

CENTRALNA BANKA  
BOSNE I HERCEGOVINE



ЦЕНТРАЛНА БАНКА  
БОСНЕ И ХЕРЦЕГОВИНЕ

# INFO CBBH



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## DATA ON CARD OPERATIONS IN 2017



According to the Central Bank of Bosnia and Herzegovina (CBBH) data, 24 commercial banks provided cards operations services as of the end of 2017. In question are the global brands: MasterCard, Visa, American Express and Diners, while only two banks offer the sole domestic card - Bamcard.

The total number of active cards in the past year was 2.005.213, contrary to 2016, when there were 2.042.280 cards held by citizens of Bosnia and Herzegovina. This is a decrease of 37.067 cards compared to 2016, but it did not reflected the amount. Debit cards are the most represented one.

The total value of transactions realized using cards in the country and abroad in the last year amounted to KM 9.511.334.218, and in comparison to 2016 it is an increase by KM 719.953.149, when the total value of transactions realized amounted to KM 8.791.381.069.

In 2017, out of total value of transactions, carried out by the ATM, in the country and abroad, cash in the amount of KM 6.754.333.637 or 71% percent of value was realized, while at the POS there were realized KM 2.757.000.581 or 29% percent of the value. In the past year, the percentage of realized cash by the ATM and POS terminals amounted to 81%, and the value of goods and services amounted only to 19% of the total turnover through cards.

The total nuber of transactions in 2017 was 78.902.847, and the average value per transaction was KM 121 and it is increased by KM 9 compared to 2016. The average annual turnover per card in 2017 amounted to KM 4.743, and it is increased by KM 439 compared to 2016.

Last year, at the ATM and POS terminals of the banks abroad, citizens of Bosnia and Herzegovina, via cards issued in the country, withdrew the amount of KM 529.460.973 which is higher by KM 35.795.102 compared to the previous year. Out of this amount, cash in the amount of KM 149.116.978 at ATM and POS terminals was realized, and for the goods and services, at POS terminals, the amount of KM 380.343.995 was realized.

In 2017, foreign citizens, using cards issued by their foreign banks, realized KM 1.740.228.080 on ATM and POS terminals of banks in Bosnia and Herzegovina, out of which through ATM and POS terminals, the cash in the amount of KM 1.212.928.661 was withdrawn, while the goods and services were bought in the amount of KM 527.299.419 via POS.

Banks are working intensively on installing of a large number of ATM and POS machines. During the last year, there were 1.539 ATMs in total and 27.458 POS terminals, out of which 26.673 in stores and 785 at bank counters.

All banks in Bosnia and Herzegovina offer internet banking or some type of electronic banking. Data show a trend of increasing the number of clients using these services. This type of service covered a total of 490.859 entities in 2017, while in 2016, there were 383.761 entities who used this service. Out of total number of customer of internet or some kind of electronic banking, 64.961 were legal entities and 425.898 were physical ones.

## REPORT „PAYMENT SYSTEMS IN 2017“

The Payments System Department of the Central Bank of Bosnia and Herzegovina (CBBH) published the report “Payment Systems in BH in 2017” on the operation of the payment systems in BH based on data collected in 24 banks in BH and internal data of the CBBH.

In 2017, in the payment systems of the CBBH, there was an increase in the number of transactions and their value. Thus, in 2017, there were 41,107,361 transactions in the total value of KM 96,243,249,000. Out of the total number of transactions, through RTGS, there were 996,043 transactions amounting to KM 79,855,384,343, while 40,111,318 transactions in the total value of KM 16,387,864,656 were recorded through giro clearing. The share of the number of RTGS transactions in the total transactions in 2017 was 2%, while the share of the value was 83%, which is by 1% higher than in the previous year. The giro clearing share in the total number of transactions was 98%, and that in the value was 17%.

