



# C B B H *info*



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**Dear colleagues,**

**A**nother year has passed, marked by the intense activities of the Central Bank of Bosnia and Herzegovina (CBBH); particularly the last quarter of this year was rich with conferences, dedicated to various areas within the scope of the CBBH operations.

Thus, the CBBH representatives pointed out to the Council of Foreign Investors the significance and necessity of continuing to invest in BH, however, being aware that the political safety is the most important precondition for doing business, together with simplified administration and the government stimulus packages. On foreign investments, especially those from Austria, was discussed during the „Austria Business Circle“ meeting.

Participating in the international conference of Sarajevo Stock Exchange (SASE), the CBBH representatives emphasized the possibility of using the stock exchange as a medium for new investment and collection of new resources, and during the round table on the Role of Credit Counseling in the Responsible Development of the Financial Sector, the CBBH supported activities of the Centre for Financial and Credit Counseling. The results of survey on clients' perception, presented during this round table, were very interesting. However, the results showed that many respondents said that they had overestimated their ability to pay, then that they had been convinced that they could be late with payment without major consequences. A significant percentage of respondents stated also that they borrowed money in order to pay the previous loan, and large part of clients said that they were expecting the creditors to resolve their problem.

During the round table „Financial Possibilities of a Client – Electronic Payments and Financial Services“ it was discussed on how and how much we have been using the credit cards, while the fight against money counterfeiting was the main subject of interest at the third meeting of the Western Balkans and Turkey Expert Group. The meeting of BH Banks Association addressed the current situation of the banking sector.

Wishing you to achieve all personal and professional success in this year, too,

Public Relations Section

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«It is not simple to do business at the moment in BH, the decision to start it here is not the easy one, but it is not ‘mission impossible’», stated the Governor of the Central Bank of Bosnia and Herzegovina, Kemal Kozarić, Ph.D. in his address to the Council of Foreign Investors on November 23, 2010.

«I am aware of all obstacles, complex bureaucratic structure and administration; this is way I truly appreciate your patience and your choice. I am sure that among you there are many positive examples and that you believe, as I do, that this country has the future and that citizens of this country deserve better living standard, more security and better life in general», the Governor said. Emphasizing that the crisis, during which more than 30.000 jobs were lost, had strong influence on BH, and that the unemployment of 24 % is the biggest problem in the country, the Governor said that this makes the mission of foreign investors in BH more important and that anyone who creates a single job deserves respect.

However, the crisis also represents a chance and there is a reason, as the Governor said, to believe that decision of foreign investors to stay in BH is the good one, having in mind some positive data. In the first half of 2010, exports recorded 33% growth, while imports in the same period increased only by 4% so, for the first time imports coverage reached 54%. Foreign reserves of BH grew to a level of EUR 3.2 billion, and the inflation was stable and low, 2% app.

This year was also marked by the recovery of large exporters, as a consequence of the rise in demand for their products in the global market. It is obvious that the economic change with some major trading partners, most notably in Germany, has helped the recovery, the Governor said.

He assessed the banking sector, too, as the positive one, emphasizing that banks have shown remarkable level of resilience to the crisis, there were no bank’s failures and it might be said that the crisis has made the banking sector stronger and ready to support investors’ projects in BH.

«Safe political environment is the most important precondition for each business, combined with the simple administration and stimulus packages by the government. I truly hope that all levels of government will be established soon and that issues such as economy, business, attracting of investors will be returned into their focus of attention», the Governor said. He commended the Foreign Investors’ Council, which, being the centre of foreign investor’s interests plays an important role in ensuring one voice towards BH authorities in resolving problems that the investors encounter while doing business here. He also expressed his hope that an open letter, sent by Foreign Investors’ Council to BH authorities will start up the positive reactions and move them further towards reforms necessary to provide competitive business environment.

The CBBH, according to the Governor, will continue with the implementation of the Currency Board Arrangement as a monetary policy model, with the goal of keeping the monetary and financial stability, which is the contribution of this institution in providing of investors-friendly environment. Governor Kozarić thanked to foreign investors, not only on new jobs they created, but for bringing in a new mentality, new way of doing business, as well as new technology.

