



## PAYMENTS SYSTEM DEPARTMENT

### Analysis of some segments of the payments transactions in banks

The analysis, which was carried out by the Payments System Department of the Central Bank of BH (CBBH) showed that out of 35 commercial banks in BH, 17 offer card business services, which is the same number of banks that offer e-banking services, while 27 of them are members of the Western Union Money Transfer, which is the money transfer organization. The analysis of some segments of the payments transactions in banks was made by using questionnaires that were filled in by the authorized representatives of 35 commercial banks that are the members of the payments system. Besides the analysis of the results obtained from questionnaires, which contained 30 questions, representatives of the Payments System Department also held meetings with representatives of commercial banks. Out of the total number of banks that offer card business services, 14 offer some of international payment cards. Card business in BH is being carried out with *Visa* (*Visa Electron* and *Visa Classic*), *Euro Card* (*Maestro* and *MasterCard*) and *Diners*, as well as with *BamCard*, which is currently the only local payment card. Over the first six months of this year, a total of 1.8 millions of transactions were carried out in the card business with the total value of transactions of KM 312 million. Currently in BH, there are 118 ATM machines and 3.650 POS terminals installed. Additional 20 ATM machines should be installed until the end of this year. During their meetings with banks, representatives of the Payments System Department also found out that a number of banks is preparing intensively for the introduction of the card business, which should be completed until the end of this or at the beginning of next year. In addition to

those banks that already use e-banking, four other banks have purchased software solutions for e-banking. However, even though half of the banks offer e-banking services, the number of clients who use those services is very small. Namely, only 1.801 legal entities and 481 citizens use e-banking services provided by some of the commercial banks in BH. Analysis of the questionnaires shows that the network of banks, their subsidiaries and branches is satisfying and that it has tendency of expanding. This network consists of total of 620 organizational units, out of which, 238 subsidiaries and 382 branches. Small number of organizational units in other entity can be considered as negative. All commercial banks that filled out this questionnaire have detailed working procedures for internal payment transactions and according to the data they provided, it appears that the largest number of payment orders, which are being sent to the CBBH, are being settled during the other half of the day when the possibility for the occurrence of the problem with the liquidity of the system is the largest. Namely, the largest part of transactions in giro-clearing, 53 percent, is settled during the

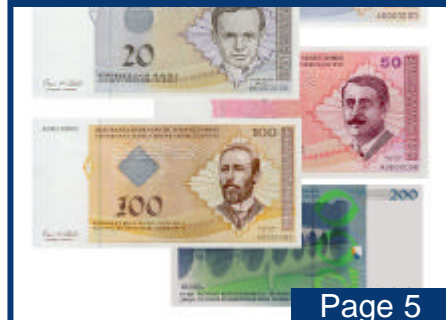
third settlement, which takes place at 3 P.M., while in RTGS system the largest number of transactions, 31 percent, is settled between 2 and 3 P.M. Because of this, representatives of the Payments System Department, during their meetings with representatives of commercial banks, insisted on finding of possibility of the faster processing of orders that are supposed to be sent to the CBBH for clearing. The total of 1.503 employees are working on internal payment transactions jobs, out of which 733 employees are working strictly on internal payment transactions jobs, while 770 employees are also engaged in other banking-related jobs. Over the first six months of this year, commercial banks reported KM 21,7 million income from internal payment transactions, while their expenses on the basis of internal payment transactions for the same period of time were KM 18 million. In the expectation of the migration to SWIFT Net, majority of banks has already made a decision on how they will migrate from the existing system. Majority of banks will use leased lines, while the smaller number of banks with the smaller volume of internal and external transactions will use dial-up.

#### SEMINARS: Management of financial and operational risks



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## Help in foreign reserves management

During September, the Central Bank of BH was visited by the Mission of the International Monetary Fund (IMF) for the technical assistance. The purpose of this visit was providing help in management of the foreign reserves of the CBBH, evaluation of the methodology which is being used for the monitoring of the invested assets, as well as the role of the internal audit in those processes. During the meeting with the Manager of the Monitoring and Analysis Division, the discussion was held on the role, function and tasks of the Middle Office, as well as on the internal audit. Guidelines of the CBBH for the investing of the foreign reserves were also discussed, as well as demands for the investing into euro denominated securities with the fixed income and when to establish the benchmark portfolio. Meetings with the IMF mission for the technical assistance were also held in the Banking Department, during which the existing roles, functions and tasks of the Front Office were reviewed in the process of investing of foreign reserves. Recommendations were given for the more precise division of responsibilities among departments in order to reduce the operational risk. During the final meeting of the IMF mission members, part of the management of the Banking Services Department of the CBBH and Comptroller General, representatives of the IMF presented their findings about the previous management of the foreign reserves of the CBBH and gave suggestions for the further development and organizing of tasks in the Banking Services Department. Those recommendations were summarized in the action plan in accordance to their significance for risk reduction.

