

CENTRALNA BANKA
BOSNE I HERCEGOVINE



ЦЕНТРАЛНА БАНКА
БОСНЕ И ХЕРЦЕГОВИНЕ

INFO

СВБИХ

Info The Central Bank of Bosnia and Herzegovina

| March-April |

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Central Bank of Bosnia and Herzegovina

CBBH Info January – February 2019 prepared by:
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CBBH PERFORMANCE

CBBH Successfully Completed Financial Year 2018

During 2018, the Central Bank of Bosnia and Herzegovina (CBBH) continued with successful implementation of monetary policy and maintenance of monetary stability of Bosnia and Herzegovina in accordance with the Law on the CBBH, and also contributed to the financial stability. In the past few years, the CBBH operations have been the subject to constant pressure of interest expenditures from the negative interest rate on deposits with foreign banks in the euro area and low yields on government bonds of the countries in our investment spectrum. Beside the aforementioned, the CBBH still manages to achieve a positive financial result, although the primary objective in central banking is not to have the profit, but to maintain monetary stability. The profit realized for 2018 is the result of a rational management policy, and the



net profit of the CBBH for 2018 amounted to KM 8,430,875.92. The total amount was allocated to the CBBH general reserves as the CBBH capital position. The Financial Statements and Annual Report of the CBBH were adopted at the session of the CBBH

Governing Board on 27 March 2019, and in accordance with the Law on the CBBH were sent to the Parliamentary Assembly and Presidency of Bosnia and Herzegovina. The external independent auditor gave the positive, to quote „unqualified“ opinion on the CBBH Financial Statements. As an institution whose core objectives and tasks are to achieve and maintain the stability of domestic currency

within the Currency Board arrangement, the CBBH will continue its foreign exchange reserves investments policy whose priorities are monetary stability and portfolio security.

DECISIONS

Remuneration Rate on Excess Required Reserves Equal to the ECB Deposit Facility Rate

At its 3rd session, held on 27 March 2019, the Governing Board of the Central Bank of Bosnia and Herzegovina (CBBH) adopted the decision to change the remuneration rate on excess required reserves. According to the new Decision, the remuneration rate on excess required reserves is equal to the European Central Bank (ECB) deposit facility rate. Thus, the remuneration rate on excess required reserves has been changed from -20 bp to -40 bp. The remuneration rate on the reserve requirement has remained unchanged. New policy on remuneration on funds in reserve accounts with the CBBH will be applied from 1 May 2019. The CBBH will continue to implement the reserve requirement policy, in all its segments, in accordance with macroeconomic trends, the specific features of the BH financial system and the best international practices.



BH CREDIT RATING

Credit Rating Remains the Same, the Outlook Upgraded

On 8 March 2019, the international rating agency Standard and Poor's (S&P) announced that the credit rating of Bosnia and Herzegovina remains „B“, however, compared to the previous rating assessment, the outlook has been changed from stable to positive. This has been the first upgrade of the outlook for long-term rating of BH by S&P since 2012. As mentioned by this Agency's analysts, the economy has appeared to be more resistant to political tensions than assumed, and there is a potential for the rating upgrade in the future. The confirmation of the credit rating and its positive outlook reflects the expectations of the analysts that economic perspective of BH would improve compared to the previous base projections if the government is established in 2019 and the reform momentum is continued. In such case, the authorities are expected to regulate the status of the arrangement with the International Monetary Fund (IMF), which would accelerate the reforms and make possible the access to funding for important infrastructure projects. The formation of stable governments, which would result in continuation of the started structural reforms, is a key factor for continuing positive developments in respect of long-term rating in the following year. By the upgrade of the credit rating to the level above the current one, BH would remain in high speculative risk area, but close to the non-investible, speculative level. Regarding the countries in the region, Albania and Montenegro are one level above the current



BH long-term rating by S&P, while North Macedonia and Serbia are in the group of countries at un-investible, speculative level. As stated in the Rating Agency report, the country' credit rating is limited by the complex institutional setting in BH. If governments are not formed, and the reform process is not strengthened again, the outlook could again deteriorate from positive to stable.

