items into a certain category, refusal of financial organizations to offer rescheduling or interim moratoriums and failure to inform the guarantors when the main debtors are in delay.
In a certain number of cases, such complaints' basis, in principle, indicates the illicit acting of certain persons at the financial organizations, therefore, starting from their nature and characteristics set forth, the beneficiaries are informed, by means of explained responses, that the act of determining the presence of certain facts or liabilities is possible only in specific procedures conducted by judicial institutions, primarily due to the necessity of conducting prescribed procedure for adopting binding decisions when determining the basis of responsibilities of legal entities that are prescribed by law, and the subject of mediation procedure in terms of established public interest and legal and by-law regulations may only be the requests used freely by the parties. With regard to single cases of the mentioned issues, after stating the facts in the procedure under filed complaints, four corresponding information have been forwarded to the competent judicial authorities in connection with the findings of the conducted procedure. According to the logic of things and procedural regulations, and in our work on reviewing the complaints and notices of beneficiaries, it is evident that the existence of a proper court decision, i.e. a public document in general, along with considering and respecting our recommendations and legal argumentation in individual matters, leads to a positive resolution of disputes and the fulfillment of beneficiaries' legal interests.

Notwithstanding the issue of changing of interest rate on loans in repayment, during the period prior to the changes in legislation, what is notable is the decrease in number of other disputes, which are of obligatory character, and for which the financial organizations have primarily consigned to discuss in the proceedings before the competent courts in the previous period. In this sense, in the reporting period, the first procedure of mediation between the beneficiary and provider of financial services has been fully conducted, i.e. concluded by reaching the settlement agreement by which the subject of dispute under the beneficiary's complaint has been fully discussed and resolved.

1.1. Queries and requests by beneficiaries of financial services

In addition to discussing and acting on received complaints and notices of beneficiaries, up to December 31, 2012, the Ombudsman, per standard and electronic mail, phone calls and directly through parties, has received 273 different queries or requests concerning explanation, opinion or instruction related to the rights and obligations of financial service beneficiaries and different financial products, and the application of the norms of material law in and beyond the field of beneficiaries' protection, for which, explained responses in the form of recommendations, instructions or opinions were given. Furthermore, within the same period, the following was received: 6 queries by providers of financial services for which explained responses were also given, 4 reports with a specific subject which do not represent complaints in a legal and formal sense, and 4 queries by legal entities, i.e. bodies for which explained responses were also given.

Number of queries per providers of financial services

Providers of financial services	**Number of queries and percentage**
Banks	190 (70%)
Microcredit Organizations	43 (16%)
Leasing Providers	1 (0%)
Saving-Credit Organizations	0 (0%)
Other	39 **(**14%)
TOTAL	**273 (100%)**

In the observed period of the previous year, most of the operational time of this organizational unit within the Agency was used for the purpose of informing on the rights and obligations of beneficiaries and providers of financial services, however, now with the predominant focus on understanding, with regard to already created effects in separate relations, and less in a sense of promotion, primarily through the direct contact with parties, and significantly via e-mail and phone calls. Similar to the available comparative experiences and according to the statements by beneficiaries and other persons who have contacted us for the purpose of obtaining necessary answers, opinions or explanations, the execution of informing tasks helps them to more accurately and fully understand their rights and obligations and make their decisions based on a larger quantum of information, previously unknown to them, primarily related to the largest number of questions from the area of banking services, especially those being active. Anyway, this reporting period was continually labeled with a low level of awareness and knowledge, among the majority of beneficiaries of financial services, on the rights and obligations formed due to entering into contractual relations with financial organizations or by issuing certain documents, thus, we again underline that the improvement in this field needs to be addressed in a shorter period of time, in a planned and comprehensive manner. In that sense, the beneficiaries' awareness and transparency of offered financial services is imposed by imperative provisions as a principle, and methods for its achievement have been prescribed, undoubtedly producing visible results. However, the question arises to what extent and with what kind of content it must be met in relations with certain groups of beneficiaries of financial services (retirees, entrepreneurs, students, etc.).

In this period, the query in connection with the leasing service was related to the activities of the leasing provider with its head office in the Federation of Bosnia and Herzegovina.

