



STRATEGIC PLAN FOR 2003

Realization of goals for ten months

Over the first ten months of this year, the Central Bank of BH (CBBH) successfully implemented the largest part of goals which were set in the Strategic Plan for 2003, and the implementation of several goals is underway. The implementation analysis shows that the rules of Currency Board Arrangement were fully respected. Net free reserves as of October 30 were KM 148, 1 million. At the end of October, foreign reserves were KM 2.603, 5 million, while the amount of cash in circulation was KM 1.664, 2 million. There were no breaches or changes in the Guidelines on investment of foreign reserves. Income and expenditure structure of the CBBH was monitored closely. So, the total income from January until October was KM 53, 5 million, while total expenditures for the same period were KM 23, 6 million, so, according to these data, the profit was KM 29, 9 million. One of the goals which was successfully implemented was signing of the Memorandum on

Cooperation and the Exchange of the Information which the CBBH signed with the banking agencies with aim to improve the cooperation. The BH Presidency, to whom the CBBH directly reports, received CBBH's Annual and Financial Report for 2002 as well as quarterly Financial Reports for 2003 on time. Publications have been improved and the internal and external control was carried out regularly. The Bank has conducted a poll on foreign investments among the medium and large BH companies and its implementation is considered crucial for the improvement of the Balance of Payments statistics. The Bank staff

is currently working on the purchase of the X-ray scanner for the main entrance of the Bank, while the preparations for the movement of the main control room are completed. The movement will be carried out after the Sarajevo Main Unit moves into the new premises. Investment of the CBBH foreign reserves into securities was postponed until further notice. Things that still remain to be done are the projections of the macroeconomic variables for 2004 and connection of the CBBH with the database on the foreign debt which is being maintained in the Ministry of Finances and Treasury of BH.

In the mid-November, Governor held the meeting with vice governors, directors of the main units and branches and CBBH managers, which was devoted to the first draft of the budget for the next year. Although this draft is not final, it shows that the CBBH could earn

significant profit next year. The CBBH officials do not expect significant increase of the foreign reserves, but there is the assumption that the European interest rates could go up which, together with other elements, could provide income for the CBBH.



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C. Goodhart: Banking supervision in CBBH would be easier, simpler and less costly

During November, CBBH employees had the opportunity to listen to several interesting lec-

tures which were held in the CBBH. Two of those lectures entitled "Procedures and mechanisms for the maintenance of financial and price stability" and "Organizational structure of the of the banking supervision in transition countries" were delivered by Professor Charles Goodhart, who, until he retired in 2002, was regular Professor of



Charles Goodhart

the Banking and Finances in the London School of Economics (LSE). He also worked for 17 years in the Bank of England, during which he used to work as the Advisor to the Governor. During his career, he was also the member of the Governing Board of the monetary authorities of Hong Kong. We used his visit to the CBBH as the opportunity to make a short interview him about several issues regarding the banking supervision in various economic and political surroundings.

Can you describe us the way the banking supervision is organized in Great Britain? We would like to hear your personal view on advantages and disadvantages of such approach.

Well, within the UK we have separated the supervision, including banking supervision, which is now entirely within the financial services authority. The Bank of England still has statutory responsibility for the maintenance of the financial stability. The bank is required to be concerned with the system as a whole. It is quite difficult, in fact, to work out and think what exact-

ly is meant by responsibility to the system as a whole. You don't have the supervisory responsibility

to the individual members of that system. The Bank of England has the responsibility for the payments system, not only the payments system of the clearing of the ordinary payments orders, but also for the payments system in the various financial markets. Not only the payments system, but the Bank of England also has the respon-

sibility to undertake the lender of last resort, which differs from the Central Bank of BH (CBBH), where here the CBBH cannot undertake the lender of last resort activity. In UK, if the bank gets into difficulties and requires immediate liquidity, than it would be to the Bank (of England) that the bank needing liquidity would have to go. We in the Bank of England require the bank first to go to the Financial Supervisory Authority (FSA) and then the FSA needs to inform us, the Bank of England, what the problems are and what they, in the FSA, think about it. So the chain procedure for the banking difficulties is to go to the FSA, the FSA is to report to the Bank of England and than the Bank of England decides whether there is a need to provide support - whether it is the lender of last resort, or is it the support in the any other form. It needs to inform the Ministry of Finance or Treasury, so there are three agents involved in this exercise in UK and they all have to agree to provide the support to the bank if it is to be done. So, there is a

payment system and there is a lender of last resort activity. And there is, of course, general concern about participating in the development of the regulatory arrangements in the Basel Committee and the development of Basel II. So, all that gets wrapped up in the Financial Stability Division. The FSA is directly responsible to the Finance Ministry and it has got no money, so if it thinks that the bank needs additional injection of money, it has got to go to the Bank of England to provide the money.