Beginning on 1 March 2017, the CBBH has introduced four settlements in the giro clearing system. As in previous years, commercial banks have placed more payment transactions in the time period when lower tariffs are offered by the CBBH.

Through the clearing system of international payments with the Republic of Serbia, in 2017, the total of 10,602 orders were placed in the value of EUR 172,103.917.

The number of access points for the Single Registry of Transaction Accounts was 1,264. The data from the Single Account Registry via the web access were taken over by 27 commercial banks, ten microcredit organizations, eight leasing and insurance companies, and 88 other institutions. The Registry included 224,946 active accounts and 75,236 blocked accounts.

In 2017, organizational units of the CBBH issued the total of 10,282 reports from the Single Registry of Transaction Accounts.

Data in the Central Registry of Credit in 2017 were delivered by 27 commercial banks, 27 microcredit organizations, and 19 leasing companies, insurance companies and special institutions. The total number of access points to the Registry was 1,325.

During 2017, 41,107,361 interbank payments and 68,389,937 internal bank payments were realized. In percentages, in the total number of transactions, 38% were interbank transactions and 62% were orders placed within banks. Observing by value, in 2017, the total of KM 96,243,249,000 or 45% were realized through orders between banks and KM 117,098,818,192 or 55% within banks.

## CBBH GOVERNOR AT THE 6TH MEETING OF THE GOVERNORS OF THE CENTRAL BANKS FROM THE REGION

The Governor of the Central Bank of Bosnia and Herzegovina (CBBH), Senad Softić, Ph.D. participated in the 6th meeting of the Governor of the Central Banks from the Region and the Leaders of the Financial Sector.

The meeting was held in Rovinj, Republic of Croatia, on March 27, 2018. This meeting, organized by Business Magazine “Lider” and the Croatian National Bank, this year focused on the discussion about challenges faced by the economies of the countries from the Region in the light of the normalization of monetary policy in the euro area, as well as the resolution of accumulated non-performing loans (NPL).



Addressing the potential effects of monetary policy normalization, the regional governors' discussion attempted to answer the question of how much the expected tightening of global financial conditions would affect the macroeconomic performance of the emerging market, especially from the perspective of fiscal efficiency and financial stability. Being aware of the fact that the potential growth of interest rates could slow the credit and economic activity and the possible rise in NPLs, the aim was to see to what extent domestic companies and consumers are exposed to interest rate risk and which measures are likely to be available.

"The CBBH, due to a Currency Board arrangement, cannot influence the level of interest rates in the country. Out of the macro prudential measures, only the required reserves are available to the CBBH. We continuously monitor and analyze the potential effects of monetary policy of the world's leading economies. Depending on the type of risk, liquidity risk in the banking sector or the risk of uncontrolled cross-border outflow of foreign exchange liquid assets, the CBBH will use the required reserve instrument in all its segments, if necessary", Governor Softić said, adding that if sooner or later, the growth of interest rates occurs, we expect it to be gradual, and should not represent a significant brake on economic development.

"Small and open economies, such as Bosnia and Herzegovina' one, should primarily focus on structural reforms, increase economic efficiency, make export competitive and resilient to external shocks", Governor Softić concluded his address.

## THE CBBH GOVERNOR LED THE BH DELEGATION AT THE SPRING MEETINGS OF THE IMF AND WB IN WASHINGTON



# SPRING MEETINGS

## 2018 | WASHINGTON DC

### INTERNATIONAL MONETARY FUND WORLD BANK GROUP

The Governor of the Central Bank of Bosnia and Herzegovina (CBBH) Senad Softić, Ph.D., led the BH Delegation, which attended the sessions held during the spring meeting of the International Monetary Fund (IMF) and World Bank (WB) in Washington, from April 21 to 23, 2018.