Important subjects of discussions were different disputes related to the execution on cash claims, i.e. salary of a beneficiary as an enforcee, based on the consents issued, and with regard to the disparities of provisions of the Law on Labor ("Official Gazette of Republika Srpska" No. 55/07- Revised text) and the Law on Enforcement Proceedings, which objectively creates a situation that the execution can be imposed on a larger part of cash claims of entities so called social categories than on the workers' cash claims. Therefore, there is an apparent need for the competent authorities to find solutions which will adequately equalize the rights and obligations of all citizens regardless of their status.

2. Improvement of regulatory framework

Among other reasons and with regard to a certain number of well-founded complaints concerning the issue that the financial organizations, even after the main debt has been repaid, have claimed receivables based on various basis which represent the secondary receivables, and although, in compliance with the regulation, after the main debt has been fully repaid the obligation ceases to exist, and with regard to the meaning of the provision of Article 313 of the Law on obligatory relations ("Official Gazette of SFRJ" No. 29/78, 39/85, 45/89 and 57/89 and "Official Gazette of RS" No. 17/93, 3/96, 39/2003 and 74/04), which envisages the sequence of expense imputing when meeting the obligations, the amendment to the Decision on Minimum Standards for Bank Credit Risk Management and Assets Classification ("Official Gazette of RS" No. 85/04, 1/06, 136/10, 127/11 and 68/12) has been proposed and implemented.

3. Education

In June 2012, the Banking Agency of Republika Srpska in cooperation with the Academy of Banking and Finance of the National Bank of Serbia, Belgrade, as one of the leading regional institutions engaged in professional training in the fields of banking, finance and insurance has organized educational seminars titled "Protection of beneficiaries of financial services – New regulations, implementation and adjustment", intended for the employees engaged in the development of standard basis of a contract within the operation sector dealing with citizens or legal sector, as well as resolving the complaints of beneficiaries of financial services. With the intention to adequately perform prescribed obligations, i.e. adjust their internal general acts, as well as the separate legal affairs, parts of business operations and data processing systems within legal term, with high interest of financial organizations for the quality training, the seminar was attended by the representatives of the Ministry of Finance of Republika Srpska and 25 representatives of financial organizations from the Republika Srpska and Federation of Bosnia and Herzegovina, respectively.

4. Cooperation activities with other organizations in order to improve the framework of protection of beneficiaries of financial services

4.1. Within the framework of cooperation with the mission of the World Bank in Bosnia and Herzegovina, throughout the proposals of activities, measures and their adjustment, the Ombudsman took part in the preparation of the Action Plan for the protection of consumers in banking and micro-financing sectors in Bosnia and Herzegovina, which, as a part of activities conducted by the Office of the World Bank in Bosnia and Herzegovina regarding the strengthening of consumers' protection in banking and micro-financing sector, was presented at the workshop in Sarajevo, in February 2012, also actively attended by the Ombudsman.

4.2. Within the framework of the same cooperation regarding the strengthening of consumers' protection in banking and micro-financing sector, the Ombudsman also took part in the workshop of the World Bank in Bosnia and Herzegovina for Ombudsmen of financial sector, held in Sarajevo in October 2012, at which he presented the results of the organizational unit activities for the previous period and where the issues of practice and exchange of applied knowledge have been discussed, with the participation of the president of International Network of Financial Services Ombudsman INFO and representatives of the main mediator for Armenia financial sector.

4.3. Within the framework of cooperation with the International Finance Corporation (IFC) in Bosnia and Herzegovina, while preparing the IFC study on citizens' indebtedness, the Ombudsman gave suggestions for relevant questions to be included in order to conduct thorough surveys and the

analysis of results and data on the indebtedness of citizens, and participated in the presentation of the study results in a roundtable session held in Banjaluka in November 2012.

4.4. In December 11, 2012, on the invitation for membership and joining the INFO Network, within the framework of the World Bank activities related to the protection of beneficiaries of financial services, the Ombudsman for the Banking System of Republika Srpska became a member of the International Network of Financial Services Ombudsman Schemes (INFO Network), which brings together ombudsmen from 40 countries from the field of financial services, and other bodies and structures, and the Network was founded with the aim to improve all aspects of expertise and mechanisms of out-of-court dispute settlements between the beneficiaries and providers of financial services by exchanging technical information and experiences in various fields of operations and in managing activities of its members.