## Macroeconomic indexes presented

Members of the Governing Board of the Central Bank of BH (CBBH) met with the Head of the International Monetary Fund (IMF) Mission in BH **Peter Doyle**. During the meeting they presented the main macroeconomic indicators. Since BH is relatively small economic region, GDP in 2002 was KM 10,5 billion. However, the real number is, probably, much bigger and some estimates show that GDP potentially increased by 3,7 percent over 2003. During the discussion, it was stated that, since the Currency Board Arrangement was introduced, inflation in BH was significantly reduced. Therefore, in June, inflation was one percent at the annual level, which is about the half of the inflation level in the euro-zone. The level of industrial production increased in both entities. So, over the first half of the year, average growth rate in BH Federation was 4,9 percent, while in Republika Srpska (RS) growth rate was 4,3 percent. Unemployment remains one of the main problems in BH. The official statistics shows that the unemployment rate is over 40 percent, while, according to the internationally comparative data, this rate is below 20 percent. Average net wages are relatively high and in June 2003 they were KM 527 and KM 379 in BH Federation and RS, respectively, which presents the real increase of more than ten percent. At the end of June, all monetary aggregates increased compared to the previous month. In the structure of total deposits, those denominated in KM increased their share to 49 percent in June from 45 percent which was their share after the first half of 2002. Deposits that are denominated in KM for the first time

surpassed KM two billion, which clearly shows increase of confidence in the local currency. Since the beginning of June, the new system of calculation of the required reserves has been implemented. The base was broadened to all deposits, rate was reduced from ten to five percent, while the cash from the vaults cannot be used for the fulfillment of the required reserves. Remuneration paid by the CBBH to commercial banks on their total balance at the reserve account significantly increased. That is the new stimulus to commercial banks to bring the money into the country and to keep it at the reserve account in the CBBH. Net foreign reserves of the CBBH increased significantly since May and at the end of August they were at KM 2,4 billion. Net free foreign reserves are higher than KM 140 million. Interest rates in BH reduced slightly, but they still remain relatively high. Compared to June last year, active interest rates on short-term credits reduced by 2,43 percent, while those on long term credits decreased by 1,42. Over the first quarter of 2003, current account deficit was KM 839 million and is slightly lower than the deficit which was recorded over the same period last year. The main cause of the large current account deficit is the high foreign trade deficit, which was also recorded in the second quarter of 2003, while the coverage of imports with exports was 31 percent. Members of the Governing Board of the CBBH stressed that BH was constantly facing high foreign trade deficit, but the foreign debt was under control and serviced regularly.



## Presentation of the WestAM Group

Executive Director of the WestAM Group from London **Ian Williams** held the presentation in the premises of the Central Bank of BH (CBBH), on the structure, locations, services and the basic strategy of this group. Three basic products were presented that differ in the expected return, risk and maturity date, and those products are *WestAM Securite*, *WestAM Euribor Plus* and *WestAM Jour*. The

basic concept of the WestAM is the careful managing of assets invested in high-liquidity products, with partial and total protection in relation to the general interest rate risk. This presentation was made upon the invitation of the Investment Committee of the CBBH which, for the longer period of time, is discussing the possibility of restructuring the portfolio and starting of investing of the part of foreign reserves

into the high-quality euro denominated securities. The WestAM is fully owned by WestLB AG (Westdeutsche Landesbank Girozentrale) and deals with the asset management. It has representative offices, which cover various regions, in Düsseldorf, Houston, London, New York, Paris and Sydney. WestLB AG is divided into several sub-groups which are engaged into various activities.