B / pozitivni izgledi

8.3.2019.
Potvrđen rejting



B3 / stabilni izgledi

16.2.2018.
Potvrđen rejting



PROJECTS

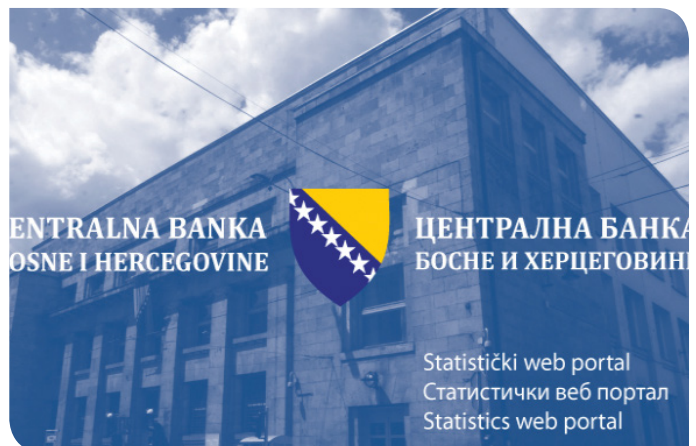
Presentation of the Programme for Strengthening the Central Bank Capacities in the Western Balkans

On April 4, 2019, the presentation of the regional EU Programme of Technical Assistance named „The Programme for Strengthening the Central Bank Capacities in the Western Balkans with a view to the Integration to the European System of Central Banks (ESCB) “was held at the premises of the Central Bank of Bosnia and Herzegovina (CBBH) in Sarajevo. The Agreement for the Programme of Technical Assistance, financed by the EU IPA, was signed on March 26, 2019, at the first meeting of the Governing Board of the Programme, thus marking beginning of the implementation. As the member of the Governing Board of the Programme, the Head of the European Integration Department, Renata Barić, attended the meeting on behalf of the CBBH. The areas of central banking covered by the Programme are statistics, internal audit, accounting, payment systems, and financial stability, banking supervision, monetary policy, compliance and EU integration, governance policies, financial consumer protection and financial inclusion. The Deutsche Bundesbank implements the Programme, in cooperation with Central/National Banks of Belgium, Bulgaria, the Czech Republic, Greece, Spain, France, Croatia, Italy, Lithuania, Hungary, the Netherlands, Austria, Poland, Portugal, Romania, Slovenia and Slovakia. The European Central Bank will contribute to the implementation of the project.



STATISTICS

Alignment with the New International Standards



The Central Bank of Bosnia and Herzegovina (CBBH) has made methodological changes regarding the statistics of monetary and financial sectors, with regard to the foreign currency indexed financial instruments classification. In this way, an important alignment with international standards has been made, thus improving the quality and international comparability of the CBBH data. The new Manual and the Monetary and Financial Statistics Compilation Guide of the International Monetary Fund (IMF) from 2016 and the European System of National and Regional Accounts (ESA 2010) stipulate that foreign currency indexed instruments should be classified as foreign currency instruments. Consequently, starting from January 2019, a reclassification of the currency structure of financial instruments (loans, securities, deposits) originally reported in KM, which are indexed to a foreign currency, has been made from the domestic currency position into the foreign currency position. The total amounts of loans and deposits did not change, but there was a change in the currency structure, so foreign currency deposits increased by about KM 1.9 billion (with a decrease in the domestic currency deposit category at the same time). Regarding loans, the effects of these changes are even more pronounced, as foreign currency, indexed loans in the amount of over KM 10.5 billion, since January, have been classified as foreign currency loans. The IMF organized the Technical Assistance Mission for Monetary and Financial Statistics for BH in the period from 8 to 19 October 2018, when these methodological changes were analyzed and prepared, and commercial banks were able to make changes in reporting to the CBBH in a short time period.

DATA

Balance of Payments of Bosnia and Herzegovina for 2018

The Central Bank of Bosnia and Herzegovina (CBBH) published the data on balance of payments for 2018, according to which the current account deficit amounted to KM 1.37 billion, which is lower by around KM 104.4 million compared to 2017. In relative terms, the current account deficit amounted to 4.2 % of GDP in 2018, while in 2017, it amounted to 4.7 % of GDP. In 2018, the main cause of the current account deficit was still a significant imbalance in foreign trade of goods. The deficit in trade in goods in 2018 amounted to KM 7.53 billion and it was higher by KM 144.3 million compared to 2017, although record exports of goods were achieved in 2018. The exports of goods were higher by 8.0 % than in 2017, but at the same time it was accompanied by an increase of goods imports by 5.3 % compared to the previous year. The balance of services recorded a surplus of KM 2.46 billion, which is higher by KM 201 million than in the previous year. The revenues from services mainly resulted from the increase in revenues from tourism, telecommunications and IT services, and construction works performed abroad, which had a positive impact on the current account deficit. In 2018, there was a deficit in the primary income amounting to KM 168.9 million, which is by KM 30.3 million higher than the deficit recorded in 2017. Very important item of the current account is the secondary income. In 2018, the secondary income balance amounted to KM 3.87 billion, which is higher by KM 78 million than in 2017. Within this item, financial inflows amounted to KM 4.26 billion, out of which KM 2.7 billion refers to remittances from abroad. In 2018, revenues in the capital account were generated from grants and aid in the amount of KM 310.2 million, which is higher by KM 8.3 million than in 2017. The balance of the financial account in 2018 amounted to KM 857.8 million, which is lower by 14.1% compared to 2017, which is the amount by which the liabilities of Bosnia and Herzegovina to non-residents have been reduced. Within the financial account, direct investment liabilities (foreign investments in Bosnia and Herzegovina) in 2018 amounted to KM 799.8 million, being at the same level as compared to 2017.