The Foreign Investors’ Council sent an open letter to the government representatives, state, entities’ and cantonal institutions in order to withdraw their attention to the key issues faced by the foreign investors, but also local investors in BH. In this letter, the Council said that the time has come for all levels of the government to undertake concrete steps and to pay more attention on foreign and private investments, and in this way to enable strengthening of the private sector. They also think that there is a possibility to stop negative trend of economic fall and to motivate foreign investors to invest in BH. The Council stressed that the most important measures for stimulating the restoring of investment cycle, among other things, are finishing of the state capital privatization, further development for the implementation of the public-private partnership, regulation of salary taxes, which are still too high and not stimulating, then acceleration of reforms of tax sector, as well as regulating of double taxation at all BH authorities levels. Some of the priorities are easing up of the operations of financial institutions through the improvement of relevant regulations and strengthening of the supervisory institutions, as well as the reform of administrative proceedings for obtaining the building permits.

*Zijada Kovač,  
Coordinator of the Public Relations Section*

The Central Bank of Bosnia and Herzegovina (CBBH) Vice Governor Feriha Imamović, attended the meeting organized by «Austria Business Circle», held in Sarajevo on November 23, 2010. The agenda of the meeting was «How can my company benefit from the IFI funded projects?»

During the meeting Vice Governor Imamović addressed to attendees, speaking on foreign direct investments in Bosnia and Herzegovina, with special emphasis on investments from the Republic of Austria. In her speech, she explained the importance of foreign direct investments and their impact on the economy of Bosnia and Herzegovina. «The Economic growth and development of Bosnia and Herzegovina depends largely on the inflow of foreign direct investments, which play the important role in the development of financial sector, while allowing the approach to international capital markets, structural changes in production, introducing new technologies and products in accordance with international standards, and thus stimulating the export», stated Imamović.

She also informed attendees about the activities of the CBBH when it comes to analyzing the data on foreign direct investments, and emphasized the Republic of Austria leading role in investing in Bosnia and Herzegovina, while it is evident that the capital from the Republic of Austria is focused primarily on the financial sector. «Balance of foreign direct investments in Bosnia and Herzegovina at the end of 2009 amounted to KM 10.3 billion (EUR 5.2 billion). Out of the total amount, 27.6% share belongs to the Republic of Austria. Observed by sectors, out of all in-

vestments from the Republic of Austria, approximately 80% share is related to financial intermediation and one can say that the capital from the Republic of Austria facilitated primarily the development of banking sector and gave a strong impulse to the economic development of Bosnia and Herzegovina», Vice Governor Imamović pointed out.

She also introduced the data illustrating the withdrawal of funds by the Austrian commercial banks in 2009 and proving the continuation of this trend in 2010. She presented the CBBH position on this fact, saying that this has been only the consequence of the global economic crisis and that the investments would continue their previous trends after this crisis ending and that the Republic of Austria would remain one of our key investors.

At the end of her expose, Vice Governor Imamović informed the audience that the CBBH remains consistent in the implementation of monetary policy in line with the Currency Board Arrangement, maintaining fixed interest rates, monetary and price stability and monitoring overall financial stability. «Regardless the very complex financial situation in post-war reconstruction of the economy and the impact of the global crisis on the economy of Bosnia and Herzegovina, stable domestic currency and low inflation have kept the trust of domestic and foreign investors», Vice Governor Imamović concluded.



*Igor Soldo,  
Public Relation Senior Specialist – web master*

## THE ROUND TABLE « FINANCIAL POSSIBILITIES OF A CLIENT – ELECTRONIC PAYMENTS AND FINANCIAL SERVICES »

There are over than 1.7 million cards used in BH payments system, and that is a remarkable number in relation to the population number, but the majority of these cards are used for cash withdrawal. The Central Bank of Bosnia and Herzegovina Governor, Kemal Kozarić, Ph.D., stated this at the round table «Financial Possibilities of a Client – Electronic Payments and Financial Services», held in Sarajevo on Octo-

quality. The Governor stressed the advantages of cashless payment, but on the other hand, he stressed the need for commercial banks to be more transparent and to present all cards using potentials. According to the Governor, the young people are especially interested in cashless payment. This is illustrated by the data on the increase in cards number by 140,000 app. in 2009 compared to the end of 2008.



ber 21, 2010, organized by the VISA CEMEA in cooperation with the CBBH.