### ROTATION OF VICE-GOVERNORS

## Kozarić takes over Banking Division; Vladušić takes over administration and finances

Based on the Decision of the Management of the Central

Bank of BH (CBBH), rotation of the vice-governor in charge of Banking Department and the vice-governor in charge of administration and finances in CBBH will take place on October 1, 2003. As a result of this Decision, Vice-governor **Kemal**

over administration and finances in CBBH. Vice-governor **Dragan**



**Kemal Kozarić**



**Ljubiša Vladušić**



**Dragan Kovačević**

Bank of BH (CBBH), rotation of the vice-governor in charge of Banking Department and the vice-governor in charge of administration and finances in CBBH will take place on October

**Kozarić** who, until now, was in charge of the administration and finances, will take over the Banking Department from Vice-governor **Ljubiša Vladušić**. Vice-governor Vladušić will take

**Kovačević**, who is in charge of Economics Research and Statistics Division, will remain at his position. Rotations of CBBH vice-governors are defined in the CBBH By-law.



## Management of financial and operational risks

Economic uncertainty and weakness of the financial sector increase level of risk in all central banks. These risks cannot be avoided, but they can be identified, some specific procedures can exist and they can be managed. Those people who work in central banks now realize more and more that the actual core of their job is creating of the framework for the accept-

ance, understanding and managing of risks. That is the reason why the Cambridge University in London organized Seminar on management of financial and operational risks for those people that are at the head of central banks. The Seminar was chaired by the Governor of the Central Bank of BH (CBBH) **Peter Nicholl**, while vice governors of the CBBH **Kemal Kozarić** and **Ljubiša Vladušić** participated at the seminar. During the seminar it was stated that, at the same time, CBBH employees are also facing demands for the constant improvement in their jobs, so the question rises how they can do that while managing risks. During key sessions, the discussion was held on the most efficient means of organizing and coordinating of plans for unpredictable events, in order to limit the consequences of the operational neglects or disasters. Throughout discussions, experts

in various fields made possible for participants to compare techniques used by their respective

- the Governing Board. In accordance with the Guidelines, there are three different levels that have different responsibilities in reserve management: the Governing Board of the CBBH, Investment Committee of the CBBH and the Banking Department. The CBBH has been fairly conservative in setting the level of acceptable risks



Group photo of seminar participants

central banks with the framework used by the leading institutions as well as with academic researches. Participants studied how to identify and establish measures and how to manage the most important risks for central banks. Even the most experienced workers in the central banks had the need to compare their best practice concepts with concepts of their colleagues and official institutions. During the discussions, representatives of the CBBH stated that the largest risks for BH are in two fields, which are the maintenance of the Currency Board Arrangement and management of the BH foreign reserves. According to Vice Governor Vladušić, checks and safeguards for effective management of foreign reserves are drawn up in the Guidelines on Investment of Foreign Reserves, a document adopted, continuously reviewed and amended as required by the highest decision making body of the Central bank

when it comes to the management of foreign reserves since, according to Vice Governor Vladušić, they have paramount importance for monetary operations of BH. One of the important roles of the Central Bank of Bosnia and Herzegovina is the maintenance of operation of the payments system in the country which, as Vice Governor Kozarić explained, now operates through the commercial banks. The CBBH is the owner of the giro clearing system - for processing large number of payments orders of small amounts and RTGS, Real time Gross Settlement System - for processing orders with high amounts or urgent orders. The CBBH pays special attention to the reliability and security of this system and the proof for this is building of remote back up payments system in other site, Banja Luka, where one of the CBBH Main units is located, Vice Governor Kozarić said.

## Prague: A. Kapetanović successfully represented BH and its banknote

**B**H Ambassador in Austria **Amira Kapetanović** participated at the international forum on World's banknotes, which was held on September 11, 2003, in Prague. Representing the Central Bank of BH (CBBH), Ambassador Kapetanović held the opening presentation about BH, its history, on establishment of the CBBH and on releasing of the banknotes into circulation. This presentation attracted large attention and it was well accepted. During the presentation, the Ambassador stressed several significant meanings of the BH banknote - the Convertible Mark - which first appeared in circulation on June 22, 1998. Except for its practical usage and the fact that it is the integral part of the BH identity, Ambassador Kapetanović added that this banknote also had the integrative role. Until the banknote was released in circulation, there were four currencies being used in cash transactions in BH - BH Dinar, Yugoslavian Dinar, Croatian Kuna and German Mark, with German Mark being the only currency which was used in the whole country. Strict implementation of the monetary policy which is based on the principles of the Currency Board Arrangement, which sets out that each banknote and coin in circulation

has to be fully backed with free convertible foreign assets with the fixed exchange rate, creat-



ed the trust of BH citizens in stability and convertibility of the KM, which soon made the KM the dominant currency in cash transactions countrywide.

