



## GOVERNOR AND VICE GOVERNOR IN BRCKO

### Support for the idea of forming the Financial-Commercial Court

Representatives of commercial banks from Brcko District BH and the broader region, and the Mayor of Brcko, **Siniša Kisic**, gave their

Financial-Commercial Court which would deal with financial issues.

Governor Nicholl presented this



support to the idea of the Governor of the Central Bank of Bosnia and Herzegovina (CBBH) **Peter Nicholl** on forming of the special

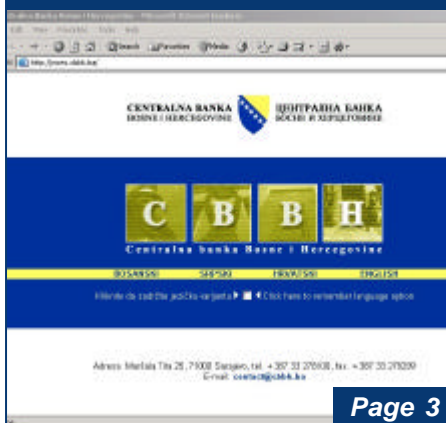
idea during his visit to Brcko, where he was accompanied by the Vice Governor of the CBBH **Ljubiša Vladušić**.

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## Parliamentary Assembly of Bosnia and Herzegovina adopted Changes and Amendments of the Law on CBBH

The House of People of the Parliamentary Assembly of Bosnia and Herzegovina, during its session which was held on September 5, 2002, adopted the Law on Changes and Amendments of the CBBH Law. The Law on Changes and Amendments of the CBBH Law was previously adopted by the Representative House of the Parliament. Some changes in the CBBH Law were necessary in order to give legal effect to the changeover of the DEM, which was the anchor currency of the BH Currency Board, to the euro. Some other changes were also suggested - deleting of unnecessary articles from the CBBH Law, some smaller technical changes of certain articles which were discovered in the last four years, as well as some changes that would give more flexibility to the CBBH in some important operational and domains of business policy. Law that was adopted by the Parliamentary Assembly of BH in June 1997 and which served as the basis for the beginning of the work of the CBBH in August 1997 is being regarded as a very good one, and it was a very important factor for successful establishment and work of the CBBH. Thanks to the fact that the Law was prepared carefully and thoroughly, no changes were needed since its adoption in 1997.

## CBBH gets praise for transparency



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## SWIFT Section records increase in the number of messages



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## GOVERNOR AND VICE GOVERNOR IN BRCKO

*Continuation from page 1*

During the meeting with the senior officials of the CBBH, representatives of the commercial banks stressed that the largest problem they have to deal with is the problem of the compulsory charges of claims from legal persons. Because of this problem, commercial banks tend to extend more loans to households than to legal persons, since households pay off their



loans on time. This is going much harder with legal persons, since when the problem with payment occurs, the whole case will most likely end in court, which lasts too long. As the legal system is one of the largest problems in BH, and with the awareness that reform could take a lot of time, Governor Nicholl said that he would support establishment of the special Financial-Commercial Court which would deal with financial issues. Advantages of having this court would be that judges employed by this court would be experts in this field, which would make court procedures simple and fast - something which is currently not the case.

Governor Nicholl also talked with bankers on the need for establishing the single registry of accounts at the state level, as well as development of the securities and capital markets, which, according to the Governor, do not exist in BH. Development of those markets is the next area which needs to be worked on.

Regarding Deposit Insurance and the establishment of the appropriate agency at the state level, the goal is to have all existing banks included in the deposit insurance program within one year.

Vice Governor Vladušić remarked upon the appearance of counterfeited 50 euro banknotes in the District region. Euro banknotes entered BH through various channels. In order to prevent these banknotes from passing at the counters of commercial banks, Vladušić suggested education of employees that work at the bank counters as well as purchase of machines for identification of counterfeits.

During the meeting with commercial banks, it was stressed that the banking sector improved significantly in the last two years, and that it is expected that this trend will continue. The problem in BH is that reforms in other sectors are not progressing as fast as they are in banking sector.

Nicholl said that banks are now extending more credit under more favorable conditions, but there is still room for improvement.

Activities of the CBBH were also presented to the Mayor of Brcko, who was satisfied with the fact that 15 commercial banks have their branch offices in Brcko, but he also expressed his displeasure with the slow privatization of banks.

