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“EU BANKING UNION AND ITS IMPACT ON NON- MEMBER COUNTRIES” WORKSHOP



In the premises of the Central Bank of Bosnia and Herzegovina (CBBH) in Sarajevo, on September 14, 2015, an academic workshop entitled “EU Banking Union and its Impact on Non-member Countries” was held. The workshop was organized by the Foundation UniCredit & Universities and UniCredit Bank in cooperation with the Faculty of Economics, University of Sarajevo, to discuss the impact of a banking union on Bosnia and Herzegovina. The workshop was an opportunity to talk, among other things, about the structure of the European banking union, the reasons for its creation, the strengthening of the euro zone and the role of banks in foreign ownership in banking transformation in Bosnia and Herzegovina and the implications of consolidation in the EU banks on Bosnia and Herzegovina.

Governor of the CBBH, Senad Softić, Ph.D. was pleased to welcome all those present. In the speech, Governor Softić emphasized that he believes that the single supervisory mechanism, performed by the European Central Bank (ECB), which works in close cooperation with national supervisory authorities, is the key element of the EU. The Governor believes that we must look to the EU and, respecting the constitutional and regulatory framework, to strengthen cooperation and coordination, and through a well-balanced approach, to operate in the banking system of Bosnia and Herzegovina.

Guest speaker Peter Nicholl, a former Governor of the CBBH, and at this moment the advisor of the central banks of countries in the region, in his opening speech said that the impact of the European banking union on the supervision of foreign-owned banks operating in Bosnia and Herzegovina, will not be significant, but should be positive. The European banking union, Nicholl believes, will not create a significant change in the way of supervising bank branches owned by the EU at the European level. They will continue to be supervised by the national supervisor of the country in which the parent bank is located. “But there should be indirect benefits for Bosnia and Herzegovina from increased supervision that the European banking union will impose on parent banks. The competent authorities for banking in Bosnia and Herzegovina should ensure that branches of banks operating in Bosnia and Herzegovina, are well capitalized, have adequate liquidity and that they can operate on the independent basis, if the parent

bank finds itself in difficulties”, concluded Nicholl, as well as Franco Bruni, Professor at Bocconi University in Milan and Chairman of the Scientific Committee of UniCredit & Universities.

After the opening remarks, a panel discussion was held, which Gordan Pehar, Member of the Board and CEO of Financial Management of the UniCredit Bank also participated in. The panel discussion was moderated by the Dean of the Faculty of Economics, University of Sarajevo, Željko Šain, Ph.D. who believes that the main challenge for Bosnia and Herzegovina in its EU accession, will be the harmonization of the regulations relating to the banking sector.

“For us, coming closer to the EU positions in all areas, including the banking sector, is a necessity”, Professor Šain said.

“We are extremely proud that, by organizing this workshop in cooperation with the Foundation UniCredit & Universities and the Faculty of Economics, University of Sarajevo, we have contributed to a better understanding of the current issue”, Pehar said.

Professor Bruni briefly commented the structure of the European banking union and the reasons for its introduction, and ended with a few observations regarding the European banking union and the current ideas how to achieve a more compact union and strengthen the Euro zone.

“One of the reasons for the creation of the banking union is related to the creation of a single market for financial services and free circulation of money: monetary unification cannot survive without a banking union. EMU requires progress on fiscal union and the common foreign financial policy, which will provide more homogeneous and stable banking relations with countries that do not have the euro and with those who are outside the EU”, Professor Bruni said.

He believes that the banking sector in Bosnia and Herzegovina is one of the sectors that are the most modernized and that it is quite stable and strong.

“I think you’ve done enough. Now, the political functioning of the country and making market oriented economic policies are the key questions. The country also has to show the desire to play by the rules of the EU”, he said.

According to his opinion, the problem is in the Union, which must improve functionalities within the countries of the Union, and then, look for the same from other countries.

The workshop was attended by representatives of national and international financial institutions, economic and banking experts, and professors and students.

By **Zijada Kovač**,
Head of the Public Relations and
Danijela Golijanin,
Public Relations Assistant

MEETING OF SOFTIĆ - NICHOLL



The Governor of the Central Bank of Bosnia and Herzegovina Senad Softić, Ph.D. talked to Peter Nicholl, former Governor, who performed this duty from 1997 to 2005.

The actual and one of the former Governors exchanged their views on the work of the CBBH and the so far done and future activities of the institution. The meeting was held on the day after the workshop "EU Banking Union and its Impact on Non-member Countries", featured also, among others, by Nicholl, currently working as an adviser to the central banks of the region.