Ambassador also stressed the design of the banknotes and their safety features and mentioned that the last banknote which was put into circulation, the 200 KM banknote, has security features which are identical to those on euro banknotes.

Ambassador Kapetanović added that the KM can be exchanged in some banks in several countries and concluded her presentation with the statement that each banknote has symbolic meaning, if you take into account that they contain images of old Bosnian tombstones, Bridge on River Drina and writers who were born in BH. Therefore, each banknote contains the part of the BH history, Ambassador said. During the symposium, Czech hosts several times expressed their praises for BH participation, while representatives of Venezuela, USA and Canada, during their presentations, pointed to the edifying presentation of BH representative. Ambassador presented specimen of BH banknotes and she also gave the Jubilee set of coins to the guests of symposium and representatives of the numismatics associations. At the same time, she expressed hope that this promotion will also help the improvement of relations between Czech Republic and BH.



## PETER NICHOLL: STATEMENTS ON THE BANKRUPTCY OF BH UNFOUNDED

The Governor of the Central Bank of Bosnia and Herzegovina (CBBH) **Peter Nicholl** thinks that the statements that BiH faces insolvency and will go bankrupt are not founded. Such kind of statements, which deter badly needed investments, are not only damaging for the country, but are also incorrect for several important reasons, the Governor said. The first fact that confirms that BH is not facing insolvency or bankruptcy is that the total external debt is modest and is slightly higher than 40 percent of the GDP. The external debt has been fully serviced in the past and servicing the external debt will not be a problem for BH in the future either, the Governor said. The second fact that confirms that BH is not facing insolvency or bankruptcy is that the level of the country's foreign reserves has been increasing in recent months. In countries that face insolvency, foreign reserves do not increase, but show a rapid decline, Governor Nicholl emphasized. At the end of August 2003, foreign reserves of the CBBH were at the level of 2.4 billion KM and since May 2003, they have been increased by 250 million KM or by more than ten percent. They have been risen a further KM 100 million in the first 10 days of September so the upward trend is still continuing beyond the summer period. "This upward trend in foreign reserves shows that BH's external financial position has been getting stronger in the last few months, making comments about insolvency and bankruptcy totally inappropriate", Mr. Nicholl said. The large trade deficit that BH has is a problem, Mr. Nicholl said and he agrees that speeding up exports or promoting import substitution are high priorities for BH. But this trade deficit is nothing new, as the coverage of trade import by export has been 30 percent or less continuously for the last five years. According to the CBBH data, trade deficit for the first six months of 2003 is smaller than it was in the same period of the last year so this trend is also starting to move in the right direction.

## BASIS FOR THE CALCULATION OF THE REQUIRED RESERVES INCREASES

Over the first ten days of September 2003, the level of banks' deposits used as the basis for the calculation of the Required Reserve (RR) reached KM

five billion for the first time. With the implementation of the Decision on the RR, total deposits of banks, which are made of KM and foreign exchange deposits, increased by KM 476,3 million or 10,5 percent over the period from June 1, which is the day when the Decision on the RR became effective, until September 10, 2003. From September 10, 2002, until September 10, 2003, deposits in banks denominated in KM increased by KM 500 million or 30 percent. The increase of level of banks' deposits shows that the citizens of BH have more confidence in the banking system and increasing the proportion of their savings that they hold in their bank deposits. Also because of the rapid increase in their deposits, the liquidity of commercial banks is extremely high and that banks are holding significantly higher amount of the money on their accounts than they are obliged to by the RR.

## SECOND MEETING OF THE NEW GOVERNING BOARD OF THE CBBH HELD

The Governing Board of the Central Bank of BH (CBBH) agreed that the CBBH would contribute 20% of the costs the Council of Ministers has to meet for the first subscription payment to the Council of Europe Development Bank. This decision was made during the second meeting of the new Governing Board of the CBBH, which was held on September 17, 2003, in Sarajevo. The Board believes that the decision of the Government to join this Bank will be positive for future economic and social development in BiH and therefore agreed to assist the government in meeting the subscription payment. The Governing Board of the CBBH also agreed to a request from the OHR chaired Committee on Anti-Money Laundering that the CBBH work with all the commercial banks in BiH to establish a single registry of bank accounts for the whole country. A project team will be established as soon as possible as it is considered that the establishment of this registry of bank accounts will be an important step in the fight against money laundering and other financial crime in BiH.