Our next question is related to the banking supervision within the CBBH. As you probably know, in BH we currently have separate banking supervision which is done in two entity based banking agencies with the CBBH as the coordinating body. Over the last two years there have been some initiatives to bring the banking supervision under the "umbrella" of the CBBH. Given the current economic and political circumstances, can you give us your expert opinion about advantages and disadvantages of bringing the banking supervision under the "umbrella" of the CBBH?

Having it in the CBBH has the advantage of being simpler, since many of the banks will have their branches in RS and BH Federation and that means that they are dealing with two supervisory entities who would be approaching the subject in a different way. If it is done within the CBBH and if there is only one supervisor, than there is consistency in treatment of the banks, it is easier, simpler and less costly. Also, I was arguing that in the emerging countries there are not that many people who are really that expert in dealing with the supervisory issues and you get the better resourced staff, more independent staff, technically more skilled staff if you have it within the CBBH.

Commercial banks are applying measures within the fight against money laundering

Bosnia and Herzegovina, in some way, started the combat against money laundering, through the commercial banks which began to implement certain measures,

Vice Governor of the Central Bank of BH (CBBH) **Kemal Kozarić** stated, speaking to the participants of the seminar on methods for the prevention of money laundering

which was organized by the European Bank for Reconstruction and Development at the beginning of November. Within these activities, as Vice Governor Kozarić said, the banks are obliged to monitor and to report to the police each transaction exceeding KM 30.000. The CBBH has no direct role and responsibilities in the prevention, revealing and punishing of the participants in money laundering, but it operates within the Working group whose task is to improve the measures for the prevention of the money laundering. The result of these activities should be the establishment of the single registry of banks' accounts, which is to contribute to the combat against the

money laundering and tax evasion. "This will enable the tax authorities, financial police and courts to find all the accounts of those clients and take the

steps against them", the Vice Governor of the CBBH stressed. In his speech he emphasized that, besides the undermining of the free market economy, money laundering also

undermines democratic and political structure and it influences the political stability of a country. Money laundering and corruption, as the accompanying element, are a threat to the state sovereignty, power of the state authorities and they cause damages to the national economy. In this way, the illegality becomes the basic principle of the economic activity. Although money laundering is the worldwide problem, there are significant differences between certain countries and this is obvious in transition countries. "It is considered that those countries which are more included in the world's economic flows and which are far away in the process of transition, have less problems in

adjustment of its money market and banking institutions than the countries which are in delay regarding transition, where those problems are more evident. Therefore the prevention of money laundering is not only a fight against the criminal, but also an effort to preserve the integrity of the financial institutions and the financial system as a whole", Vice Governor Kozarić added. He also emphasized that money laundering has the international dimensions, and according to the rough estimations, it is supposed that between 300 and 500 billion of USD are laundered annually in the world. Because of their role in the payment system of a country, financial institutions, banks first of all, are the key factor in identification of cases of the illegal transactions. Although it is difficult to give any recommendations to the banks for successful fighting against money laundering, some experts are pointing out some basic ones such as: find out the real identity of a client, bank's operations in accordance with the regulations, cooperation of a bank and relevant authorities for the prevention of illegal activities and paying attention to the education and training of staff members.