The aim of the round table was to draw attention on the results of card operations and other means of cashless payments, their advantages and disadvantages, and the screening of possibilities for further development and increase of cashless payments share in overall payments system in BH. In his presentation, the Governor stressed that the average transaction amounted to KM 191, while the average annual card using volume is about KM 2,700, which is quite low level and it is necessary to promote this cashless payment means. Along with KM 2.45 billion of cash in circulation, there is growing trend in counterfeiting, but also there is the problem of money

VISA CEMEA General Manager in charge of business development in Southeast Europe and Union of the Independent States, Jean-Marc Tonti, said that VISA is trying to encourage people to use cashless payments instead of using cash, because VISA is the leading company in electronic banking operations.

«We want our customers to have transparent information on how to use our instruments, on how they can make their own decisions related to a type of credit to use and how to save money for future», Tonti said.

He noted that the electronic payments are much more available in USA and European Union than in BH, and that there is a big difference in the way in which people in BH use credit cards.

«If you look in the wallets of USA citizens, you can see they have up to 12 credit cards, not all of them are VISA credit cards, but different types of credit cards. On the contrary, if you look in the wallets of BH citizens, you will find maybe one debit card, eventually one credit card, but not more than that», Tonti said. He explained that while going shopping people in America use credit cards. But in BH or in this region the people still tend to withdraw the cash at the ATMs and with that cash they do different payments. Therefore, there is a large space for progress in BH, for the issuance of various types of products, the approval of various types of cards, as well as providing various types of credits.

As for education and learning on the electronic banking, he stressed that most training programs take place on the Web. «It is known that the availability of the Internet in BH is at much lower level than in developed countries, so the focus should be on finding the other channels

to communicate with people», concluded Tonti. According to Đorđe Racković, the Head of Payments System Department in the CBBH, the total number of issued cards amounted to 1.754.221 at the end of 2009, as compared to the previous year this is an increase of 142.002 cards. Interestingly, four banks have issued even 1.4 million cards. During the last year, the number of the ATMs and POSs is increased. The total turnover with BH banks issued cards was KM 4.87 billion in 2009, which is by 1.11 billion more than in 2008.

The average card transaction in 2009 amounted to KM 141, and this is a decrease by KM 8 compared to 2008. The average annual turnover per card last year amounted to KM 2.779, and this is an increase of KM 483 compared to the previous year.

*Zijada Kovač,  
Public Relations Section Coordinator*

The round table on the Role of Credit Counseling in the Responsible Development of Financial Sector was organized by the Center for Credit and Financial Counseling (CFCC) with the assistance of the European Fund for Southeast Europe (EFSE) and the International Financial Corporation (IFC) in Sarajevo on December 17, 2010. The Mission of the CFCC is to educate people to manage effectively their finances and avoid financial problems, to solve the issue of problematic debts and achieve true financial benefit. The vision of this centre is to become relevant and competent mediator between the financial sector and



people in solving the problem of over-indebtedness, same as to become the recognized institution for financial education of people.

Until this round table, the Center organized 38 seminars about four topics from financial literacy: household budget, financial products, credit contracts and consumer protection in financial sector that were attended by 480 persons. Since March 2010, the Center is providing the services of education, and since August 2010, the services of financial counseling. The services are provided in the office through the individual counseling or via toll-free telephone line.

During the round table, it was pointed out that there was a significant increase of households indebtedness, and this was backed up by the statistics. Therefore,

it is necessary to help citizens in solving problems of excess debt, then educate them financially and in that way to improve the consumer protection in financial sector. The cooperation of financial institutions is needed in this field.