Conclusion

a) Throughout the experience and practice in the hitherto work of the Ombudsman's organizational unit, the presence of function of protection of rights of financial service beneficiaries in Republika Srpska is still justified. The function is by all means specific and complex, taking into account all material changes occurring while performing set tasks, especially the overall material, personal and other public resources savings that are achieved by alternative means of disputes resolving, reconciliation of opinions and in a peaceful manner, which will be discussed in the next report section in general notes.

b) After assessing the type of dispute as per individual complaints, and taking into account the imperative character of relevant regulations and protected interests, an important activity in relations with individual providers of financial services has been undertaken for the purpose of eliminating the cause of dispute related to the improper defining of default interest, insisting on respecting the frameworks set, above all, by the Law on obligatory relations ("Official Gazette of RS" No. 19/01, 52/06 and 103/08), resulting in a significant lack of complaints regarding this subject. In the reporting period, the decrease was noted in a number of complaints regarding the practice of providers of financial services in calculating fees for loan prepayment and non-informing or inadequate informing of the beneficiaries on changes of conditions for loan payment or other relevant circumstances, emphasizing that by means of our mediation all submitters' complaints have been positively resolved in all these cases. As a partial change, we can notice a certain number of cases in which beneficiaries withdrew from further procedure or did not accept recommendations for mediation or accepted them from other parties because the individuals in question are those who, in terms of the disputes over providers' acting, which was the subject of complaint in the first place, are already engaged in a legal affair in which financial organization must take actions in a legal procedure for the purpose of collection of its receivables ultimately even by force. In accordance with the recommendations issued, we can notice a trend of significant decrease or termination of complaints regarding the disputes related to financial organizations' refusal to inform the beneficiary or other party on certain data or submit documentation related to a certain legal affair, necessary for the purpose of exercising beneficiaries' rights and interests, and in case they occur in the course of work, they are positively resolved with our participation. Due to the onset of implementation of the Law on Amendments to the Law on Banks of Republika Srpska, the decrease was noted in number of complaints on those matters which in the previous work have been mostly represented, and such complaints were related to the disputes from the period prior to the implementation of the said amendments, and with regard to the implementation of new regulations, initial information has been requested and recommendations towards the banks in the Federation of Bosnia and Herzegovina operating in the Republika Srpska have been issued. Consequently, but also given the longer reporting period compared to that from

2011, it can be concluded that the implemented regulation amendment, which adjustably takes over the basic institutes and practices of the European Union law, represents the reason for a certain increase in the number of ill-founded complaints, with regard to the established detailed regulation of the practice of financial organizations in providing financial services, where necessary.

c) The procedures conducted as per individual complaints and queries of financial service beneficiaries still point out to insufficient knowledge and awareness of beneficiaries, and there is still room for the improvement in the work of financial organizations' employees, who directly communicate with the beneficiaries for the purpose of fulfilling rights and obligations stemming out from individual contractual relations, especially in separate organizational units. In the hitherto work on discussing the complaints and notices of beneficiaries, the cooperation with providers of financial services is constantly improving for the purpose of achieving solutions in disputes in the fastest and most efficient manner, providing constant argumentation for expediency in accepting the objectively possible solutions, and in that sense, support to its competent services both in the implementation of relevant norms on individual cases and in relations with the beneficiaries. For the efficient work of the Ombudsman's organizational unit and achieving goals of beneficiaries' protection, it is important that the resolved disputes have been almost entirely discussed during the phase of so-called previous procedure, without implementing the procedures of mediation, which are by themselves already devoid of a number of formalities. In this reporting period, the banking system organizations, primarily taking into account the imposed legal obligations, the presence of long-term uncertainty and its increased impact on business operations, after necessary adjustments, undertake activities for the purpose of improving transparency of their services, although these are still activities with legal and formal characteristics, however, according to our assessment, also with an understanding of the need for improvement of relations with beneficiaries and financial service quality.