VISITS

P. Nicholl and K. Kozarić met with the newly appointed BH ambassadors

As a part of mandate preparations, the Central Bank of BH (CBBH) was visited by the group of the newly appointed ambassadors who are going to represent BH in the world. During the meeting with Governor **Peter Nicholl** and Vice Governor **Kemal Kozarić**, ambassadors learned about the CBBH, its role in the maintenance of the financial stability in BH, improvement in the banking sector, as well as about the changes in the financial sector which will take place in the near future. In addition to the basic indicators of the previous work of the CBBH, which show that the bank is stable, Governor also stated that the banking sector would help the development of the rest of the financial sector over the next two or three years. Regarding the economic outlook in the future, Governor said that

he expected that the inflation in BH would remain at the current level, together with the economic growth with six or seven percent rate and the gradual improvement of the Balance of Payments.

He added that these positive economic predictions depended on the new processes of economic reforms which are speeding up in BH. The environment for the private investments has improved, but it still remains very complicated. Governor also said that he expected increase of the private investments. "The large number of investors is coming to the region of the Southeast

Europe. BH has to convince them to come exactly here", Governor said. Governor also used this opportunity to again point to the fact that the foreign debt of the country was not extremely high.



Ambassadors were interested in how CBBH had managed to achieve and maintain such good business results and the positive image in public.

The Governor said that the base for the successful CBBH's business results and with it, its positive image, was the CBBH Law, many internal procedures, independence from the politics and teamwork.

Continuation of the positive trend of the CBBH foreign reserves expected

The foreign reserves of the Central Bank of BH (CBBH) are stable and amount to KM 2, 6 billion. The Investment Committee, during the session held on November 10 2003, stated that the continuation of the positive trend of the CBBH foreign reserves was expected. Besides the foreign reserves balance, the session, which was chaired by the CBBH Vice Governor **Kemal Kozarić**, also covered other topics, such as trends of the interest rates and euro, rating of the foreign banks, adherence to the investment guidelines, as well as the benchmark of portfolio of the CBBH's foreign reserves for 2004. Regarding the interest rates at the world market, the European Central Bank (ECB) at its regular session, held in the beginning of November, decided to keep the existing reference interest rates. So the basic interest rates in euro-zone for refinancing will stay at the two percent level in order to support economic recovery together with the stable inflation and indications of the economic growth, which represents the beginning of the Euro zone recovery after the stagnation in the first six months of 2003. Unlike the ECB, the Bank of England (British Central Bank) decided to increase the basic interest rate by 25 base points, i.e. to 3, 75 percent. This is the first increase of the interest rates in one of the four biggest world economies since October 2000 and economic analysts see this as the beginning of the end of the low interest rates. Investment Committee accepted material from the session with small changes and forwarded it to the CBBH Management for discussion as the base for the revenue side of budget for 2004.

CBBH helped BH joining the Development Bank of the CoE

By signing of the Protocol, the Central Bank of BH (CBBH) has, together with the Governments of Great Britain and Sweden, helped the

Development Bank of the Council of Europe has 35 member countries, including Slovenia, which joined in 1994, as well as Croatia and



Details from signing of the Protocol

Government of BH to pay the first installment of the membership fee in the Development Bank of the Council of Europe. Governments of Great Britain and Sweden each provided 40 percent of the payment funds, which is euro 227.200, while the CBBH provided the remaining 20 percent, which is euro 113.600. The Development Bank of the Council of Europe was founded in 1956 and its primary goal is to finance the social projects, with emphasis on those aimed on solving the refugees' issues and other emergency situations. With the membership in this bank, the Government of BH, that is, Ministry for Human Rights and Refugees will be enabled to provide the continuation of the return process and achieving of the sustainable implementation of the Annex 7 of the Dayton Peace Accord, which is the strategy of this Ministry. According to the competent Minister **Mirsad Kebo**, the plan for the usage of these funds is to construct 50.000 housing units and to provide sustainable return of 200.000 persons. Returnees will receive money from this fund in form of donations, while the state will repay this debt over the period from five to 15 years with the interest below the market value. The