The credit portfolio of people with a problem in repayment of debts, who contacted the CFCC, exceeds KM1.2 million. The main reason of citizens addressing to CFCC is a problem in repayment, being 59%, then the guarantors' problem, 16%, contractual provisions, 11%, selection of the credit product, 7%, complaint to the work of credit officers, 5%, and miscellaneous 2%. In these cases the CFCC has tried to assist in finding solutions to the problems of debtor.

Central Bank of Bosnia and Herzegovina Governor, Kemal Kozarić, Ph.D., who especially stressed the significance of the financial education of citizens, supported the existence and results of such a center and said it is needed to think where and how place the Center. In his attempt to clarify the roles of a bank's client and a bank, the Governor asked the question of whether the banks' slogans reading of a client as their first priority, such as «Because you are the most important for us», «We are here for you to succeed», or «You fantasize, we realize», only well conceived marketing messages or is it a real orientation towards own client. Referring to the operations of the banking sector during previous years, the Governor said that during 2009, the banks in BH, due to the crisis impacts, reported a negative credit growth, and in this year they return into positive zone. He especially noted the growth of nonperforming loans of 9, 2% at the end of the 2010 third quarter.

In times of rapid credit growth, a big number of clients easily entered into contractual obligations, based on their experience and perception gained in the past: that they would not need to repay the loan, that the inflation would «eat» the value of the loan. Also, the clients did not have enough capacity and ability to explore the markets and to make quality decisions. The consequences of this were signing of the contract «blindly», i.e. without getting familiar with the contractual obligations, then the problems with guarantors whose liability is joint, followed by law suits, populist headlines in the media...

The survey on the clients stands, according to Governor's words, showed that as many as 21% of respondents said that they had overestimated their

ability of repaying, 10% stated that they had been convinced they could be late with payments without major consequences, 8% of respondents stated that they had to borrow to pay off previous loans, and a huge part of clients stated that they were expecting the creditor to resolve their problem.

According to the Governor, the banks showed to be self-centered, when fighting the crisis and solving their own problems with minimal or none understanding of the customer's problems, they changed the model of business behavior, and this self-centered approach with low flexibility towards clients resulted in a negative public perception. In order to solve the problem and return to the sustainable growth, it is necessary to improve the corporate governance of financial inter

mediators (Basel II), to improve the mechanisms of clients' protection – the Ombudsmen for Consumers' Protection (the banking ombudsmen), to resolve conflicts (mediation), to improve communication with customers (transparency) and to allow a client to be stake holder on equal terms in business transactions (clients education).

The international expert Roy Pratt talked about the role of credit counseling for over-indebted in Great Britain and Europe, where the counseling is widespread, and the National Bank of Serbia Vice Governor, Mira Erić Jović, talked about the consumer protection and support to users of financial products in Serbia.

*Zijada Kovač,  
Public Relations Section Coordinator*



The third work session of the Western Balkans and Turkey Expert Group for Fighting the Money Counterfeiting (WeBTEG) was held on November 8-10, 2010 in Sarajevo. The WeBTEG was established on 2009.

The prosecutors, police investigators and forensic experts dealing with money counterfeiting issues, from Turkey and the Western Balkans, participated

gave the positive results. The cooperation of prosecutors and the police in each country separately and within the Region, as the Chief Prosecutor said, is an essential tool for improving the performance of all judicial and police authorities working on these cases. In his introductory address, on behalf of the Prosecutor's Office, Barašin supported the work of this Expert Group, believing that its work and co-



at the meeting in Sarajevo, as well as the representatives of the Europol, the Eurojust (Network for Cooperation of Justice Departments of the European Union) and OLAF (The European Commission Anti-Fraud Office), and the representative of SEE-PAG (Southeast European Prosecutors Advisory Group) from BH.

Welcoming the participants of the meeting, Milorad Barašin, the Chief Prosecutor in BH Prosecutor's Office said that the counterfeiting of money and other means of payment, in the circumstances of developed communication tools and the flow of money, represents extremely dangerous criminal act. «Such actions jeopardize the overall economic stability and safety of the payments system, not only in BH, but in the whole Region», said Barašin, and pointed to the cooperation of BH Prosecutor's Office with the Regional Prosecutors Offices, which

operation will strengthen the fight against counterfeiting and against other forms of crime.