Governor Nicholl also met with the Deputy of the Brcko Supervisor **Gerhard Sontheim**. They discussed Banking Law and its implementation.

"The primary responsibility for supervising the commercial banks in Brcko District will be done by the banking agencies from both entities, while the CBBH Office in Brcko will play a subsidiary role, by maintaining the register of the banks and by collecting the data on operations of those banks", said Governor Nicholl.

The Governor said that he is particularly satisfied with the work of the CBBH's Branch Office in Brcko, which is being managed by **Mirzeta Arnautovic**. ■

## Deposit insurance agency at the state level

The Governing Board of the Deposit Insurance Agency of Bosnia and Herzegovina



**Peter Nicholl**

appointed **Josip Nevjestić** as the Director of the Agency for

Deposit Insurance of BH during its meeting that was held on September 20.

The Governing Board of the Agency, presided over by the Governor of the Central Bank of BH (CBBH) **Peter Nicholl**, appointed **Branislava Lisica** as the Director of the Branch Office of the Agency in Banja Luka, while **Sead Manov** was appointed as the Director of the Branch Office in Sarajevo. "During the election process, the guiding principles for the

Governing Board of the Agency were competence, professional experience, as well as results that have been achieved so far in the field of deposit insurance", Nicholl said.

According to the Law, which became effective on September 12, the Agency for Deposit Insurance of BH should commence its operations by October 12. Then, the entity-level deposit insurance agencies should be closed.



## NEWS FROM MAIN UNITS AND BRANCHES

### MAIN UNIT MOSTAR

During the month of August, there was an increased demand from commercial banks for KM coins, while at the same time, demand for banknotes in 0,5 KM and 1 KM denominations decreased. A total of 172.543 transactions were carried out at the level of the Main Unit Mostar, out of which 169.595 transactions were carried out in giro-clearing, while 2.948 were carried out in RTGS system.

### MBRS BANJA LUKA

In accordance with the adopted Plan on preparation and moving of assets, means and equipment from the vault of the MBRS CBBH Banja Luka, the vault has moved into new facilities on September 6. KM net sale from the beginning of the work of the MBRS until September 22 was KM 3,035 billion, while total value of KM purchased from commercial banks was KM 1,964 billion, which means the net balance is KM 1,071 billion.

Senior year student of the Natural Sciences Faculty in Banja Luka - Department of Mathematics and Informatics - **Aleksandar Janjic**, completed his internship in the MBRS between September 1 and September 30. His mentor was Information Technology Officer in Market Evaluation Section **Dragana Trbic**.

### MAIN UNIT SARAJEVO

A trend of large increases in giro-clearing transactions in the Main Unit Sarajevo, which realizes 55% of the volume of transactions with the participation of **19** banks, was recorded in September. Continuation of activities related to the purchase of the office space for the Main Unit Sarajevo is expected during this month.

### BRCKO BRANCH

Manager of Brcko Branch **Mirzeta Arnautovic** attended a reception which was organized by the OHR's office in Brcko on the occasion of visit of the Principle Deputy of the High Representative **Donald Hays**. Reception was held on September 2. Ms. Arnautovic also attended the opening of the MEB bank branch office in Bijeljina on September 4. A smaller level of inflow of the KM and euro was recorded from September 1 until September 23 compared to the same period in August. Regular activities on management of the reserve account and statistics continued in September. The end of activities on the assembly and installation of security equipment is expected at the end of this month.

### PALE BRANCH

KM net sale decreased in September compared to the previous month. The average number of daily KM sales reduced 11% compared to the previous month, while the number of daily KM purchases remained at the August level. Positive balance between the purchase and sale of the KM at the level of Pale Branch grew 9,5%. Member of the Working Group for the opening of the site vaults **Mirsada Efendic**, representative of the Security Department **Sehid Ibišević** and Manager of Pale Branch **Marko Radovic**, visited the branch office of Privredna Bank Srpsko Sarajevo in Trebinje at the beginning of September. The goal of their visit was the assessment of the vault facility of this Bank in Trebinje and the readiness of the Bank to work as the agent for the needs of the CBBH in the region of Eastern Herzegovina.