## PETER NICHOLL AT THE SECOND BUSINESS ROUNDTABLE WITH THE GOVERNMENTS OF BH

The Governor of the Central Bank of Bosnia and Herzegovina **Peter Nicholl** expects inflation in BH to be remain stable at around current levels, economic growth rates to be at least six or seven percent per annum and the balance of payments situation to be gradually improve. But these positive economic forecasts are dependent on the new economic reform process in BH accelerating.

Although the environment for private investment has improved, there are still risks attached to investing in BH, said Governor Nicholl during the



Second Business Roundtable with the Governments of Bosnia and Herzegovina that was organized by the "Economist Conferences" on September 22 and 23, 2003 in Sarajevo. But he now believes that opportunities exceed the risks. Mr. Nicholl stressed it is difficult to predict the economic outlook in BH with precision because BH is going through so many transitions simultaneously and because of the fact that the economic outlook depends on an acceleration of the economic and legal reforms in BH. "Unless the legal and tax systems are changed, quickly and substantially, BH will have a very difficult future", the Governor of the CBBH warned at the conference, but added he is an optimist and believes that we will see a combination of continued macro-economic stability and acceleration of reforms are following. In his speech, the Governor talked about the CBBH and its role in the maintenance of financial stability, improvements in banking sector and especially on the changes in financial sector in the near future. As BH has a sound Central Bank and a stable currency as well as rapidly improving commercial banking sector, the challenges for the next two years will be to maintain financial stability and to develop the capital and securities markets. Among the initiatives that are proposed or underway are the establishment and work of the National Capital Market Council, making of the first sovereign credit rating, the establishment of the securities market, moving the banking supervision under the umbrella of the CBBH, harmonization with the standards and regulations of the European Union in all areas in financial markets and the possible establishment of a regional stock exchange.

## NEWS FROM THE MAIN UNITS AND BRANCHES

### MBRS BANJA LUKA

Since the introduction of the new system of calculation of the required reserve, the average balance of banks' reserves in Republika Srpska (RS) increased by 79 percent and it totals KM 93.259.252,00. Over the same period, deposit basis for the calculation of required reserve increased by 173 percent, during which basis denominated in KM increased by 39 percent.

### MAIN UNIT MOSTAR

Since the new Decision on the establishing and maintenance of reserve requirement and the remuneration on the reserve became effective, the account of reserves of commercial banks increased in the Main Unit Mostar. Since June 1 until September 20, reserve accounts increased by 143,75 percent. A total of 123.411 transactions were processed during August at the level of the Main Unit Mostar, out of which, 120.419 transactions were carried out in the giro-clearing, while 2.992 transactions were carried out in the RTGS. From January 1 until August 28, a total of KM 2.124.000,00 were exchanged and delivered in the exchange offices of Splitska Bank, Split, which is the result of implementation of the Contract on buying and selling of the KM signed between the Central Bank of BH and Splitska Bank, Split.

### BRCKO BRANCH

Budget review of Brčko Branch for 2003 was made in September. The new digital telephone line (ISDN)

was installed in the Branch. Manager of the Brčko Branch **Mirzeta Arnautović** attended the reception which was organized on September 29 in the Regional Office of the High Representative (OHR) in Brčko regarding the end of the mandate of the Brčko Supervisor **Henry Clarke**. During the month, employees in the Branch continuously performed regular activities in the domains of treasury operations, statistics, payment transactions and accounting.

### MAIN UNIT SARAJEVO

During September, activities on adaptation of the new business premises of the Sarajevo Main Unit, located in Mehmeda Spahe 3 Street, continued. After resolving of all administrative issues, contractors "Siemens" and "GP Bosna", together with subcontractors, continued with construction works, so the end of works is expected in December this year. Six special accounts were opened in the Banking Section based on the Decision of the High Representative in BH on the blockade of assets of clients with the intention to prevent terrorist activities or activities which obstruct implementation of peace. Analysis of work of the Treasury Operations Section as of August 31, 2003, showed significant increase in number and value of transactions, so there were 949 inflow transactions containing 18.387.123 pieces of banknotes and 5.503.200 pieces of coins. There were 882 outflow transactions containing 18.385.290 pieces of banknotes and 5.476.476 pieces of coins, so the net number of transactions in this vault was equal to the number which was recorded in the Vault in Banja Luka.