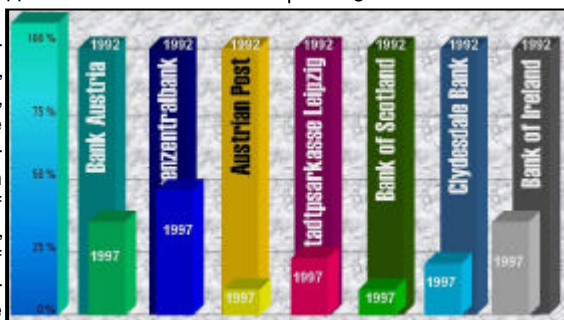
Macedonia, which joined in 1997. In 2001, the Bank approved euro 40, 8 million to Croatia, euro 38, 7 million to Slovenia and euro 6, 4 million to Macedonia. BH can apply already in the next year to get the funds and the amount of the money it will get will depend on projects it offers. On behalf of the CBBH, the Protocol on financing of the first installment of the membership in the Development Bank of the Council of Europe was signed by Vice Governor **Ljubiša Vladušić**, on the basis of the Decision of the Governing Board of the CBBH dated September 17, 2003. Vice Governor stated that the funds which provided by the CBBH are not donation, since, according to the CBBH Law, they are being treated as deposit. He added that, by paying a part of the first installment, the CBBH wanted to help the establishment of the financial stability, which can be indirectly achieved by solving the issues in the social domain. On the behalf of Great Britain, this Document was signed by the British Ambassador in BH **Ian Cliff**, while on the behalf of the Government of Sweden, it was signed by the Head of the Office of the Swedish International Development Agency (SIDA) **Bo Elding**.

BH Post plans activities regarding the protection of the money

The public enterprise BH Post has sent the inquiry to the Central Bank of BH (CBBH), related to the possibility to replace the cash which was destroyed with chemicals. Reason for their inquiry was robberies, which tend to happen quite often recently. Therefore, the staff responsible for the safety of money in BH Post is interested in the possibility to introduce protection with the electrochemical system for smoking and painting of the banknotes in order to prevent these attacks or to make them impossible. Introduction of this protection system is supported with facts that there is the increasing number of robberies, first of all, armed robberies, with the rare usage of guns, that robbers run away with large amounts of cash and, finally, that only few of those who committed robberies were found. The principle of the system is that if the robbery of

ing the money transfers occurs, smoking banknote is being activated and this banknote makes a thick smoke which also paints the banknotes. This leaves the permanent mark on the banknote which makes it useless. This is an old invention, which is already used in Croatia and Slovenia and it has produced great results in other countries. So, according to the available data, usage of this system has reduced number of robberies in the Bank of Austria and the Bank of Ireland by 30 percent in 1997 compared to 1992, while the percentage for the Bank of Scotland and the Austrian

Post is ten percent for the same period. After the BH Post asked for some explanations regarding their planned activities which they will undertake in order to protect the money, the CBBH has, in principle, accepted the possibility to replace the banknotes



Graph which shows decrease in the number of robberies after introduction of smoking banknotes

vaults or cash boxes in banks, post offices or dur-

which get destroyed with chemicals.

PRESS RELEASES

AGREEMENT ON UNDERSTANDING AND COLLABORATION IN THE FIELD OF THE SUPERVISION OF BANK OPERATION SIGNED

Governor of the Central Bank of Bosnia and Herzegovina **Peter Nicholl**, directors of the Banking Agency of Federation BH and Republika Srpska **Zlatko Barš** and **Dužanka Novaković** signed in Sarajevo Agreement on understanding and collaboration in the field of the supervision of bank operation which was previously signed by Governor of the Croatian National Bank **Željko Rohatinski**. Parties express their willingness for collaboration in the field of the supervision of the banks operating in Republic of Croatia and Bosnia and Herzegovina. The aim of this Agreement is the collaboration of the parties in supervision of transfrontier branches of the banks with their head offices in Republic of Croatia or in BH in order to facilitate more efficient consolidated supervision of the banks operating outside the States of their head offices. Authorized parties will exchange all the information which facilitates efficient supervision of the banks. Exchange of information shall include contacts needed for the procedure of issuing of the operating licenses, the procedure of approval for the participation in the share capital of the financial institutions, procedure of appointment of the president and members of the managing boards of the financial institutions, as well as in the procedures conducted in order to eliminate violations, irregularities and difficulties in operation of the banks. Agreement became valid on the day of signing. Such Agreement was signed two years ago with the Bank of Slovenia. Agreements with Supervisory authorities in other countries including Austria, Turkey, Italy and Serbia should also be signed in the near time.