## CBBH gets praise for transparency

PRESS RELEASE

According to a recent international study, the Central Bank of Bosnia and Herzegovina (CBBH) is one of only sixteen central banks in the world that meets all the transparency criteria. The results of the survey, which was carried out by Prof. Steve Hanke of John Hopkins University, USA, were published in the August Edition of "Central Banker" magazine, London. The survey covered 174 central banks. They were judged against five criteria: did they have a web-site?; did they published clear and comprehensive financial statements?; were those financial statements published promptly, i.e. within a month?; did they disclose their off-balance sheet transactions?; did they publish the enabling laws for the central bank and the banking system?. The Central Bank of Bosnia and Herzegovina, together with the central banks from fifteen other countries, met all of the five conditions. The other countries which met all the criteria were Croatia, Czech Republic, Estonia, Hong Kong, Latvia, Lithuania, New Zealand, Philippines, Portugal, Singapore, Slovak Republic, Slovenia, South Africa, Thailand and the United Kingdom. "The confirmation by an international expert, such as Prof. Hanke that the CBBH is amongst a relatively small group of central banks that are fully transparent about their financial operations is good news for the reputation of BH", the Governor of the CBBH, **Peter Nicholl**, said. It is particularly important for the attitude potential foreign investors will take to BH.



## PAYMENT SYSTEM DIVISION

### Report on in-bank and inter-bank payment transactions for 2001

In accordance with Instruction for filling of monthly report on in-bank and inter-bank payment transactions, commercial banks in BH have submitted reports about total number and value of payment transactions as follows:

In-bank payment transactions	%	Number of transactions	%	Value of transactions in KM
	62,2	19.615.253	50,9	20.403.054.703,67
Bilateral clearing	Number of transactions		Value of transactions in KM	
	0		0	
Inter-bank payment transactions – multilateral clearing	Number of transactions		Value of transactions in KM	
	11.916.222		16.844.843.314,44	
Inter-bank payment transactions – transactions with CBBH	Number of transactions		Value of transactions in KM	
	5.001		2.870.579.341,04	
Total of inter - bank payment transactions	%	Number of transactions	%	Value of transactions in KM
	37,8	11.921.223	49,1	19.715.422.655,48
Total of inter-bank and intra-bank payment transactions	%	Number of transactions	%	Value of transactions in KM
	100	31.536.476	100	40.118.477.359,15
Fee related to domestic payment transactions	Number of transactions		Value of transactions in KM	
	7.549.625		21.664.546,68	

From the tables shown above, it is visible that 62,2% of total number of transactions were carried out within the banks with the value of 50,9%, while 37,8% were carried out among the banks with the value of 49,1%.

Fees related to domestic payment transactions are calculated in in-bank payment transactions. 7.549.625 of those transactions were carried out in 2001, with the value of 21.664.546,65 KM.

## SWIFT Section records increase in the number of messages

SWIFT Section in the Central Bank of Bosnia and Herzegovina (CBBH), which has operated for four



years, is recording an increase in the number of received and sent system, client and financial mes-

sages, which is another indicator of the successful work of this institution.

In other words, this Section used to record around 100 incoming and 90 outgoing messages in 1998. Four years later, the number of messages is much higher - the average number of messages is 8000 incoming and 1000 outgoing messages.

At the beginning of its work, SWIFT conducted only inter-banking transfers, but with time transfers and messages spread to other categories. At the end of 1998, CBBH started sending client transfers, in 1999 and in 2000 CBBH started to carry out confirmations of investments and guarantees and finally, in 2002, CBBH extended its work to securities.

The work of SWIFT employees is characterized by

## Report on in-bank and inter-bank payment transactions From January 2002 until June 2002

In accordance with instruction for filling oh monthly report on in-bank and inter-bank payment transactions, commercial bank in BH have submitted reports about total number and value of payment transactions as follows.

In-bank payment transactions	%	No. of transactions	%	Value of transactions in KM
	61,59	11.243.300	53,23	12.200.036.644,32
Bilateral clearing	Number of transactions		Value of transactions in KM	
	0		0,00	
Inter-bank payment transactions – multilateral clearing	Number of transactions		Value of transactions in KM	
	7.005.072		7.910.251.182,85	
Inter-bank payment transactions – transactions with CBBH	Number of transactions		Value of transactions in KM	
	3.774		2.807.940.512,14	
Total of inter-bank payment transactions	%	No. of transactions	%	Value of transactions in KM
	38,41	7.008.846	46,77	10.718.191.694,99
Total of inter-bank and intra-bank payment transactions	%	No. of transactions	%	Value of transactions in KM
	100	18.252.146	100	22.918.228.339,31
Fee related to domestic payment transactions	Number of transactions		Value of transactions in KM	
	4.497.162		14.747.451,52	

From the tables shown above, it is visible that 61,59% of total number of transactions were carried out within the banks with the value of 53,23%, while 38,41% were carried out among the banks with the value of 46,77%.