Beside Governor, the delegation featured the Prime Minister of the Federation of BH, Fadil Novalić, the representatives of the Ministry of Finance and Treasury of BH, and the representatives of the entities' governments. They held numerous meetings with the IMF and WB high officials, including meetings to highlight, such as those with the Deputy Managing Director of the IMF, Tao Zhang, the Director of the IMF's European Department, Poul Thomsen, as well as one with the World Bank Vice President for Europe and Central Asia, Cyril Muller.

During the meetings with the representatives of the IMF and the WB, the current topics were discussed, with special focus on the implementation of the remaining measures from the

Letter of Intent with the IMF, as well as the projects funded by the WB.

Within the meetings with the representatives of the IMF, the measures from the Letter of Intent third objective on the safeguarding financial stability and promoting the credit growth were especially highlighted. In terms of it, adopting of the Law on the Deposit Insurance Agency of Bosnia and Herzegovina, establishing single methodology for determining systemically important banks, and the preparation of Financial Stability Memorandum of Understanding the way it is agreed with the Letter of Intent, are matters of high importance. The IMF's high officials expressed readiness and support for the implementation of all remaining measures agreed with the authorities, which will be the subject of the second review of the implementation of measures within the visit of the IMF's Mission to Bosnia and Herzegovina, scheduled for mid-May this year.



## CBBH PAID A PART OF THE PROFIT INTO THE BUDGET ACCOUNT OF BH INSTITUTIONS



On April 5, 2018, the Central Bank of Bosnia and Herzegovina (CBBH) paid the amount of KM 7,311,129.83 into the budget of the BH institutions pursuant to the Decision of the CBBH Governing Board on the allocation of net profit, which the CBBH made in 2017.

The net profit of the CBBH for 2017 amounts to KM 12,185,216.39. In accordance with Article 27 of the Law on CBBH, out of this amount 60% or KM 7,311,129.83 was transferred to the budget of the Bosnia and Herzegovina institutions, while 40% or KM 4,874,086.56 was allocated in the CBBH general reserves.

In the past few years, the CBBH operations have been subject to constant pressure of interest expenditures from the negative interest rate on deposits with foreign banks in the euro area. The eurozone's financial markets have been for a long period of time, reflecting negative and low yields on government bonds of the countries in our investment spectrum, and extremely negative interest rates on time deposits and sight deposits with foreign banks. The uncertain and negative market trends along with the legal framework for investing foreign exchange reserves of the CBBH have inevitably affected the process of managing foreign exchange reserves and the amount of investment income, and the CBBH is facing more and more difficulties to achieve the positive financial result.

The profit realized for 2017 is the result of a rational management policy of the CBBH, which in 2017, fulfilled its legal mandate to maintain monetary stability, with the rational use of resources. The CBBH still succeeds, in times of negative interest rates on the eurozone market, to achieve a positive financial result, although the primary objective in central banking is not to have the profit, but to maintain monetary stability.

## NUMBER OF INTENTIONALLY DAMAGED BANKNOTES INCREASED SIGNIFICANTLY

The increased number of intentionally damaged banknotes has been recently identified in regular cash operations, this damaging was caused with writing/drawing on the white part of banknotes surface, both with graphite pencil and with pen, too.

The damages are mostly made with writing a number on a banknote, with a pen. We assume the writing is related to the process of the manual banknotes counting, when a person counting the banknotes, in an irresponsible and unlawful way, put on them in hand writing a certain amount with a pen, thus directly causing the banknotes to be unfit for future circulation. Also, it is not a rare case that the banknotes are damaged by manually writing on them the text, drawings, symbols and similar with graphite pencil or with a pen.

Hereby, the Central Bank of Bosnia and Herzegovina (CBBH) draws attention to all business entities, as well as to citizens, that according to the banking practice, any writing or drawing on banknote is considered to be intentional damaging of it, being the legal tender.

According to the CBBH Law and to the Decision about the Proceeding on the Banknotes and Coins of Convertible Mark and Foreign Currency Banknotes, Unfit for the Circulation (Official Gazette of BH, 17/17, dated March 10, 2017), if the CBBH doubts, or has the evidence or probable cause to consider that the money is intentionally damaged, it can seize the money, submitted for replacement and destroy it without compensation to the one who brought the currency.