In the session introductory part, CBBH Governor Kemal Kozarić, Ph.D., also addressed to the attendees and spoke about the role of the CBBH and protection of domestic currency. He noted that 90 percent of payment transactions are still performed in cash in BH, and for those engaged in illegal actions this is «a good sign for an attempt of the money misuse».

Significant data on the situation related to the counterfeiting were presented by Moamer Halvadžija, the Coordinator of Banknotes the Coins Analyses Section and the member of the Expert Group. According to this data, constant growth of counterfeited money in circulation is evident. More precisely, in period of 2003 - 2010, there were 28,401 counterfeits in total, 1,338 criminal reports were filed against 1,565 identified persons due the



counterfeiting. 591 persons, found to have committed this crime, were charged and judged-at-law, in 1,469 cases there were unidentified persons who have put the counterfeited banknotes in circulation, and in 1,255 cases the citizens reported to the police the counterfeited money, received from unidentified persons. In terms of denominations structure, this year most counterfeited banknote was KM 50 (47.16%), and then follows the KM20 banknote (38.55%) and KM 10 banknote (6.41%) In terms

of coins, the most represented are counterfeited coins of KM1 (57.93%), KM 5 (30.79%) and KM 2 (11.27%).

The Head of the Special Department for Organized Crime, Economic Crime and Corruption within BH Prosecutor's Office, who is also BH representative in Southeast European Prosecutors Advisory Group, Božo Mihajlović, gave the noteworthy presentation through which he informed the attendees on SEEPAG and its organization, as well as on cases of cross-border investigations in the area of counterfeited money and other means of payment, such as credit cards. He devoted one part of his presentation to ways in which the SEEPAG can help to the WeBTEG member countries in their investigations. This meeting was attended by the representatives of the State Investigation and Protection Agency (SIPA), who talked about the experience of SIPA in counterfeits uncovering.

The objectives of the WeBTEG, which operates since 2009, are: the development and adoption of common strategies in the Western Balkans and Turkey to protect the euro money; the development of common standards related to forensic examination and the cooperation of the law enforcement agencies and judicial authorities; the establishment of warning mechanism in the Western Balkans and Turkey, if possible in cooperation with countries of the European Union and the relevant European institutions; the establishment of well-coordinated network for sharing information between police and judicial authorities and forensic experts, and creating of the «Rapid Action Team» (team for quick action) for critical cross-border investigations.

*Zijada Kovač,  
Coordinator of the Public Relations Section*

International conference of Sarajevo Stock Exchange (SASE), which was held on October 5, 2010 in Sarajevo, has been a traditional event where SASE as one of the institutions of capital market has presented actual topics related to the overall economic development of BH and capital market. The topic of the fifth SASE International Conference was «Capital Investments and Capital Market in the Federation of Bosnia and Herzegovina».

The Central Bank of Bosnia and Herzegovina Governor (CBBH), Kemal Kozarić Ph.D., underlined the capacities of stock exchange as media for new investments and collecting of new funds and he reminded on the crisis procyclicality, which influenced not only the banking sector, but all other parts of financial sector, and the capital market as well. He stressed that the turnover is reduced for almost 60%, that the value of shares has fallen significantly and



“Capital projects announced by the Government of BH Federation related to power supply sector and sector of road infrastructure have provoked a huge attention of the investing and overall public, and this fact influenced on us in selection of the Conference main topic», it was emphasized in SASE. «Considering the large funds that will be needed for financing of these projects, the aim of this Conference is to show that capital market is one of the possible models of financing, i.e. of collecting funds for them», said the Manager of SASE Zlatan Dedić. In introductory speech, the Federation Prime Minister Mustafa Mujezinović said that the Government and Parliament of the Federation of BH, in coming period, will have to make a decision about the way of investing in the power supply sector.

pointed out the absurdity of savings’ growing by 7.7 % at the annual level during the crisis.