Fees related to domestic payment transactions are calculated in in-bank payment transactions. 4.497.162 of those transactions were carried out from January 2002 until June 2002, with the value of 14.747.451,52 KM.

various assignments. Among those assignments, employees have to manage SWIFT in accordance with the adopted operational procedures, establish relations with banks and other financial institutions via BK management, create, verify and authorize all these messages in SWIFT and send messages to appropriate departments in the Bank. Education of SWIFT employees is constant and necessary since they need to have the latest information on changes that take place in SWIFT.

SWIFT, which stands for Society for Worldwide Interbank Financial Telecommunication, is the fastest, safest and cheapest way to transfer money and other financial messages, and with its help, international payments are standardized and automatic. Therefore, SWIFT is the most significant financial system in international banking.

### DEPARTMENT FOR THE ECONOMIC RESEARCH AND STATISTICS

## Research project "Lending in BH"

Department for the Economic Research and Statistics of the CBBH started a research project in mid September 2002 entitled "**Lending in BH**". Out of all banks that are operating in BH, **26** of them responded to this project. This project encompasses questions on deposits, capital, credit activities, procedures for the extending of loans, crediting procedures, court procedures and plans for the next year. So far, 50% of the banks have been interviewed. According to our estimates, results of this project are going to be very interesting and useful. Commercial banks that took part in this project gave their estimate that research in the banking field should be done more often, since based on those estimates, the general condition of the banking sector could be evaluated by looking through individual fields. Results of this research will be completed by the end of October this year.



# Musa Cazim Catic and Jovan Ducic

Written by Nermina Kurspahic

Although he was born in Odžak (Posavina) in 1878, city of Tešanj remained the place where **Musa**



**Cazim Catic** kept returning after many of his life wreckages and the only place where he found eternal peace, which was the only peace he ever had. He finished his elementary education in Muslim religious school in Tešanj. There he got acquainted with writings of Arabic, Turkish and Persian poets. In 1898, he went to Constantinople in order to continue his education, which he never completed due to the lack of funding. He went to Belgrade where he associated with **Osman Đikić** and **Avdo Karabegović**, and also managed to meet **Skerlić**. Catic's disorderly life started since then, a life at the border of survival, hunger, drinking, desperation and uncertainty. Later he cooperated in magazine entitled "Bosanska vila", he gets recruited into Austrian-Hungarian army. He stayed in Tuzla and Budapest, after which he tried to continue schooling in Sarajevo. However, But, Catic could not sit at one spot. He went to Zagreb in 1910 where he met with **Matoš** and other Croatian writers. He writes poetry and lives bohemian life at the edge of abyss. **Tin Ujević** once said that Catic was the first authentic bohemian (he certainly was among Bosniak writers). Eastern-Sufic wisdom and general feeling of the world and universe, as well as the European poetic modernism were combined in this poet. Torn between such concepts and, at the same time, in intensive relation with world, he wandered around, raised and crashed all the way to the bottom. Love and world in images of beauty and suffering were his poetic subjects: "I am the eternal slave of beauty..." Or, at the other place, "I am a poet, I am a madman", and in his last song entitled "Before death", "Agony flutters like a golden dust..." He used to write lyric, sonnets, laments, and patriotic poems about Bosnia. He used to translate from Turkish, Persian and Arabic. Opus that he left behind is really similar to his own life - filled with many great spiritual risings and life crashes. He died in poverty in 1915.

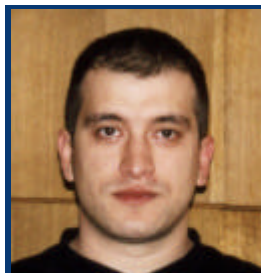
"Have you ever met a man, an intellectual, who just