Card Operations in 2018

According to the Central Bank of Bosnia and Herzegovina (CBBH) data, 24 commercial banks provided cards operations services in BH, as of the end of 2018. The global brands are in question: MasterCard, Visa, American Express and Diners, while only three banks offer the only domestic card - Bamcard. The total number of active cards in the past year was 2,153,346, as different from 2017, when there were 2,005,213 cards held by citizens of Bosnia and Herzegovina. This is an increase by 148,133 cards compared to 2017, and debit cards have the highest share. The total value of transactions performed using cards in the country and abroad in the last year amounted to KM

10,286,958,664. In 2018, out of total value of transactions, performed using cards in the country and abroad, cash in the amount of KM 7,164,868,325 or 70% percent of value was withdrawn by ATMs in the country and abroad, while KM 3,122,090,339 or 30% percent of the value was realized at the POS. In the past year, the percentage of realized cash by the ATM and POS terminals amounted to 80%, and the value of goods and services amounted only to 20% of the total turnover by cards. The total number of transactions in 2018 was 86,134,742, and the average value per transaction was KM 119 and it is decreased by KM 2 compared to 2017. The average annual turnover per card in 2018 amounted to KM 4.777, and it increased by KM 34 compared to 2017. Last year, citizens of Bosnia and Herzegovina, withdrew the amount of KM 622,749,852 at the ATM and POS terminals of the banks abroad, via cards issued in the country. Out of this amount, cash in the amount of KM 148,722,157 was withdrawn at ATM and POS terminals, and for the goods and services, the amount of KM 474,027,695 was realized at POS terminals. In 2018, foreign citizens, using cards issued by their foreign banks, realized KM 2,040,647,065 on ATM and POS terminals of banks in Bosnia and Herzegovina, out of which, cash in the amount of KM 1,390,398,792 was withdrawn by means of ATM and POS terminals, while the goods and services were bought in the amount of KM 650,248,273 via POS. Banks are working intensively on introducing a higher number of ATM and POS machines. During the last year, there were 1,582 ATMs in total and 28,239 POS terminals, out of which 27,481 in stores and 758 at bank counters. In Bosnia and Herzegovina, 22 banks provide the electronic banking services (mobile and e-banking). Data show a strong growing trend of the number of natural persons, and decreasing of the number of legal persons using these services. The total of 667,551 entities in 2018 used this service. Out of total number of customers using electronic banking, 58,670 were legal persons and 608,881 were physical persons.

Decrease of Counterfeits in 2018

In 2018, there were in total 2,381 pieces of counterfeited banknotes and coins of all currencies and denominations registered in the Central Bank of Bosnia and Herzegovina (CBBH), this being lower by 28.13% compared to the previous year. These are banknotes and coins delivered to the CBBH for analysis and expertise. Speaking of the convertible mark (KM) banknotes, there were 535 counterfeits registered last year, this being lower by 22.58% compared to 2017. As for denominations structure, the highest number of counterfeits was in denomination of KM 100 (214 pieces or 40%), KM 20 (149 pieces or 27.85%), and KM 50 (138 pieces or 25.79%). Given the KM coins, there were 1,538 counterfeits registered, in total, this being lower by 33.22% compared to 2017. There was a significant decrease of counterfeited coins in denomination of KM 1, by 33.01%. The above mentioned coin denomination remained the most frequently counterfeited one, and during the last year there were 1,443 pieces of such counterfeits, or 93.82% out of the total number of counterfeited coins. This was followed by the denomination of KM 5 (84 pieces or 5.46%) and KM 2 (11 pieces or 0.72%). Number of



counterfeited EUR banknotes decreased by 16.99%, and there were in total 215 pieces registered. The highest number of registered counterfeits was in denomination of EUR 50 (99 pieces or 46.05%), EUR 100 (46 pieces or 21.4%) and EUR 20 (30 pieces or 13.95%). Last year, there were 93 pieces of counterfeited banknotes of other currencies registered. Unlike the previous years, when the highest number of counterfeits of USD was recorded, in 2018, more counterfeits of CHF and GBP were registered. There were 40 pieces of CHF counterfeits registered (denomination of CHF 100 - 1 piece, denomination of CHF 1,000 - 39 pieces), 25 pieces of GBP counterfeits (denomination of GBP 20 - 24 pieces, denomination of GBP 50 - 1 piece), 21 pieces of counterfeited USD banknotes (denomination of USD 20 - 1 piece, denomination of USD 50 - 4 pieces, denomination of USD 100 - 16 pieces), and 7 pieces of counterfeited TRY banknotes (all in denomination of TRY 200).