GOVERNOR NICHOLL ATTENDED THE CONFERENCE IN VIENNA

Governor of the Central Bank of BH (CBBH) **Peter Nicholl** and the Head of the CBBH's Statistics Division **Amir Hadžiomerađić** attended the Conference in Vienna entitled "The Economic Potential of a Larger Europe: The Keys to Success". The Conference was organized by the National Bank of Austria and the Joint Vienna Institute (JVI). Some of the speakers were Governor of the National Bank of Austria **Klaus Liebscher**, Managing Director of the International Monetary Fund (IMF) **Horst Kohler**, President of the European Bank for Reconstruction and Development (EBRD) **Jean Lemierre** and representatives of the central banks of the ten accession countries. The Conference coincided with the official opening of a new training centre for the JVI. The JVI was initially set up under the sponsorship of the Austrian Government, the IMF, the Bank for International Settlements (BIS), the World Bank (WB) and the EBRD as a temporary facility to provide training for the staff of the central banks and ministries in the transition economies of Eastern Europe and the CIS region - Commonwealth of Independent States. The CBBH has gained considerable benefit from the JVI training courses. Since its foundation, the CBBH has sent a significant number of employees to JVI training courses. The sponsors of the JVI have decided to convert it into a permanent training institute for the countries of Eastern Europe and the CIS. The opening of the new training centre is a clear demonstration of this commitment. "This is a very encouraging development for the CBBH and we will continue to make full use of the training opportunities the JVI provides for our staff", Mr. Nicholl said.

Eight-member Working Group established

Based on the Decision of the Management of the Central Bank of BH (CBBH), the eight-member Working Group for the state securities market has been established. The Working Group members are as follows: the CBBH Vice Governor **Ljubiša Vladušić**, who is also the Chairman of the Working Group, Adviser to the CBBH Governor for Financial Markets **Petra Marković**, **Jasenska Žigić** - Legal Section, **Feriha Imamović** - Banking Division, **Sead Bijedić** - Payment System, **Vasilija Arapović** - Monitoring and Analysis Division, **Damir Čosić** - Economic Research Division and **Ernadina Bajrović** - Office of the Governor.

Task of this Working Group in the first stage is to prepare activities and to become familiar with the legal and technical framework regarding establishment of the new state securities market. After the CBBH's Governing Board approves this project, the Working Group will work on the final implementation of the project and cooperate with similar working groups at the level of the BH Ministry for Finances and Treasury as well as with experts of the international community, first of all, from the US Treasury.

Legal framework for the state securities market is a new draft Law on debt of BH which is being prepared under the guidance of the US Treasury experts. The Law, which should be in the parliamentary procedure until February 2004, anticipates that the CBBH should play the role of the fiscal agent and organize auction of the state securities which will be issued by the BH Ministry of Finances and Treasury on behalf of the state, entities and Brčko District.

The CBBH will be also able to maintain the Securities Registry and will make settlement and clearing within the current payment system. The practice in most countries in the world is that the securities market is being tied to the central banks which manage the payment systems, which is the base of the system of settlement and clearing of the state securities. In order to discuss this new project for the establishment of the Governmental securities, it is necessary to specify the role of the CBBH in this process, define aims, strategy and deadlines, as well as rules of auctions, settlements, registry as well as agreements with BH Ministry of Finances and Treasury about the CBBH role as the fiscal agent.

Terms used in the banking supervision

In this number of CBBH newspapers we will publish terms and expressions used in the banking supervision. These are expressions which were used in the Workshop entitled "Financial instruments and markets".

Derivative - a type of financial instrument whose return and price are based on a contractually designed underlying security; examples are put and call stock options, convertible bonds, forward contracts, futures and swaps; market is colorful, complex and very risky.

Future contracts - a financial contract in which the investor has the obligation to buy or sell a specific asset at a specific price at a future date; futures contracts are similar to forward contracts but are traded on organized exchanges and marked to market daily.

Forward contract - an agreement between a buyer and seller to trade something in the future at a price negotiated today; contract is obligatory for both; one will lose; examples of actively traded forward contracts are interest rates, currencies and energy products; foreign exchange is the most common one.

Hedging - principle of reducing risk in an investment (or group of investments) by investing in another instrument whose value or return is likely to move in a direction opposite that of the hedged investment; with this form of investing risk profile of one investment is offset by risk profile of another.