### PALE BRANCH

The Branch of the Main Bank of Republika Srpska (GBRS) on Pale completed all activities which were planned for September. Over the entire nine-month period, a constant increase in the positive balance of KM net-sale was recorded at the level of Branch, and over the month of September the balance was higher by 2,2 percent compared to August. The balance of reserve accounts which is being managed by Pale Branch increased 2,5 percent compared to the previous month. During September, number of transactions of KM sales to banks increased by 11,9 percent compared to the same period of the previous month, while the number of KM purchase transactions reduced 11,1 percent compared to the same period last year.



New premises of Pale Branch

## 264 employees in the CBBH

During September 2003, there were no new hirings and no one has left the Central Bank of BH (CBBH). Also, no employees were

shifted to other posts. The CBBH currently has 264 employees, out of which, 260 are employed for the indefinite period of time, while four employ-

ees are employed for the definite period of time. Out of the total number of permanently employed persons, one employee-trainee is on unpaid leave.

## EDUCATION

### Significant number of the CBBH employees attends seminars and conferences

The CBBH Governor **Peter Nicholl** and Vice Governors **Kemal Kozarić** and **Ljubiša Vladušić** attended a seminar which was held at Cambridge University in London from August 31 to September 4. The title of the seminar was *"Financial and operational management of risks for employees of central banks"* and the organizer was the Central Banking Publications LTD from London. Manager of the Accounting and Finance Division of the CBBH **Ninoslav Gregović** attended a seminar entitled *"Finances and accounting, management in the central banks"*, which was held from September 8 until September 12 in London.



Ninoslav Gregović

The Bank of England was the organizer of this seminar. Coordinator of the Personnel Section of the CBBH **Anda Bijeljac** attended a seminar entitled *"Human factor, global promoter of development of the personnel affairs"*, which was held from September 8 until September 12 in Sofia. The Bank for International Settlements - BIS organized a seminar from September 1 until September 5 entitled *"Techniques of the improved risk management"*, which was held in Beatenberg. A person who



Anda Bijeljac

attended this seminar was Economist for Banking in the Banking Section of the Main Bank of RS (MBRS) **Dragan Jović**. In the name of the CBBH, vice governors **Kemal Kozarić** and **Dragan Kovačević** attended the Annual Assembly of the World Bank and IMF, which was held from

September 20 until September 24 in Dubai. Vice Governor **Kovačević** attended a Conference on Albanian economy which was held on September 11 and September 12 in Sarandi (Albania). The seminar was organized by the Bank of Albania. The

Czech National Bank organized a seminar about

the credits risks and moderation of the credit risks, which was held from September 22 until September 26 in Prague. Manager of the Monitoring

and Analyzes Division **Vasilija Arapović** attended this seminar. Economist in the Section for the Statistics of the Government Finances, Foreign Debt and Real

Sector **Amila Delić** attended a seminar on the financial programming and

policies, which was organized by CEF and held from September 8 until September 19 in Lipice. Data Base Technician **Lamija Čemalović** attended a seminar entitled

*"9 and DBA 2 - ORACLE 9 and basics of the BA II"* which was organized by ORACLE Company and held from September 8 until September 12 in Zagreb. Manager of the Payment System Department **Đorđe Racković** attended a seminar entitled *"Payment systems and settlement systems for*



Đorđe Racković

*the central banks"*, which was organized by the European Central Bank and held from September 1 to September 3 in Frankfurt. **Racković** also attended the International Conference of clearing institutions which was held from September 18 until September 20 in Skoplje. The Conference was organized by the clearing house KIBS AD from

Skoplje. Coordinator for the Banking Supervision **Ljiljana Marijanović** attended the international seminar about the banking supervision, which was organized by BIS and held from September 5 until September 12 in



Amila Delić

Beatenberg. Coordinator of the Banking Section in the MBRS Banja Luka **Radmila Grujičić** attended *"Miločer Economic Forum 2003"* from September 17 until September 19, which was organized by the Union of the economists from Serbia and Montenegro. Coordinator of the Information Support

Section **Saša Lemez** attended a meeting of the User Group of the RTGS system, which was organized by LOGICA and held from 18 to 20 September in Riga. Deputy Comptroller **Milosija Drakulić** and Coordinator of the Monitoring and Analyzes Division **Novo Cicović** attended a seminar from 18 September until September 20 entitled *"Accounting and Finances in crisis situation"*, which was held in Teslić. This seminar was organized by the Association of accountants and auditors of RS.



