

CENTRALNA BANKA
BOSNE I HERCEGOVINE



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THE GOVERNOR OF THE CENTRAL BANK OF MONTENEGRO VISITED THE CENTRAL BANK OF BOSNIA AND HERZEGOVINA



On April 22, 2016, the Governor of the Central Bank of Montenegro Miloje Dakić M. Sc. officially visited the Central Bank of Bosnia and Herzegovina (CBBH). He discussed with the CBBH Governor Senad Softić Ph.D. about activities and operations of the central banks and exchanged information from the last spring session of the International Monetary Fund and the World Bank held in Washington.

The Governors exchanged information on macroeconomic indicators in Bosnia and Herzegovina and Montenegro, as well as the information about the situation in financial and banking sectors in these countries, with the common observation that,

in terms of lending to the economy, banks in both countries are still restrained. Governor Softić pointed the problem of interest rates that are high, but with the tendency of a slow decline, continuously for two years. Since the interest rate is a market category, the CBBH cannot affect their level, but may, according to the Governor's words, recommend their decreasing, if it is visible that interest rates grow and that they may jeopardize the financial stability. The level of non-performing loans is decreasing, there is a constant growth in deposits and capital, and liquidity is at a high level. As for the banking sector of Montenegro, the Governor of the Central Bank of Montenegro, which is responsible for the banking supervision, said that the banking sector is liquid, stable and solvent, and that there are no disturbances. In terms of capital adequacy, the criteria have been tightened even more than in the European Union (EU), said Governor Dakić.

Governors also discussed the situation in the financial markets in terms of central banks' operations and investment of foreign exchange reserves in the complex conditions of investment due to the trend of negative interest rates. Governor Softić informed Governor Dakić about the activities that the new management structure of the CBBH is carrying out with the aim to improve operations and organization of the CBBH, as well as about the current situation in the financial and banking sector of Bosnia and Herzegovina.

ANNUAL MEETING OF GOVERNORS OF THE REGION



Governor of the Central Bank of Bosnia and Herzegovina Senad Softić, Ph.D. attended the 4th Meeting of the Governors of the region, which was held from March 31 to April 1, 2016, in Rovinj, in the organization of the business weekly magazine "Lider".

The annual meeting of the central banks' governors of the region is an opportunity for governors and representatives of

the banking and financial sector to exchange experiences in combating and mitigating the effects of the financial crisis and the overall economy, and to improve cooperation between financial institutions in the region. Topics of this year's meeting were related to measures against the global crisis in the financial sector, using of central banks' tools to stimulate economic growth, the impact of powerful central banks like the Federal Reserves (FED) and the European Central Bank (ECB) on the regional and national monetary policy, raising of banks' business performance, and a number of other issues. Structural problems of the most economies in the region are similar, but the monetary frameworks are significantly different. Slovenia is in the euro zone, Croatia has the anchor exchange rate, Serbia has the inflation targeting policy, BH has a currency board and Montenegro unilaterally adopted the euro as currency.

Round table entitled "Financial stability: open issues" was an opportunity for discussion on current challenges which the central banks in the region face in terms of maintaining financial stability. Dimitar Bogov, Governor of the National Bank of Macedonia, Miloje Dakić, Governor of the Central

Bank of Montenegro, Boštjan Jazbec, Governor of the Bank of Slovenia, Senad Softić, Governor of the Central Bank of Bosnia and Herzegovina, and Boris Vujčić, Governor of the Croatian National Bank, described the main elements of the system related to the financial stability in their countries, and explained the roles of their central banks.

Speaking about the role of the CBBH and its activities, Governor Softić stressed the strategic goals of the CBBH, which are defined through the Strategic Plan for the period 2015- 2021. The Governor stressed that within the Program of economic reforms for candidate countries and potential candidate countries for EU membership, in the case of Bosnia and Herzegovina, the high level of consensus has been achieved related to the existing model of monetary policy, the currency board arrangement, continuing to provide a stable anchor in the time of very variable and challenging external and internal environment.

The role and mandate of central banks in the new environment after the global financial crisis in 2008 is inevitably changing. The learned lessons led to the conclusion that the price stability without financial stability does not guarantee macroeconomic stability. Micro prudential approach to regulation and supervision, focused mainly on the strength of individual institutions, is not sufficient. The focus should be on the importance of the stability of the system as a whole, Governor Softić said.

The crisis has highlighted the necessity to introduce control over the efficiency of financial markets and to ensure their interaction with macroeconomic stability. Therefore, as the CBBH Governor said, there is a need to reshape the old models of monetary policy. The models are different and depend on the organization and legal framework of the financial system in the country.