By **Zijada Kovač**,
Head of the Public Relations

GOVERNOR SOFTIĆ ON BANKING SEMINAR IN MILOČER



The Governor of the Central Bank of Bosnia and Herzegovina (CBBH) Senad Softić, Ph. D. attended a banking seminar which was held on September 21, 2015, in Miločer, Montenegro. Within the presentation entitled "Current Issues in Banking, Activities of Central Banks and Regulations", the Governor pointed out the structure of the financial sector in Bosnia and Herzegovina, stressing the high percentage of foreign ownership, which is a potential risk due to the fact that strategic decisions are made outside the framework of monetary authorities of Bosnia and Herzegovina. The share of the banking sector is large, while the share of other financial intermediaries is relatively small.

The Governor also presented the information on the regulation and supervision of banks in Bosnia and Herzegovina, stressing that 26 banks operate in Bosnia and Herzegovina, two Entity Banking Agencies and the CBBH which has a coordinating role in banking supervision. The regulatory legal framework is harmonized between the Entities, based on Basel I standards, and the full harmonization with all the applicable regulations should be achieved by the end of 2018.

Macro-prudential framework and policies in Bosnia and Herzegovina are still in their infancy, Governor Softić said and added that the CBBH publishes the Financial Stability Report

and cooperates with the Entity Banking Agencies in the field of top-down stress tests and the development of the methodology for determining systemically important banks. Concentration and competition among banks depend on the market rules, i.e. the Agencies influence the processes that are the subject of the Competition Act. No bank can exceed a market share of 40%. In 2014, one commercial bank was liquidated for the first time, the bank was not systemically important, and the deposits were paid, said the CBBH Governor and added that in BH there were no effects of the crisis which the Greek banks experienced, because they do not operate in the territory of Bosnia and Herzegovina.

The Governor emphasized the fact that banks were not sufficiently dynamic in respect of lending activities, as well as the low level of loans compared to the developed economies. The total loans at the end of July 2015 amounted to BAM 17.11 billion, which was an increase of 2.1% compared to the same period of the last year. In the structure of loans, the loans indexed to EUR dominated, amounting to 63.8% and 3.2% of the total loans was related to CHF, concluded Governor Softić in his presentation.

The seminar was also attended by the member of the CBBH Governing Board Ljubiša Vladušić, Ph.D.

By **Zijada Kovač**,
Head of Public Relations Section

GOVERNOR SOFTIĆ PARTICIPATED IN THE WORK OF THE THIRD BUSINESS FORUM OF DIASPORA



On October 9, 2015, the third Business Forum of BH Diaspora entitled "BHdiaFor 2015" was held in Banja Luka, and the Governor of the Central Bank of Bosnia and Herzegovina (CBBH) Senad Softić, Ph.D. was one of the participants of the Forum.

The main topic of this year Forum was stimulating of business cooperation and investments with the members of BH Diaspora through the sector of agriculture and food industry, information technology, renewable energy sources, and logistics and supply chains.

Among other things, Forum participants concluded that there is a good will and general readiness of Diaspora, domestic and foreign businessmen, local authorities and non-governmental sector in Bosnia and Herzegovina, as well as international governmental and non-governmental agencies to promote and make operational the programs supporting the development of cooperation with the Diaspora and to accelerate the quality of its involvement in the economy and economic development of Bosnia and Herzegovina. Positive examples of good practice of Diaspora investments in local communities in Bosnia and Herzegovina are the evidence of such readiness and joint actions.

In his speech, Governor Softić stressed the importance of inflows from abroad which contribute to alleviating the balance of payments and trade imbalance. Without these inflows, the financing of the current account deficit would require other sources of financing from abroad, including borrowing, emphasized the Governor.

Data show that since the global financial crisis, foreign direct investment recorded a downward trend, while remittances proved resistant to negative economic trends and their relatively stable inflow to Bosnia and Herzegovina continued. According to data presented by Governor Softić, in 2014, remittances amounted to BAM 3.85 billion or 14.1% of GDP, out of which personnel inflow being BAM 2.31 billion, while foreign direct investments amounted to BAM 739.5 million.

"Other countries in the region and the world also have a high percentage of the remittances share in GDP. In less developed countries, remittances from abroad often represent the biggest source of largely necessary funds, especially when these countries, due to very low sovereign credit rating, cannot provide loans for development on favorable terms", said the Governor.