Hybrid - a financial instrument with characteristics of two or more different types of financial instruments, usually of shares or debt; the most often example is the bond (debt) which can be converted into the actions of packages of actions (stock capital).

Market - to - market - accounting principle of adjusting book value of an asset to equal that of its market value, usually at frequent intervals (e.g. daily); such adjustment

results in gain or loss to income statement; the value of such item to be done in accordance with the market value.

Margin - amount of cash an investor must place with broker as collateral for transaction; amount is usually regulated by stock or futures exchange and can be, e.g., 50 percent of price for equities, or 5 to 10 percent of contract price for futures; initial margin is placed at the time of transaction; maintenance margin is the minimum amount that must be on deposit; margin call occurs when the broker calls for more collateral to be posted, usually due to price decline.

Common stock - financial instrument for (share) equity interest; usually carries voting rights and receives return from issuer only when approved by Governing Board.

Bond (also bill, note) - financial instrument, usually promising to pay a rate of return, with return of the principal at maturity; bonds are debt of issuer (issuer of the bond) and are paid off before equity interest in event of liquidation; often bonds pay a fixed rate of return over regular intervals; some types of bonds (US Treasury bill, zero-coupon bond) pay no interim interest, but are, rather, sold at a discount; some have floating rates (e.g., tied to LIBOR) and some have no maturity (British bonds).

Options - a type of derivative security giving the investor the right either to sell or buy a specific security (usually a stock) at a specific price, and usually at specific time or within a specific time period.

Premium - amount paid above face amount of an instrument.

Preferred stock - financial instrument for (share) equity interest; usually fixed or more likely return, but less benefit from growth;

preference given over common shares in liquidation.

Securitization - the transformation of financial assets into securities, which can be bought and sold in a secondary market; the most common example is pooling or packaging of loans and issuing of a security which is a claim against those assets; since these securities are more readily traded than the underlying assets, this process increases the liquidity of the issuer or holder; securitization is issued for residential mortgage loans, car loans, credit card receivables, commercial loans, as well as other types.

Subordinated debt - a type of bond (or note or loan), which, in the event of liquidation of the issuer, is to be satisfied only after other liabilities (e.g. depositors) are paid off.

Swap - an agreement between two counterparties to exchange payments on financial assets, usually similar but with a difference which is expected to benefit each side of the transaction; examples are foreign currency swaps, interest rate swaps and commodity swaps.

Speculation - process of investing on basis of investor's knowledge (or guess) about the future (thinking, speculation, trade for the purpose of profit only)

Trading book, trading portfolio - a company's financial assets, usually those which are intended for sale and management, rather than being held to maturity.

Market with a prompt delivery - trading is being done with the prompt delivery or within the few days; this is the market where the trade is being made for cash and with the prompt delivery.

NEWS FROM THE MAIN UNITS AND BRANCHES

MAIN UNIT SARAJEVO

Governor's Adviser on issues of financial market **Petra Marković** and Director of the Main Unit Sarajevo **Sadik Kadrić** attended, on behalf of the CBBH, a seminar about prevention of money laundering which was organized on November 4. This seminar was organized by the EBRD for representatives of the commercial banks in "Holiday inn" Hotel in Sarajevo. Vice Governor of the CBBH **Kemal Kozarić** delivered introduction and welcome speech. Over the last few months, the CBBH is intensively engaged in other activities for prevention of money laundering. The Action Plan for the future prevention of money laundering, which was prepared by the Office of the High Representative (OHR) in BH and Working Group for prevention of money laundering, was accepted. **Petra Marković** and **Sadik Kadrić** are members of this group as well. Delegation of the elected Expert Committee of the Council of Europe visited BH in order to check measures for prevention of money laundering. During their visit to BH, this delegation visited the CBBH on November

26, where it had meeting with the Governor **Peter Nicholl** and his assistants.

MBRS BANJA LUKA

The Kristal Bank a.d. Banja Luka has changed its name to Hypo Alpe Adria Bank a.d. Banja Luka. In accordance with Agreement and Annex of Agreement which was signed between the CBBH and the National Bank of Serbia, the first purchase of KM banknotes based on exchange operations on territory of Republic of Serbia was made.