spontaneously says to you that he is happy? I remember only **Jovan Ducic**. He used to say: Imagine if someone could tell to my mother that her son is going to be a consul, she would go out of her mind... And I was more than a consul: the ambassador, first among Yugoslavians; in the service which was my dream I traveled around centers of culture that I could only wish for, not knowing about material worries anymore, and recognized everywhere as the writer". These words of Jovan Ducic were recorded by **Pero Slijepčević**. And really, unlike many other contemporary poets or poets from his time, Ducic was a happy man. He was born in 1872 in Trebinje. He moved to Mostar with his mother, where he attended Trade School and worked in the store that belonged to his stepbrother. In Mostar he met and associated with **Aleksa Šantić** and **Svetozar Corović**. Coincidentally, all three of them discovered their poetic talents at the same time and exchanged books and magazines. Their friendship was marked with the joint work in Mostar's "Zora". However, Ducic left all of this very soon and goes away in search for his own success. Although striving for the materialistic success dominated Ducic's ambition, he did not forget about his own writing. He writes poems, as well as travels' writings and essays. He traveled around the world. He mostly educated at the Francophone speaking region. He wrote lyric poetry, patriotic songs, he glorified Serbia, but he also wrote a poem entitled "Bosnia": "All of those people, Holy one, are going to sell you / All of them are taking you to the water from one square to another!"... He died in USA, while his remains were taken to Trebinje in 2001.

## EMPLOYMENT

### New Coordinator of the Public Relations Section



**Moamer Halvadžija**

**Moamer Halvadžija**, Trainee Counterfeits Officer in the Treasury Division of the Main Office of the Central Bank of Bosnia and Herzegovina, passed his trainee exam on September 2, which he took after the end of his one-year training period. After he passed his trainee exam, Halvadžija was appointed to the post he was trained for

during the one-year period he spent in the Bank as a trainee. The Central Bank of Bosnia and Herzegovina has a new employee who started September 1, 2002. That new employee is **Zijada Kulovic**, who was appointed as the Coordinator of the Public Relation

Section in the office of the Governor in the Main Office of the CBBH for an indefinite time period. After **Jasmina Novalija** was appointed as the new Deputy to the Comptroller General in the Office of the Comptroller General, post of the Manager of the Monitoring and Analysis Division became vacant.

**Vasilija Arapovic**, previous Coordinator of the Monitoring and Analysis Division was appointed to that vacant spot after the completion of the procedure of the internal vacancy announcement. The Central Bank of Bosnia and Herzegovina currently has **248** employees.



**Zijada Kulovic**



**Vasilija Arapovic**

## EDUCATION

### Expert education

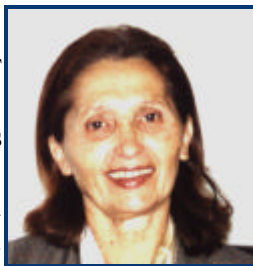
**Saša Lemez**, coordinator of the Information Support Section in the Payment System Division, attended a meeting organized by the User Group Logica from September 5 until September 7 in Dubrovnik. **Jasminka Buric**, Banking Economist in Brcko Branch, attended a seminar entitled "The essential issues of supervision" organized by the BIS from September 30 until October 4 in Vienna. Vice Governor of the CBBH M.A. **Dragan Kovacevic** attended a meeting that discussed regional currencies and usage of the foreign currencies, which was organized by the BIS from September 19 until September 20 in Basel. Counterfeits Officer in Treasury Division **Moamer Halvadžija** attended additional education which was organized by the company "Francois Charles Oberthur" from September 23 until September 27 in Paris. M.A. **Idriz Fazlic**, coordinator of the Computer Network Section in Information Technology Division, attended a seminar entitled "Implementing and Managing Microsoft Exchange 2002", which was organized by the company CET



**Saša Lemez**

from September 16 until September 20 in Belgrade. The CBBH General Comptroller **Jasmina Halilbegovic** and Deputy General Comptrollers **Milosija Drakulic** and **Anton Salapic** were in the study visit to the National Bank of Macedonia in Skoplje from September 9 until September 13. Deputy General Comptroller **Jasmina Novalija** attended a seminar entitled "The role & practice of internal audit in the Central Bank" which was organized by the Bank of England from September 9 until September 13 in London.

**Damir Cosic**, contract employee, attended a seminar entitled "Conference on Medium Term Economic Assessment", which was organized by the IMAD (Institute of Macroeconomic Analysis and Development) from September 21 until September 25 in Ljubljana. **Zorica Tadic** and accountant in the accounting Section and Economist in the Market Evaluation Section in the MBRSCBBH Banja Luka **Slobodan Mandic** attended a seminar entitled "Credit risks management in banking" which was organized by the RS Banks Association from September 24 until September 26 in the premises of Nova Banjalucka Bank in Banja Luka.