Examples in the world, he added, show that large diaspora communities participate in national development projects, such as financing of the construction of water-gate and similar projects, under the slogan "Build the future at home", and encouraged by so-called "financial patriotism" they are active in the capital market via, for example, Diaspora's bonds that, under special conditions, are available only to the Diaspora community. In some countries, it has been organized a collective remittances Diaspora Fund which finances small business. Representatives of diaspora receive the financial education about the potentials and benefits of such kind of saving and investment.

Through intensive proactive action, Diaspora communities of Bosnia and Herzegovina become stronger from year to year, and the level of organization is growing, which is proven by the Third Business Forum, too. On the other hand, the institutions in the country, as Governor said, need to have a coordinated approach and also unique and systematically organized relationship with Diaspora.

It is necessary, in one place, to provide for Diaspora community, all the needed information on investment opportunities to systematize and offer information on current economic trends in Bosnia and Herzegovina, successful examples, questions and answers. Diaspora, especially from the remote parts of the world, has contacted the embassies of Bosnia and Herzegovina, with the question on how to start a business in Bosnia and Herzegovina.

It is needed to have a set of adapted administrative facilities for Diaspora and the formalization and simplification of procedures for sending remittances, along with designing of ways to reduce the cost of transfers, said Governor Softić.

Within the authorization given by the law, the CBBH has an active role in promoting the stable economic environment favorable for investments, with providing monetary and financial stability in the country, understanding the stability of the domestic currency. By opening of a statistical web portal, there is a possibility to create various statistical databases and indicators for Diaspora needs.

In the long terms, as a strategic objective, it is necessary to recognize the Diaspora as a generator of economic development in Bosnia and Herzegovina. Also, it is necessary to include Diaspora in to the investment cycle, which is also

the long-term benefit for the citizens who live in Bosnia and Herzegovina in terms of new jobs, new skills that Diaspora brings, new ideas, and the Diaspora can make a new sort of savings and profits from investments in business in Bosnia and Herzegovina. The shift from the ordinary transfer-sending money to invest- provides a long-term relationship and the citizens' commitment. If remittances remain only at the level of direct transfers, there is a possibility to loose these links

with new generations. Thus, such meetings have a great importance for strengthening the relations with Diaspora in achieving this strategic goal, and the CBBH will always be glad to respond and take an active role", Governor Softić. concluded his presentation.

By **Zijada Kovač**,
Head of Public Relations Section

THE FIRST FINANCIAL CONFERENCE HELD IN BH



The member of the Central Bank of Bosnia and Herzegovina (CBBH) Governing Board and Vice Governor, Ankica Kolobarić, M.Sc. took part in the first financial conference in BH held on 1 and 2, October 2015, in Sarajevo. The topics of the conference were how to create innovative financial solutions, how to interpret the law on transfer pricing, what the Islamic banking is, as well as how to fight against money laundering. The conference brought together representatives of the leading companies and institutions in the field of financial, regulatory and banking services that dealt with the global financial agenda. Innovations were presented to the general public.

Vice Governor Kolobarić held a presentation entitled "The Central Bank of Bosnia and Herzegovina - Regional Monetary Policy", and, in addition to the explanation of the currency board, commented on the new financial architecture of the EU and the impact on Bosnia and Herzegovina.

In the last thirty years, the cross-border banking has significantly marked the economic and financial picture of Europe. The integration of financial and banking markets has resulted in numerous benefits for the users of financial services. The countries of Central and Eastern Europe,

including Bosnia and Herzegovina, have had important benefits from this process, where the appearance of large EU banking groups made possible the efficient transformation and modernization of the banking sector. Successful transformation of ownership in BH banking sector, from state to private, was one of the key factors for achieving and maintaining macroeconomic and financial stability, it was pointed out at the conference. With the active role of local supervisors and regulators, the entry of foreign banking groups in the banking market of Bosnia and Herzegovina has enabled the consolidation of the banking market, strengthening confidence in the banking sector, the growth of the balance sheet amount, higher capitalization and profitability, and it could be said that certainly the most visible progress has actually been achieved in the banking sector.

Assigning of new tasks and responsibilities to the European Central Bank (ECB) for the supervision of banks in the euro area and other EU member states wishing to participate in the Single Supervisory Mechanism (SSM) is the backbone of the banking union, a new framework for banking supervision. The main objectives are to ensure the safety and healthy state of the European banking system, and to increase financial integration and stability in Europe.

"Significant" banks that the ECB will supervise directly have been defined, while the national supervisors will retain



their competences over the other banks in the system and they will prescribe corrective actions and make decisions by themselves. Before taking over the supervisory competences, under the auspices of the ECB, a comprehensive assessment of the banking system at the level of the euro area was conducted, which was a key process in preparation for the SSM. A comprehensive assessment of the financial soundness included 130 systemically important banks in the euro area and participating countries.