In the case of Bosnia and Herzegovina, the development of the appropriate model is even more complex, having in mind that,

according to the law, the Central Bank of Bosnia and Herzegovina operates as a currency board without direct authority for the supervision of banks. This situation requires an even greater responsibility of the CBBH to establish closer cooperation with the institutions involved in the financial system in the country, to set up more formalized ways of sharing information, and to establish the early warning systems. Stronger timely coordination and exchange of information among participants in the financial system is crucial in regular time as well as in case of a crisis, Governor Softić said.

“We have learned from the past that the crisis is built gradually, but occurs suddenly. The mismatch of non-systemic banking problems can lead to systemic crisis. In the case of complex organization of institutions at the state level, the crisis management becomes more complex. The active role of the Standing Committee for Financial Stability in the country is very important. Therefore, it is important to prepare the stress tests with all participants in the system and prepare exercises to simulate crisis action. A joint coordinated action is needed to prevent potential crises. In these cases, harmonized, i.e. unified communication of all institutions is needed, and all should be incorporated into a strong communication strategy that will result in the general public support”, the CBBH Governor stressed.

Governor of the Croatian National Bank Boris Vujčić specifically referred to the experience of the implementation of the deposit insurance system and the establishment of the framework for the recovery and rehabilitation of credit institutions and investment companies. He said that the State Agency for Deposit Insurance and Bank Rehabilitation (DAB), as of June 1 this year, introduces a model of payment of the premium based on the risk related to the financial institution.

Could the lessons for future actions be learned from the experiences of other countries, and how to improve the exchange of experiences were the final topic of the round table, after which the Governors responded to the questions from the audience.

CARD TRANSACTIONS IN 2015



According to the data of the Central Bank of Bosnia and Herzegovina (CBBH), at the end of 2015, 26 commercial banks provided card operations services. These are related to the global brands MasterCard, Visa, American Express and Diners, while only two banks offered the only domestic card - Bamcard. The total number of active cards in 2015 amounted to 2,013,219, unlike 2014, when there were 1,932,354 cards with citizens of Bosnia and Herzegovina.

The total value of transactions realized by using cards in the country and abroad in 2015 amounted to KM 7,663,585,465, which is, compared to 2014, the increase in the value of KM 488,441.196. Out of the total value of transactions, cash in the amount of KM 5,707,287,968 or 74 percent of the value was withdrawn by the ATMs in the country and abroad, while KM 1,956,297,497 or 26 percent of the value was realized by POS terminals.

The average value per transaction amounted to KM 109 in 2015, and was lower by KM 13, compared to 2014, when it was KM 122. There was a significant decrease after two years of growth of the value of the average transaction. The average annual turnover per card in 2015 amounted to KM 3,807, unlike in 2014, when it was lower amounting to KM 3,713. So, there was an increase recorded in the amount of KM 93.00.

Last year, the citizens of Bosnia and Herzegovina realized KM 430,829.044 at ATM and POS terminals of banks abroad, by using cards issued in our country, which is higher by KM 55,951,234 related to the previous year. Out of this amount, cash in the amount of KM 153,355,097 was withdrawn at ATM and POS terminals and the amount of KM 277,473,948 was realized for goods and services at POS terminals.

In 2015, foreign citizens realized KM 1,300,944,155 at ATMs and POS terminals of BH banks by using cards issued in foreign countries, out of which cash in the amount of KM 973,115,942 was withdrawn via ATMs and POS terminals, while the amount of KM 327,828,213 was realized via POS terminals for goods and services.

Banks work intensively to introduce a higher number of ATMs and POS terminals. Last year, there was the total of 1,509 ATMs and 25,579 POS terminals installed, out of which 24,421 in stores and 1,158 at bank counters.

All banks in Bosnia and Herzegovina provide internet banking or some kind of electronic banking. There is the total of 314,777 persons covered by this type of service, out of them, there are 44,802 legal persons and 269,975 natural persons. There is a trend of increase in the number of clients that use this service.

VICE GOVERNOR BAJROVIĆ ATTENDED A CONFERENCE ON COUNCELLING OF INDEBTED CITIZENS IN BOSNIA AND HERZEGOVINA



The first Conference on counselling of indebted citizens in Bosnia and Herzegovina was held on April 21, 2016, in Sarajevo, where the speakers were experts who may help in solving these problems.