Herein, the CBBH invites all business entities handling the cash in its operations, to draw attention to the persons engaged in these operations, that it is strictly forbidden to write on banknotes, because if doing so, they cause the direct banknotes damaging, resulting ultimately with the mandatory destruction at the Central Bank, since they are unfit for circulation.

At the same time, with the increased number of this kind of currency damaging, there is also the increased number of citizens' complaints about commercial banks declining to replace the damaged currency, regardless the way or the degree of damage.

In accordance with the above-mentioned Decision, the commercial banks are obliged to replace damaged KM banknotes, on condition that the applicant (physical or legal entity) presents over 60% of the KM banknote, which is:

a) in one piece and contains at least one serial number or



b) in two or more pieces and contains both serial numbers, in full amount and free of charge.

If the banknotes do not meet the required conditions for replacement in commercial banks, then they can be submitted into the CBBH's Head Office in Sarajevo or into the Main Bank of Republika Srpska of the Central Bank of BH in Banja Luka, with filled-in Request Form for Replacement of Damaged KM Currency (to download from the CBBH website: [www.cbbh.ba](http://www.cbbh.ba)). When submitting damaged KM banknotes for replacement, the applicant (physical or legal entity) is obliged to state the origin of the KM damaged currency, what happened to the banknote missing pieces and to describe the type of stain, contamination

and other damages on the submitted KM banknote. The a.m. entity is also obliged to provide a copy of the ID card and evidence confirming the statement in the Request. Based on the submitted Request with enclosed documentation, for each individual case, the CBBH determines the authenticity and estimates the damage, i.e. defines the existence of grounds for the substitution of damaged KM banknotes.

Herein, the Central Bank emphasizes the need and the obligation of all the participants in cash payments to act responsibly in handling with KM banknotes and coins, which are legal tender, and to replace the damaged money in accordance with the regulations published in the official gazettes of BH.

## THE REGULAR MEETING OF THE STANDING COMMITTEE ON FINANCIAL STABILITY HELD

On 15 March 2018, a regular meeting of the Standing Committee on Financial Stability was held in Sarajevo.

The meeting was chaired by the Governor of the Central Bank of Bosnia and Herzegovina (CBBH) Senad Softić, Ph. D. and was attended by representatives of the Ministry of Finance and Treasury of Bosnia and Herzegovina, the Ministry of Finance of the Federation of Bosnia and Herzegovina, the Ministry of Finance of the Republic of Srpska, the representative of the Banking Agency of the Republic of Srpska, the Director of the Banking Agency of the Federation of Bosnia and Herzegovina and the Director of the Deposit Insurance Agency of Bosnia and Herzegovina.

Beside the general assessment of the stability of the banking sector, the reforms in the financial sector that were implemented in the previous period were discussed at the meeting, as well as the improvement of the cooperation and exchange of information of the members of the Standing Committee on Financial Stability in the area of financial stability. It was emphasized that the adoption of the new Law on Deposit Insurance in Banks in BH is particularly important for further harmonization of the legal framework for the operations of banks.

## GOVERNOR SOFTIĆ MET WITH AMBASSADOR OF THE PEOPLE'S REPUBLIC OF CHINA

On 22 March 2018, the ambassador of the People's Republic of China to Bosnia and Herzegovina H.E. Chen Bo visited Central Bank of Bosnia and Herzegovina (CBBH), where she met with the CBBH Governor Senad Softić, Ph.D.

During the conversation, Governor Softić, Ph.D. inform the ambassador on the latest macroeconomic indicators for BH, and he presented the situation in the banking sector, where he emphasized that 2017 was marked with the strengthening of the sector stability through the continuous process of consolidation and the adoption of new legislation, primarily featured by the modernization and harmonization of domestic legislation with the EU regulations, which should contribute to strengthening the stability of the banking sector.