MAIN UNIT MOSTAR

A third meeting of the Working Group for establishment of the Single Registry of accounts of legal entities was held on November 5 in Main Unit Mostar. Proposal of the general solution for Single Registry of the legal entities was drafted during this meeting and this proposal will be presented at the meeting of the CBBH's Payment Council. On November 20 the CBBH's Vice Governors **Kemal Kozarić** and **Ljubiša Vladušić** and adviser **Mehmed Šehić**, as well as representative of the Supervision Board of Consulting Company "HVAC" **Ziba Memić** visit-

ed the Main Unit Mostar and discussed implementation of investments and completion of construction works on the business building of the Main Unit Mostar in Zagrebačka street No. 10.

BRCKO BRANCH

On November 11, the Executive Supervisor for Brčko District BH **Gerhard Sontheim** visited the Brčko Branch. Commission for purchase of the fixed assets (generator and guardhouse) held its meeting as well. Also increase of treasury operation's transactions is noticed comparing with previous month.

PALE BRANCH

Branch Pale prepared the Budget Proposal and Proposal of the Branch's Strategic goals for 2004. Manager of Branch Pale **Marko Radović** attended the lecture of respectful professor from the London School of Economy **Charles Goodhart** held on November 6 in the CBBH Main Office.

Several seminars held in Vienna

Governor of the Central Bank of BH (CBBH) **Peter Nicholl** and Manager of the Statistics Division **Amir Hadžomeragić** attended the conference in Vienna, entitled "*Economic potential of larger Europe: keys for success*". This conference was held from November 2 to November 4 in organization of the Austrian National Bank and Joint Vienna Institute (JVI). The CBBH Vice Governor **Ljubiša Vladušić** was in Athens from November 2 to November 3 because of 75th anniversary of the Bank of Greece. Coordinator of the Giro Clearing Section **Sead Bijedić** attended a seminar from November 10 to November 14 entitled: "*Payment systems in European systems of the central banks*". The seminar was organized



Amir Hadžomeragić

ized by the Deutsche Bundesbank in Frankfurt. Officer for the Personnel Education in Personnel Section **Adela Lincender** and Secretary-translator **Vildana Popovčević** attended a meeting of coordinators for education from November 5 to November 7, which was organized by the Bank for the International Settlements (BIS) in Vienna. The seminar entitled "*Microeconomic analysis and policy*" started on November 17 in Vienna. Coordinator of the Section for the Balance of Payment Statistics M.A. **Vidosav Pantić** is attending this seminar. This seminar is organized at the



Sead Bijedić

JVI by the International Monetary Fund (IMF) and it will end on December 19. Director of the CBBH Branch in Brčko **Mirzeta Arnautović** attended a seminar held on November 20 in Bijeljina. The seminar was entitled "*Economy between theory and practice*" and its organizer was the Konrad Adenauer Stiftung. Coordinator of the Banking Section in the Main Unit Mostar **Amra Barš**, Market Evaluation Economist I in Branch Pale **Sanja Radović**, Market Evaluation Economist in Brčko Branch **Mira Tabaković** and Economist for Gyro Clearing in the Main Bank of RS **Tanja Vukić** attended a seminar entitled "*Basis of the micro economy for the operatives*", which was held from November 10 to November 14 in Sarajevo.

EMPLOYMENT

There were no changes in employment domain

During November 2003, there were no new employments in the Central Bank of BH (CBBH). No one has left the CBBH and no employees shift-

ed to the other posts. The CBBH currently has 264 employees, out of which, 260 are employed permanently, while four employees are

employed for the definite period of time. Out of total number of permanently employed persons, one employee has a trainee status.

CBBH's ACHIEVEMENTS IN SPORTS

Winners!!!