MEETINGS

BH Delegation at the IMF and WB Spring Meetings

The Delegation of Bosnia and Herzegovina, led by the Governor of the Central Bank of Bosnia and Herzegovina (CBBH), Senad Softić, Ph.D., attended the Spring Meetings of the International Monetary Fund (IMF) and the World Bank (WB), which took place in Washington, from April 12 until April 14, 2019. The Delegation held a number of meetings with the IMF and WB high officials, including meetings with Tao Zhang, the Deputy Managing Director of the IMF, Poul Thomsen, the Director of the IMF's European Department, Cyril Muller, the WB Vice President for Europe and Central Asia, Anthony De Lannoy, the IMF Executive Director, the IMF Alternate Executive Director Richard Doornbosch, World Bank Executive Director Koen Davidse and with Head of the IMF Mission in Bosnia and Herzegovina Martin Petri. Discussions with the IMF high officials, among other things, also covered the topic of cooperation and the IMF program with Bosnia and Herzegovina which is currently at a standstill. The IMF expressed readiness to continue the negotiations as soon as all the necessary conditions are met. The meeting of the Dutch-Belgian Constituency, which was attended by the Governor of the CBBH, covered topics of the global economic context, possibilities and policies. Global economic forecasts for 2019 were also presented during the meeting. The Governor also held several bilateral meetings related to the cooperation between the CBBH and the IMF through the technical assistance program.



The Meeting of the Governors' Club of the Central Asia, Black Sea Region and Balkans Countries held

The Governor of the Central Bank of Bosnia and Herzegovina (CBBH) Senad Softić Ph.D. participated in the 41st meeting of the Governors' Club of the Central Asia, Black Sea Region and Balkan Countries, held on 24-25 March 2019 in Istanbul. Governor Softić was a speaker at the first session, dedicated to the topic of global economic and financial outlook, and his focus was the Balkans Region and its perspectives. With the main recommendation that the region should monitor global trends, but be focused on the EU and euro area developments, the Governor specifically addressed the topic of the euroization, implementation of the reforms and building of more resilient financial systems. Explaining the issue of focusing on the EU, Governor Softić stressed that the EU has been the main trading partner for most countries in the region, and that the whole region will feel some impacts if Europe's key economies slow down. Furthermore, the whole region is strongly linked to the euro, either through the introduction of the euro as a legal tender or through monetary policy (currency board etc.). Besides, in most of countries in the region, banking sector is owned by international bank groups with their headquarters located in the EU countries. „The fourth reason is that all countries from the region are: either EU members, or EU candidate countries, or like Bosnia and Herzegovina potential candidate country. Thus, either the whole region already applies EU rules, or prepares itself to introduce them“, stressed Softić. The Governor also emphasized that it is difficult to forecast economic crisis, and that a country itself cannot influence much its external environment, but, still, there are plenty of things that could be done internally. “Each of us in our own country, can do our best to make our economies and financial system more resilient to potential shocks“, said the Governor, adding that the key of success is to work continuously on carrying out the reforms and strengthening the system in times when the situation is stable. As an example, the



Governor stated that it is necessary to consider not only the systemic stability in our own country, but also that of our neighbours. In addition, it is necessary for the central banks to prepare continuously for the crisis, and to prepare potential scenarios and proper ways of acting in that moment. „Although we cannot forecast the crisis, we can work on raising resilience to crisis“, said Softić, underlining that it is particular necessary to pay attention to financial innovations (FINTECH) and their risks to which the attention was not paid yet. In addition to the session when Governor Softić spoke, the 41st meeting of the Governor’s Club also considered the issues of the central banks’ governance and central banks’ communication aimed at more efficient implementation of monetary policy. The Governors’ Club of the Central Asia, Black Sea Region and Balkans Countries brings together the governors and other senior officials from the world of monetary policy and finance to exchange views on current issues and further improvement of mutual cooperation.