Saying so, the Governor emphasized that in order to further harmonize the legal framework for the banking sector, the adoption of the new Law on Deposit Insurance in BH banks is particularly important.

Ambassador Bo informed the Governor about several initiatives aimed at improving economic exchange between the two countries, whose opportunities will significantly increase with the expected abolition of the visa regime that will enable easier communication between businessmen and the development of the tourism sector.

H.E. Chen Bo specifically emphasized the interest of the People's Republic of China's Government to invest in infrastructure projects, as well as possible forms of support to small and medium-sized enterprises in BH.





## STUDENTS OF THE PRESTIGIOUS US YALE UNIVERSITY VISITED THE CBBH



During a visit to Bosnia and Herzegovina, a group of 35 MBA students of the prestigious Yale University visited the Central Bank of Bosnia and Herzegovina (CBBH) on March 14, 2018.

One of the goals of the visit to Bosnia and Herzegovina is presenting different perspectives to students - from the highest political level, through domestic and foreign companies, to non-governmental organizations. Having in mind the CBBH's significance for the BH economy, the students of this US university have expressed a wish to be better informed about the institution and its work. The CBBH is very satisfied with the continuation of this type of cooperation with the University of Yale, bearing in mind the fact that this is already the second group of students from this university visiting the CBBH.

The visit started with the presentation of a corporate video about the CBBH, which was followed by a presentation on the macroeconomic model of BH, during which the students showed great interest for the institution, monetary policy and macroeconomic perception of BH by a large number of questions.

This visit and presentation are a part of the activities that the CBBH has organized in the framework of the Global Money Week that has been marked for years in the whole world on the initiative of the Child and Youth Finance International.

## THE GLOBAL MONEY WEEK MARKED WITH THE DEBATE OF THE HIGH SCHOOL PUPILS AT THE CBBH



Marking the Global Money Week, within the financial education carried out among pupils and students, the Central Bank of Bosnia and Herzegovina (CBBH) in cooperation with the European Fund for South Eastern Europe - Development Facility (EFSE – DF) organized on March 16, 2018, the debate of the high school pupils on the topic „Cash payment is more favorable than non-cash payment“.



The participants of the debate were the pupils of the Catholic school center „Sv. Josip“ from Sarajevo and the pupils of the PI High school center „Istočna Ilidža“ from Istočno Sarajevo. The judges, the three representatives of the CBBH, have decided the debating team of the PI High school center „Istočna Ilidža“ from Istočno Sarajevo to be the winner, and Marko Mojsilović, a pupil of this school, to be the best debater.

Both teams, one of which was the affirmative team (Catholic school center „Sv. Josip“ from Sarajevo) which presented the arguments in favour of the cash payment, and the other one was the negation team (PI High school center „Istočna Ilidža“ from Istočno Sarajevo) which argued for non-cash payment, have shown excellent preparation and knowledge in the finance area, the maturity in the way of thinking and fair commenting on the other team's positions. In the closing arguments, the judges pointed out that it was difficult to make the decision on the winner taking into account the well-grounded arguments of both teams.

The organization of the debate was the opportunity for the pupils to learn about some important issues in the field of financial education, and at the same time, in cooperation with



EFSE – DF, the CBBH marked the Global Money Week, that has already been marked for years around the world at the initiative of the Child and Youth Finance International.

Marking the Global Money Week includes various activities, aimed to inspire children and young people to learn about the value and flows of money, about savings and its significance and the other topics in the field of finance. The purpose of these efforts is to achieve a higher degree of financial literacy and inclusion of young people and children.

## GRADUATES OF SARAJEVO THIRD GYMNASIUM VISITED THE CBBH



On 7 March 2018, the Central Bank of Bosnia and Herzegovina (CBBH) was visited by a group of 22 graduates of the Sarajevo Third Gymnasium and their professor, who all wished to get acquainted with the work of the institution.