The handbook about counselling of indebted citizens in Bosnia and Herzegovina was presented at the conference. This is the first document that standardizes the process of providing of services of free legal and financial counselling of indebted citizens in local communities.

"Strengthening of municipal services in Bosnia and Herzegovina has been, for years, of great importance for Switzerland. This year, when we celebrate 20 years of cooperation with Bosnia and Herzegovina, it is great to see how many municipalities have engaged their human and other resources in providing advisory services for their citizens", said Joseph Guntern, Director for Cooperation of the Embassy of Switzerland in Bosnia and Herzegovina. It shows how much the municipal

authorities are ready to respond to the specific needs of citizens and help them to overcome the problems of debt and increase financial literacy. Since 2013, 545 persons have asked for help due to problems of indebtedness.

Vice Governor of the Central Bank of Bosnia and Herzegovina (CBBH) Ernadina Bajrović M.A. who attended the conference on behalf of the CBBH, stressed in her presentation that financial inclusion, which includes access to and use of formal financial services, is increasing around the world, often with the support and direct engagement of various official state institutions.

"The number of accounts holders is growing globally, but two billion people still do not have an account in a formal financial institution. After the global financial crisis, central banks become increasingly involved in promoting financial inclusion in their countries. This enhances the effectiveness of monetary policy, helps the understanding of financial markets, promotes activities that are related to public confidence in the

financial system, establishes a sustainable economic policy and encourages long-term economic growth”, Vice Governor Bajrović said. Therefore, the CBBH, as she said, supports the activities and programs of financial education and counselling in order to strengthen financial inclusion in a way of responsible financial managing for the benefit of economic development and growth in Bosnia and Herzegovina.

The Investment Adviser of the European Fund for Southeast Europe (EFSE) Meira Juzbašić-Bajgorić said that the financial literacy of citizens through counselling and education contributes to better understanding of financial services and products on the market, but also improves communication between clients and financial institutions.

THE GLOBAL MONEY WEEK MARKED IN THE CBBH



The Central Bank of Bosnia and Herzegovina (CBBH), in cooperation with the Banks' Association of Bosnia and Herzegovina, the Association for Responsible Managing of Personal Finances “U plusu” and the Association of High School Pupils in Bosnia and Herzegovina, marked the Global Money Week, on March 16, 2016.

On this occasion, on behalf of the CBBH, Vice Governor Ernadina Bajrović, M. A. spoke to the young students in the CBBH premises, and pointed out the role and responsibilities of the CBBH in the financial system and commented on the importance of financial inclusion, i.e. global economic and financial literacy, as well as the spreading of financial experience and skills.

Secretary of the Banks' Association in Bosnia and Herzegovina Mijo Mišić supported the initiative of the financial education of young people that contributes to the creation of a healthy and stable financial environment, and expressed his satisfaction with the participation of young people in this important event.

According to the opinion of Head of the Office of the International Finance Corporation (IFC) in Bosnia and Herzegovina Lada Buševac, the first Congress and presentation of the handbook are the crown of the work of local communities done so far in solving the issue of indebtedness of citizens. “Such service for the citizens has appeared to be undoubtedly needed”, Buševac said.

Since 2013, the project of free credit counselling in Bosnia and Herzegovina has been implemented by the International Finance Corporation (IFC), a member of the World Bank Group, with the assistance of the State Secretariat for Economic Affairs (SECO) of the Swiss Government in partnership with the European Fund for Southeast Europe (EFSE) and the Association for Responsible Managing of Personal Finances “U plusu”.



Director of the Association “U plusu” Adnan Bahtić informed the participants on the years-long efforts of the Association to influence, through the free financial education and financial counselling, the financial literacy of citizens of Bosnia and Herzegovina, noting that this Association has organized more than 700 workshops attended by more than 14,000 citizens, and that this workshop represents a continuation of efforts of increasing the level of financial literacy of young people. During the one-hour stay in the CBBH, representatives of the Association “U plusu” held an interactive workshop in the field of personal budget managing, during which the young participants acquired basic knowledge and skills on responsible managing of personal finances and the value of early savings.

The Global Money Week was organized from 14 to 20 March and it is organized around the world at the initiative of the International Organization for Financial Education of Children and Youth.

STUDENTS OF THE LAW FACULTY FROM SARAJEVO VISITED THE CBBH



On March 17, 2016, the Central Bank of Bosnia and Herzegovina (CBBH) hosted two groups of students of the Law Faculty from Sarajevo, and one of these groups consisted of representatives of the European Law Students Association (ELSA) from Sarajevo. This association is a student non-profit organization that organizes many activities for its members, students of the Law Faculty from Sarajevo, within which students acquire knowledge and experience which they do not have the opportunity to acquire within the regular curriculum.