«It is obvious that certain stock exchange players have recognized all risks that happen there and they have returned again to the traditional savings. Of course, it doesn’t mean that the privatization should not be continued through the stock exchange, because we think this is the most transparent way for all potential investors to have the equal conditions and that it is the channel for collecting the funds. At the same time, it is the best way that the best bid gets a chance, and to privatize the significant part of the state capital which is still a part of portfolio under government control“, Governor Kozarić said. „Political stability is necessary for everything «, said the Governor, expressing his hope that with the

post electoral structuring of new government, better economic environment will be created, as well as the capital market in order to continue processes that started some time ago, and that have been stagnating during past years.

Secretary to the Commission for Securities of BH

road infrastructure as generators of the economic development.

At the Conference, the project entitled «Going Public and Public Issues» was presented and its goal is to show to the family companies and those organized as limited liability companies, disposing with



Federation Fuad Čerkez said that the global financial crisis had a negative outcome in the fall of turnover at the capital market and weakening the local and foreign investors' interests in securities. At the same time, reduction of turnover caused the fall of shares prices.

General Manager of BH Power Supply Industry Amer Jerlagić and Manager of the Federation Management for Highways Erdal Trhulj presented the power supply projects, i.e. the constructing of the

limited capital for their development, that the capital market is one of the potential models.

Along with the authorities' representatives and the companies - capital investments bearers, the Conference moderators and speakers were eminent experts from the finance and capital market area, including the representatives of regulators, stock exchange, investment funds, banks and insurance companies.

*Zijada Kovač,  
Coordinator of the Public Relations Section*

The meeting entitled «Banks and Financial Institutions» was held in Banja Luka on November 19, 2010. This meeting is the regular annual gathering of representatives of the commercial banks and relevant state institutions, organized by the Banks Association of Bosnia and Herzegovina.

The meeting was attended by representatives of the following institutions: Central Bank of Bosnia and Herzegovina (CBBH), Human Rights Ombudsmen of Bosnia and Herzegovina, the entities' Banking Agencies, Deposit Insurance Agency of Bosnia and Herzegovina, SIPA, Ministry of Finance of the Republika Srpska, Finance Directorate of the Brčko District, Banks Association of Bosnia and Herzegovina, USAID-PARE and Center for Financial and Credit Counseling.

The subjects of discussion were the current economic situation in Bosnia and Herzegovina, the profitability of the banking sector, the legal arrangements in the area of consumer protection, prevention of money laundry, the internal payments system and the collection of money due.

High and satisfactory liquidity of the banks, but also the endangered profitability were emphasized in the summary of the debate and discussions. The need of better coordination between monetary and fiscal authorities and the supervisors and the need of harmonization in entities' Banking Agencies' decisions on the maturity adjustment, were stressed during the meeting. The meeting's conclusion was to send the request on the urgent procedure of new Law on Prevention of Money Laundry and Terrorism Financing to the Council of Ministers. The participants also requested the erasing of the Chapter on Consumer Loans in the Consumer Protection Law and its transfer to the banking regulations and the establishment of Institution of the Ombudsmen for banking and finance.

The Vice Governor of the Central Bank of Bosnia and Herzegovina, Radomir Božić, Ph.D. briefly outlined the current economic situation in Bosnia and Herzegovina through his presentation. He emphasized that Bosnia and Herzegovina is small and open economy without strong instruments to respond the external shocks. He emphasized that the global crisis made our problems even heavier, primarily in the real sector, but with better economic policy, with better coordination of monetary and fiscal authorities and the supervisors, it is possible to create preconditions for overcoming the crisis. Vice Governor Božić also pointed out that the liquidity is satisfactory and high, but the profitability is endangered. Bosnia and Herzegovina has the similar problem as the entire region: the growth of nonperforming loans.

The meeting was also featured by: Josip Nevjestić, Director of Bosnia and Herzegovina Deposit Insurance Agency, Zlatko Barš, Federation of Bosnia and Herzegovina Banking Agency Director; Mirjana Jaćimović, Chairman of the Banking Agency of the Republika Srpska Managing Board; Slavica Injac, the Banking Agency of the Republika Srpska Director; Mijo Mišić, Executive Secretary to the Banks Association of Bosnia and Herzegovina.