The Indoor Soccer Team of the Central Bank of BH (CBBH) won the first place at the Fifth traditional indoor soccer tournament of sister



Rusmir Burek:
Tournament MVP

towns Sarajevo and Prato (Italy), which was held in Prato this year. In the finals, the CBBH won the team of the Sarajevo Canton 5:2 (2:2) after the penalty shootout. So, the CBBH Team returned with the cup which is awarded to tournament winners, while the CBBH's player **Rusmir Burek** was declared the best player of the tournament. Besides Burek, members of the team which won in Prato were **Milenko Nikolić**, **Muris Pašalić**, **Muhamed Kapo**, **Senad Hadžomerović**, **Dragan Šošić**, **Enver Pačuka**, **Sehid Ibišević**, **Senad Mešić**, **Aleksandar Kovač**, **Adnan Pehlivanović**, **Halil Idrizović** and

Sadik Kadrić. Six teams participated at this indoor soccer tournament. In addition to the CBBH and Sarajevo Canton teams, Italian teams Sant. Andrea, Real Casale, Pama and the team of tournament organizers SAR-PRA, participated at this tournament. We congratulate CBBH's Team for their success.



CBBH team which won the Prato tournament



CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Monthly Balance Sheet (temporary) as of 31st October, 2003
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 release some particular information as defined by the Law on the Central Bank of Bosnia and Herzegovina.

Some of specific features of the Balance Sheet as of 31st October are as follows :

On 31st October, the Bank met all requirements of the Currency Board rule as mentioned in the Article 31 of the Law. Status of Net Foreign Assets exceeds its Monetary Liabilities in Konvertibilna Marka (KM) by KM 148,071,725. This has been shown in the item Net Foreign Exchange Assets minus Monetary Liabilities.

Foreign Assets mainly consist of deposits held with the foreign banks.

The Balance Sheet also shows structure of the currencies holdings, differentiating them by EUR and other currencies.

The Bank,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 (KM 1,664,247,569) and resident banks, reserve deposits (KM 771,167,683).

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

As depositary for membership of Bosnia and Herzegovina in the IMF, the Bank presents IMF accounts No.1 and No.2 as foreign liabilities in its Balance Sheet and holds securities of the Government of Bosnia and Herzegovina related to the membership. Acting in the same time also as fiscal agent on behalf of the Government in its relationship with the IMF, the Bank records the funds and liabilities of the Government related to the membership in the trust accounts separated from Balance Sheet. By consolidation of all accounts related to the membership of Bosnia and Herzegovina in the IMF, liability as net member position in the amount of KM 230,515,801 is calculated.

The Bank also maintains certain accounts in foreign currencies in terms of agreements concluded between the Government of Bosnia and Herzegovina and foreign governments and financial organisations, as well as foreign currency accounts of the state institutions and agencies for which the Bank acts as an agent. 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 funds held in on these accounts was KM 235,215,341.

Any inquiry referred to the Monthly Balance Sheet can be addressed to the Accounting and Finance Section in Sarajevo, contact phone # (033) 27 81 19, fax # (033) 27 82 94. Media representatives can contact Public Relations Office, phone # (033) 27 81 23, fax # (033) 27 82 96.

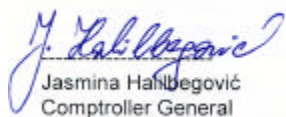
The Central Bank of Bosnia and Herzegovina is independent monetary institution of BH and has no organisation relations with any commercial bank.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Monthly Balance Sheet (temporary) as of 31st October, 2003
(amounts in KM equivalents)

ASSETS		Total Amount	EUR	Other Currencies
1	Foreign Exchange Assets	2.605.544.215	2.601.282.500	4.261.715
1.1	Cash	35.170.258	35.141.850	28.408
1.2	Short term deposits	2.567.753.896	2.566.140.650	1.613.246
1.3	SDR in the IMF	2.620.061	0	2.620.061
2	Other Assets	68.668.308		
TOTAL ASSETS (1 + 2)		2.674.212.523		

LIABILITIES		Total Amount
3	Monetary Liabilities	2.455.419.908
3.1	Currency in Circulation	1.664.247.569
3.2	Credit Balances of Resident Banks	771.167.683
3.3	Credit Balances of Other Residents	20.004.656
4	Liabilities to Non Residents	2.052.582
5	Other Liabilities	9.256.492
6	Capital And Reserves	207.483.541
TOTAL LIABILITIES (3+4+5+6)		2.674.212.523

Net Foreign Assets minus Monetary Liabilities (1 - 3 - 4)		148.071.725
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Jasmina Hahibegović
Comptroller General


P.W. Nicholl
Governor
Sarajevo (date) , 21.11.2003.