TOPIC

Visits to the CBBH and marking the Global Money Week

The Central Bank of Bosnia and Herzegovina (CBBH), in cooperation with the European Fund for Southeast Europe - Development Facility (EFSE DF), carries out various educational activities with the aim to promote financial literacy and achieve higher level of financial inclusion of youth and children. Thus, in March, the CBBH hosted several groups of high school pupils and university students, who were given the suitable presentations, depending on their educational profile. The students of the Faculty of Law at the University of Sarajevo were welcomed by the Vice Governor of the CBBH, Ernadina Bajrović, M.A., while the Head of the Governor’s Office, Almir Salihović, M.Sc., and Edina Bejtula from the Legal Affairs Department talked about the CBBH and the legal aspects of its operations. The group of 45 pupils and professors from the High School Vogošća, and the group of 20 pupils and professors from the PI Mixed High School Bosanski Petrovac, also visited the CBBH and through the presentations of the Head of the Governor’s Office, Almir Salihović, M.Sc., Enver Backović, Ph.D., from the Office of the Chief Economist and Vedran Milisav, M.Sc., Head of the Section for the Balance of Payments Statistics in the Statistics and Publications Department, found out more about the operations of the CBBH and its activities, and about the balance of payments of BiH. On March 29, 2019, the Global

Money Week was marked, as part of which the educations were held for 41 high school pupils of the PI High School for Business and Commerce from Sarajevo. The official slogan of the Global Money Week, marked from March 25 to March 31, 2019, was „Learn.Save.Earn“ with the aim to encourage children and youth to learn not only how to manage money wisely, but also how to create positive waves that they will spread from themselves to their family members and the entire community. The slogan „Learn.Save. Earn“ helps in creating various events and activities in order to help children and youth to Learn how to wisely manage money; Save for the future; Earn for themselves and their families.



During all these visits, young people have acquired additional skills and knowledge of the proper way to use the financial products, and were pleased to have had the opportunity to hear useful information about the role of the CBBH, the balance of payments of BiH and financial products, which they confirmed through the questionnaire they filled in:

“During the visit to the Central Bank of Bosnia and Herzegovina we heard a lot of useful information that we will be able to apply in the future.”

“I have acquired additional knowledge and skills that will be very useful for me in the future. I learned useful information about the role of the Central Bank of Bosnia and Herzegovina and about the balance of payments of BiH.”

“We learned a lot today. For us, students, there was a lot of new, useful information that we have not had the opportunity to hear during our education.”



CONFERENCES

This Years' FinConf in Cooperation with the CBBH

The International FinConf Conference, the fourth one, was held in Sarajevo on April 25-26, 2019, in cooperation with the Central Bank of Bosnia and Herzegovina (CBBH). The conference gathered leading local and regional level financial stakeholders and experts, who discussed and presented their experiences to the participants. The trends, the application and current business opportunities in different sectors, including BlockChain, Open Banking, Payments, Banking Regulations, FinTech and many others, were discussed at the conference. The conference was the opportunity to gain knowledge in the field of financial services, and adopting new tools and skills. At the end, the Governor of the CBBH, Senad Softić, Ph.D, awarded certificates of appreciation to the speakers and partners of the conference in recognition of their contribution to the development of the financial sector.

INTERNAL DOCUMENTS

Implementation of the By-Law on Personal Data Protection in the CBBH

Since March 1, 2019, the implementation of the By-Law on Personal Data Protection in the Central Bank of Bosnia and Herzegovina (CBBH), adopted by the Governing Board of the CBBH at its first session this year, has started. At the same time, the Governor of the CBBH passed the Regulation resulting from the mentioned By-Law – the Decision on Personal Data Protection in the CBBH as of February 26, 2019, to be implemented from March 1, 2019, the same as the By-Law. The adopted By-Law regulates the implementation of the personal data protection in the CBBH in accordance with the Law on Personal Data Protection, in particular the rules and procedures for the implementation of the basic principles of lawful processing of personal data in the CBBH, the procedure of disclosing personal data to a third party and their transfer abroad, the rules for realizing the rights of data holder, the method and procedure of keeping records prescribed by the Law, and the method of adopting the Personal Data Security Plan in the CBBH. The CBBH maintains collection of personal data in the field of human resources, accounting and finance, systems of security and payment systems. Special categories of personal data in the CBBH can be processed only with the explicit consent of the data holder, in accordance with the Law. The consent must be written, signed by the data holder, it must contain an accurate indication of the data to which the consent relates, and the name of the controller, the purpose and time period for which the data processing consent is given. Exceptionally, the processing of a special category of personal data is allowed in cases prescribed by the Law.

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