**Milosija Drakulic**



**Anton Salapic**

## JOURNEYS

### Visit to Budapest

As a result of the initiative of the employees of the Central Bank of Bosnia and Herzegovina, 43 workers of the CBBH went on a tour to Budapest, Hungary. This visit was organized through the "Centrottrans Bus" tourist agency from Sarajevo. The price of the trip was 199 KM for each employee. During their two-day stay in Hungary, employees had a chance to get acquainted with everything Budapest has to offer. Among other things, they visited King's Castle, Citadel, Parliament, Academy of Arts and Sciences and the National Bank of Hungary. As a part of the sightseeing of the cultural and historical inheritance of Budapest, employees were also taken to the boat ride on the river Danube and visited the traditional restaurant "Carda". Employees of the CBBH gave very high grades to the organizers and leaders of the trip and expressed their wish to make this trip into a tradition.





**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
**Monthly Balance Sheet (provisional) as at 31st August, 2002**  
**Explanation**

Monthly balance sheet is being issued to provide information on the Central Bank of Bosnia and Herzegovina operations pursuant to the Currency Board rule, and to offer particular information ruled by the Law of the Central Bank of Bosnia and Herzegovina. Some of the specific features of the balance sheet as of 31st August are as follows:

**As on 31st August, the Bank met all requirements under the Currency Board rule as mentioned in Article 31 of the Law.** Status of Net Foreign Assets exceeds its Monetary Liabilities in Konvertibilna Marka (KM) by 97, 853, 748 KM. This has been shown in the item Net Foreign Exchange Assets less Monetary Liabilities.

**Foreign Assets** mainly consists of deposits maintained with the foreign banks. The balance sheet also shows Composition of the currencies maintained, differentiating them by EUR and other currencies. The Banks's foreign deposits incur income for the Bank from interest.

**Monetary liabilities**, represent to larger extent the liability of the Bank for KM currency in circulation, (1,934,470,367 KM) and resident banks' reserve deposits (301,026,959 KM).

**Position showing relations between the Government and IMF** reflect claims and liabilities of Government of Bosnia and Herzegovina arising from the financial arrangement with IMF.

**Capital and reserves** reflect initial capital and reserves, shares and accumulated profit of the Bank since the beginning of its' operations on 11th August 1997.

The Bank also maintains certain accounts in foreign currencies in terms of agreements entered into among the Government of Bosnia and Herzegovina and foreign governments and financial organisations. As these accounts does not appear to be either assets or liabilities of CBBH, they have not been included in the above mentioned balance sheet. Total amount of resources maintained on these accounts was 253,007,601 KM.

Any inquiries referring to the monthly balance sheet can be addressed to the Administration and Finance Department, Accounting Section in Sarajevo, contact telephone # (033) 278 119, fax # (033) 278 294. Media representative can contact Public Relations Office, contact phone (033) 278 123, fax (033) 278 296.

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
**Monthly balance sheet (temporary) as at 31st August, 2002**  
**(amounts in KM equivalents)**

ASSETS		Total Amount	EUR	Other Currencies
1	Foreign Exchange Assets	2.400.551.080	2.394.982.117	5.568.963
1.1	Cash	73.633.371	73.123.238	510.133
1.2	Investments	2.326.917.709	2.321.858.879	5.058.830
2	Position of Government in the IMF	750.454.980		
3	Other Assets	73.511.115		
TOTAL ASSETS ( 1 + 2 + 3 )		3.224.517.175		

LIABILITIES		Total Amount
4	Monetary Liabilities	2.302.040.378
4.1	Currency in Circulation	1.934.470.367
4.2	Credit Balances of Resident Banks	301.026.959
4.3	Credit Balances of Other Residents	66.543.052
5	Liabilities to Non Residents	656.954
6	Liabilities of Government to the IMF	750.454.980
7	Other Liabilities	10.705.074
8	Capital And Reserves	160.659.789
TOTAL LIABILITIES (4+5+6+7+8)		3.224.517.175

Net Foreign Assets minus Monetary Liabilities ( 1 - 4 - 5 )	97.853.748
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Position of Government in the IMF - Foreign Reserves - SDR Holdings	1.273.344
Liabilities of Government to the IMF - IMF Accounts No 1 and 2	1.214.263
Net Foreign Reserves of Government in the IMF	59.081

  
P.W. Nicholl  
Governor

  
Jasmina Halilbegovic  
Comptroller General

Sarajevo (date) 19.09.2002.