The Law Faculty students expressed their intention to visit the CBBH in order to gain more knowledge about the work of the CBBH, its responsibilities and relations with other institutions.

Students of the Law Faculty were hosted by the Vice Governor of the CBBH Ernadina Bajrović M.A. who, in her speech, paid special attention to the role of the CBBH in the process of European integration, especially to the legal aspect, i.e. the process of harmonization of the laws and acts with European legislation.

“A stable and effective central bank contributes to the better preparedness of the entire country in the process of European integration. Therefore, the European Commission in its regular annual Report on Progress, i.e. Report on Bosnia and Herzegovina, evaluates the CBBH and its contribution to the maintenance of monetary and financial stability”, Vice Governor Bajrović said.

In accordance with the strategic commitment to join the EU, with the aim of gradual convergence to EU standards and preparations for entry into the European System of Central Banks, the CBBH applies a proactive approach, along with the organizational development directed towards the challenges and requirements of the EU pre-accession process. In relation to that, according to the Vice Governor, it has been evaluated that, in some business areas, the CBBH meets the EU standards or requirements, although they are constantly changing.



Vice Governor Bajrović explained to the students a complex process of European integrations, and that the opening and the beginning of negotiations represent the actual beginning of the process of EU accession. Negotiating platform consists of 35 negotiating chapters in total, including several chapters in which the CBBH will take part as negotiator or co-negotiator. National/Central banks of different countries have had extremely different roles in the process of European integrations, in accordance with the historical and political factors, but the Chapter 17, which relates to economic and monetary policy, is always the responsibility of the central bank, since, among other things, it addresses the obligation to harmonize the Law on the CBBH in order to ensure full independence of the CBBH and its integration into the European System of Central Banks.

When in question is legislation from the Chapter on Economic and Monetary policy, the CBBH, within the cooperation with the European Central Bank (ECB), received an informal opinion of experts of the European Central Bank on the CBBH Law, and this is a very important step ahead in the process of preparing of the CBBH for the EU, Vice Governor Bajrović explained, adding that the practice of other EU member states, especially when it comes to smaller countries, shows an important role of central banks in the negotiating team.

Students of the Law Faculty expressed their satisfaction with the visit and the lectures in a letter addressed to the CBBH, in which they presented their gratitude for the dedication and a lot of CBBH effort in order for their visit to the CBBH to be carried in the best possible way, as well as for the inspirational lecture, giving them a special motive to work, and through which they were informed on the basic activities and the CBBH operations.

GRADUATES OF THE THIRD GYMNASIUM FROM SARAJEVO VISITED THE CBBH



On April 15, 2016, graduates of the Third Gymnasium from Sarajevo visited the Central Bank of Bosnia and Herzegovina (CBBH). During the visit, the pupils visited the currency exhibition in the CBBH premises, Vice Governor, Ernadina Bajrović, M.A, held a lecture on the history and on CBBH basic

tasks within the financial inclusion project and the institution promotion, being implemented by the CBBH. On this occasion she expressed satisfaction with the fact that young generations have shown interest in the work of this institution.

PROTOCOL AND WORKING MEETINGS



On 5 April 2016, Governor of the Central Bank of Bosnia and Herzegovina (CBBH) Senad Softić, Ph.D. met with the British Ambassador to BH, H.E. Edward Ferguson, and on 6 April 2016, with the Ambassador of the Federal Republic of Germany, H.E. Christian Hellbach and the Head of the Economic Department, Frank Werner.

During these visits, Governor Softić presented the basic macroeconomic indicators, and special attention was paid to the situation in the financial and banking sector. The Governor stressed that the CBBH has good cooperation with representatives of the banking sector, and it is expected to work intensively together on identifying, defining needs and strengthening of the banking sector with the aim of creating a modern and reliable financial system in BH.



On April 18, 2016, Governor Softić, as a member of the Delegation of Bosnia and Herzegovina, attended the Spring Meetings of the International Monetary Fund (IMF) and World Bank (WB) in Washington, where he met with high officials of the IMF and WB. The talks were related to the situation in the country and the economic situation in light of preparations for the arrival of the IMF mission and the signing of a Letter of Intent on the Extended Fund Facility for Bosnia and Herzegovina. Governor, together with other members of the BH Delegation, also attended the meeting of the Dutch Constituency, whose member is Bosnia and Herzegovina, after which the CBBH Delegation held a series of bilateral meetings.