The banking union is conceived as a supranational control mechanism composed of a single rule book, supranational supervision, a single European fund of bank bailouts and the single system of deposit insurance.

The risks for small and open economies that the new structure carries are that Bosnia and Herzegovina remains outside the circle protected by the banking union, without access to the bank resolution mechanism, without access

or influence on the SSM and without access to insured deposits.

The next steps for the banking sector of Bosnia and Herzegovina are to continue/complete the new Banking Law at the Entity level, to create a legal framework for solving the issue of non-performing loans, to determine the location and the way of banking resolution functioning for Bosnia and Herzegovina, determine the location and method of administering the fund for bank resolution.

Macro-prudential framework and policy are not yet in place, and no institution in Bosnia and Herzegovina has a direct responsibility for macro-prudential policies. Consequently, the set of macro-prudential tools has not been developed either.

By **Danijela Golijanin**,
Public Relations Assistant

THE MOST SUCCESSFUL BANKS AWARDED BY „THE GOLDEN BAM“



Financial and business magazine „Banks in BH“ awarded with „the Golden BAM“ the most successful banks in Bosnia and Herzegovina in 2015. UniCredit Bank Mostar was awarded by three awards of „the Golden BAM“, those being for the amount of total bank assets, for the amount of total capital and for the equity yield rate. The award „Golden BAM“ for the highest rate of deposit growth was delivered to Unionbanka Sarajevo, and the winner of the award for the highest amount of equity was Raiffeisen BANK dd Bosnia and Herzegovina, Sarajevo. Nova Banka Banja Luka was awarded for the highest amount of bank assets with mostly or exclusively domestic capital.

By **Zijada Kovač**,
Head of Public Relations Section

THE WORLD SAVINGS DAY MARKED BY VISIT OF PUPILS FROM ELEMENTARY SCHOOL



This year, too, Central Bank of Bosnia and Herzegovina (CBBH), traditionally marked the World Savings Day, on October 30, 2015,

That day, the Bank was visited by the fifth class of "Isak Samokovlija" Primary School from Sarajevo, along with their teacher. Children were welcomed by employees of the Human Resources Department Lejla Krkalić and Sanela Leto, and employees of the Treasury Department Biljana Samardžić and Moamer Halvadžija. Children enjoyed in their stories about the Central Bank and savings.

After a short tour of money exhibition in the Head Office hall, the children met with the CBBH Governor Senad Softić, Ph.D.

after which the actress Nela Đenisijević presented why it is important to save and what it really means to save money. After the show, the pupils received the appropriate gifts.

Once again, the children have proven that they do not need much to be smiling and happy. The CBBH will continue with this wonderful tradition of the World Savings Day.

A particular pleasure is the letter of thanks that pupils sent to us, after the visit to the CBBH, in occasion of the World Savings Day. Visit to the CBBH, as they say, was an opportunity for them to learn about the importance of the existence and work of the institution. In addition, they are delighted with the presents they received on that occasion. "We wish to all of you success in your work in creating a better future for Bosnia and Herzegovina, and for us, young people", too, said the primary school pupils in their letter of thanks.

By **Danijela Golijanin**,
Public Relations Assistant



Poštovani!



Larajvo, 16. 11. 2015. godina

Mi učenici V. razreda OŠ "Isak Lamokavlija" iz Larajeva smo nedavno bili u posjeti Centralnoj banci BiH. Za sve nas to je bila prilika da proširimo znanje o važnosti postojanja i rada iste. U isto smo ohrabrovanje poklonima koje smo dobili od vas, ma čemu vam zahvaljujemo. Vi nam želimo puno uspjeha u radu na stvaranju bolje budućnosti Bosne i Hercegovine, kao i nas mladih.



Iskreno vas pozdravljaju;



- | | |
|------------------------------|---------------|
| 1. Nataša Vicić - učiteljica | 16. Glanu Ć. |
| 2. Lara M. | 17. Selma K. |
| 3. Ammar M. | 18. Adem K. |
| 4. Enes P. | 19. Ajra R. |
| 5. Bakir K. | 20. Adi F. |
| 6. Tarik B. | 21. Marjan F. |
| 7. Damir P. | |
| 8. Marko J. | |
| 9. Evin M. | |
| 10. Anila A. | |
| 11. Igor J. | |
| 12. Lara M. | |
| 13. Tarik J. | |
| 14. Anja M. | |
| 15. Isma J. | |