**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
**Monthly Balance Sheet (temporary) as of 31<sup>st</sup> August, 2003**  
**Explanation**

Monthly Balance Sheet is being issued to provide information on the Central Bank of Bosnia and Herzegovina operations pursuant to the Currency Board rule, and to release some particular information as defined by the Law on the Central Bank of Bosnia and Herzegovina.

Some of specific features of the Balance Sheet as of 31<sup>st</sup> August are as follows :

**On 31<sup>st</sup> August, the Bank met all requirements of the Currency Board rule as mentioned in the Article 31 of the Law.** Status of Net Foreign Assets exceeds its Monetary Liabilities in Konvertibilna Marka (KM) by KM 143,817,674. This has been shown in the item Net Foreign Exchange Assets minus Monetary Liabilities.

**Foreign Assets** mainly consist of deposits held with the foreign banks.

The Balance Sheet also shows structure of the currencies holdings, differentiating them by EUR and other currencies.

The Bank's foreign deposits incur income for the Bank from interest.

**Monetary liabilities**, represent to larger extent the liability of the Bank for KM currency in circulation (KM 1,739,150,137) and resident banks, reserve deposits (KM 502,747,095).

**Capital and reserves** reflect initial capital and reserves, shares, and accumulated profit of the Bank since the beginning of its operation on 11<sup>th</sup> August 1997.

As depositary for membership of Bosnia and Herzegovina in the IMF, the Bank presents IMF accounts No.1 and No.2 as foreign liabilities in its Balance Sheet and holds securities of the Government of Bosnia and Herzegovina related to the membership. Acting in the same time also as fiscal agent on behalf of the Government in its relationship with the IMF, the Bank records the funds and liabilities of the Government related to the membership in the trust accounts separated from Balance Sheet. By consolidation of all accounts related to the membership of Bosnia and Herzegovina in the IMF, liability as net member position in the amount of KM 257,505,598 is calculated.

The Bank also maintains certain accounts in foreign currencies in terms of agreements concluded between the Government of Bosnia and Herzegovina and foreign governments and financial organisations, as well as foreign currency accounts of the state institutions and agencies for which the Bank acts as an agent. As these accounts does not appear to be either assets or liabilities of CBBH, they have not been included in the above mentioned balance sheet. Total amount of funds held in on these accounts was KM 279,381,818.

Any inquiry referred to the Monthly Balance Sheet can be addressed to the Accounting and Finance Section in Sarajevo, contact phone # (033) 27 81 19, fax # (033) 27 82 94. Media representatives can contact Public Relations Office, phone # (033) 27 81 23, fax # (033) 27 82 96.

**The Central Bank of Bosnia and Herzegovina is independent monetary institution of BH and has no organisation relations with any commercial bank.**

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
**Monthly Balance Sheet (temporary) as of 31<sup>st</sup> August, 2003**  
**(amounts in KM equivalents)**

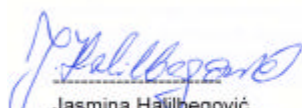
ASSETS		Total Amount	EUR	Other Currencies
1	Foreign Exchange Assets	2.404.956.296	2.401.822.121	3.134.175
1.1	Cash	42.834.994	42.804.343	30.651
1.2	Short term deposits	2.360.639.492	2.359.017.778	1.621.714
1.3	SDR in the IMF	1.481.810	0	1.481.810
2	Other Assets	70.456.598		
TOTAL ASSETS ( 1 + 2 )		2.475.412.894		

LIABILITIES		Total Amount
3	Monetary Liabilities	2.260.040.961
3.1	Currency in Circulation	1.739.150.137
3.2	Credit Balances of Resident Banks	502.747.095
3.3	Credit Balances of Other Residents	18.143.729
4	Liabilities to Non Residents	1.097.661
5	Other Liabilities	9.130.442
6	Capital And Reserves	205.143.830
TOTAL LIABILITIES (3+4+5+6)		2.475.412.894

Net Foreign Assets minus Monetary Liabilities ( 1 - 3 - 4 )		143.817.674
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Jasmina Halilbegović  
Comptroller General

  
P.W. Nicholl  
Governor  
Sarajevo ( date ) 23.09.2003.