*Igor Soldo,  
Public Relation Senior Specialist - web-master*

## ESTONIA BECOMES 17th MEMBER OF THE EUROZONE

On July 13, 2010, the European Union Council approved the request of Estonia to join the Euro zone. It is foreseen that Estonia joins the Euro zone on that day, and changes over the current currency, the kroon, with the euro at the fixed exchange rate: EUR 1,00 = EEK 15.6466.

The Bank of Estonia is managing the monetary system of Estonia, and implements the monetary policy. The primary goal of the Bank of Estonia is to ensure the pri-



ce stability through the stable exchange rate. Estonia is managing the exchange rate through the implementation of the Currency Board regime, and according to it, the exchange rate of the kroon against the euro is fixed (EUR 1,00 = EEK 15.6466). The full convertibility of the kroon is guaranteed, and that means that there are no restrictions on the free movement of capital. Estonia applies the Currency Board regime by the strict rules established in 1992. To maintain the fixed exchange rate, the monetary liabilities of the Bank of Estonia must be completely

covered in gold or in foreign exchange reserves.

The Bank of Estonia has at its disposal the instruments of monetary policy which contributes to the preservation of smooth functioning of the Currency Board regime. The main instruments of the monetary policy for the banks are foreign exchange reserves and forex. Given the fact that under the fixed exchange rate monetary policy instruments are limited, the government fiscal policy has a crucial role in the stabilization of the economy of Estonia. The flexibility of non-financial sector, especially in the labor market, is the additional essential condition for the smooth functioning of the Currency Board regime. Since the economy cannot be balanced through the mechanism of the exchange rate, the economic growth must be established on the side of the non-financial sector, or through income and prices.

The procedure for joining the monetary union and introduction of the euro is defined by the Articles from 121-123 of Treaty on European Union, after fulfilling of the convergence criteria. The both currency will be simultaneously in circulation within the two week period. From January 15, 2011, the kroon shall cease to be a legal tender.

From July 1, 2010, in retail and commercial facilities, the prices are quoted in both currencies. The informational material provides the additional information on euro banknotes and coins.

After Estonia introduced the euro, the Bank of Estonia is becoming the legal member of the European Economic and Monetary Union, and the member of the Euro system.

Issuing of coins, in advance (issuing of euro coins for banks, retail and possibly for citizens before their official listing)	September 15, 2010
Supplying the companies with euro coins	September 15, 2010
Issuing of banknotes, in advance	September 15, 2010
Supplying the companies with euro banknotes	December 1, 2010
The kroon can be changed in euro banknotes without payment of conversion fee	December 1, 2010
Conversion of accounts	January 1, 2011
End of dual circulation	January 14, 2011
Euro banknotes and coins become the only legal tender	January 15, 2011
Deadline for change over of the kroon coins in banks	December 31, 2011
Deadline for change over of the kroon banknotes in banks	December 31, 2011
Deadline for change over of the kroon banknotes and coins in the Bank of Estonia	The time limit is not defined

*Lejla Zukić,  
Specialist for International Cooperation and European Integrations*

The representatives of the Austrian Development Agency and group of journalists from the main Austrian medias, led by Donatus Köck, the Ambassador of the Republic Austria in BH, visited the Central Bank of Bosnia and Herzegovina (the CBBH) on November 10, 2010. In his speech, the CBBH Governor, Kemal Kozarić, Ph.D., discussed the economic situation and macroeconomic indicators for BH, emphasizing high unemployment rate and a large share of public spending in GDP, as the two major problems of BH economy. Visitors were especially interested in the Stand-by Arrangement and



meeting its conditions for the continuous implementation, as well as in possibilities of further Austrian investments in BH, reforms needed in the BH economy and in the benefits of the visa-free regime for the BH businessmen. The economic situation in BH has been the topic of conversation between Governor Kozarić and Futao Motai, the Ambassador of Japan in BH, who visited the CBBH on November 23, and the CBBH firewell visit was arranged for the Ambassador of Egypt in BH, Ahmed el Sayed Khattab.

*Zijada Kovač,  
Public Relations Section Coordinator*