After visiting the money exhibition in the CBBH, where the employees of the Cash Management Department spoke to the students about the money through BH history, the Vice Governor Ernadina Bajrović, M.A., presented the tasks, goals and structure in the CBBH. On that occasion students received basic information about the work of the institution. Given the questions, students were very interested in learning. Finance quiz was carried out for them, in cooperation with the Association for Responsible Personal Finance Management „Plus“, whose purpose is to teach children how to use their own money more wisely, then, what are the advantages of early saving and basic characteristics of financial products.

The students showed the pleasure and gratitude on the visit done, as well as, the wish that the financial education cooperation between the Third Gymnasium, the CBBH and the Association „Plus“ is established during the whole school year.

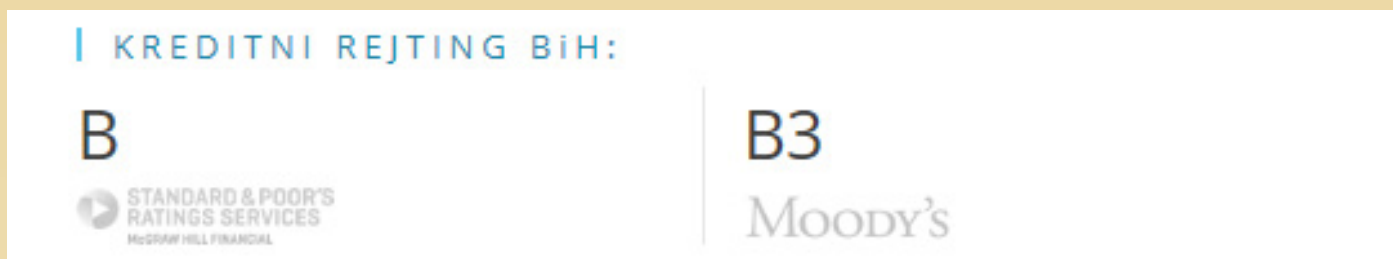
The CBBH has been paying attention to the financial literacy of children and the youth for a long time, implementing various educational activities. To be more specific, the CBBH's position is that the financial literacy of children and young people is very important and useful, because it represents a quality basis for acquiring the knowledge of money management, as well as the skills necessary for making every day financial decisions. In discussions with pedagogues and professors of primary and secondary schools who visited the CBBH, it was often emphasized that the introduction of a course related to financial education would be very useful, because financial education creates the possibility for a person to be financially literate and thus responsible for managing the money.

## DIRECTORS OF THE KUYEY TURK PARTICIPATION BANK VISITED THE CBBH

The Central Bank of Bosnia and Herzegovina (CBBH), on 26 April 2018 was visited by Director of the International Banking Sector and Manager for the International Banking Department in the Kuveyt Turk Participation Bank from Istanbul Fatma Cinar and Sevde Nur Toprak.

The reason for their stay in Bosnia and Herzegovina was participation in the Sarajevo Business Forum in 2018, but the Directors of this bank expressed their wish to visit the CBBH and to talk with its representatives. In their conversation with the Manager of the Banking Department, Emina Ćeman, M.Sc., and the Manager of the Financial Stability Department, Vesna Papić, the information on the banking sectors in Bosnia and Herzegovina and Turkey was exchanged.

## STANDARD&POOR'S AFFIRMED CREDIT RATING OF BOSNIA AND HERZEGOVINA



International Rating Agency Standard and Poor's affirmed the credit rating for Bosnia and Herzegovina, being B with Stable Outlook.

The rating is supported by the sovereign steady economic growth, which supports the growth of indirect tax revenues that BiH uses to service its external debt, together with its relatively low and predominantly concessional debt burden.

BiH's stable fiscal position and the assessment that the sovereign will continue to contain its budget deficits during periods of less-available external financing also underpin the ratings, according to the explanation of Standard and Poor's analysts.



