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THE RTGS AND GYRO CLEARING TRANSACTIONS IN 2011

According to the data of the Payment Systems Department of the Central Bank of Bosnia and Herzegovina (CBBH), there was recorded a total of 32,489,826 transactions carried out through the RTGS and Gyro Clearing systems during 2011. Out of total number of transactions, there

were 31,729,367 (97.66%) carried out through the Gyro Clearing system, and 760,459 (2.34%) through the RTGS.

The total value of transactions amounted to around KM 76.65 billion. Out of total number, about KM 63.61 billion (82.98%)

refer to transactions carried out through the RTGS, while about KM 13.05 billion (17.02%) refer to those carried out through the Giro Clearing system.

Compared to 2010 data, there was obvious increase, both in number and value of transactions. The total number of transaction increased by 2.3%, while the total value of transaction increased by 13.1%. In terms of transactions carried out through the RTGS, there was an increase of number by 6.5%, and increase in value by 15.1%. Also, the number of the transactions carried out through the Gyro Clearing system increased by 2.2%, and the value increased by 4.4%.



Igor Soldo, Public Relations Senior Specialist

DATA ABOUT COUNTERFEITED MONEY IN BH

According to Central Bank of Bosnia and Herzegovina (CBBH) data there was recorded a total of 7,454 counterfeited banknotes and coins of all currencies and denominations in 2011, which is by 59.34% more compared to 2010.

Out of total number of counterfeits, there were 7,048 pieces of KM banknotes and coins recorded. Out of that number, there were 1,146 pieces of KM banknotes, which is by 34% less compared to 2010, when there were 1,736 pieces of KM banknotes registered. In terms of counterfeited KM banknotes denomination structure, the most counterfeited were KM 20 denomination (591 pieces), KM 50 (274 pieces) and KM 10 (188 pieces).

In terms of counterfeited KM coins, there were 5,902 recorded in total, which is statistically an increase in total number compared to 2010. However, the increase in number of counterfeits was recorded due to the fact that there were 3,979 coins of KM 5 denomination confiscated in only one police action, which had not been put in circulation prior to that event.



Out of total number of counterfeited coins, in 2010, the majority were of KM 5 denomination (4,738 – out of which 3,979 were confiscated before being put in circulation), then KM 1 (1,071 pieces) and KM 2 (93 pieces).

In 2011, there were 319 pieces of counterfeited EURO banknotes, which is by 51.45% less compared to 2010 and the most counterfeited banknotes were EUR100 (135 pieces) and EUR20 (102 pieces). There were also two counterfeited EURO coins in EUR 2 denomination recorded.

Among other currencies, during the last year there were recorded 82 pieces of counterfeited USD banknotes (75 pieces



were of USD100 denomination), which is by 55.43% less compared to 2010. There were also three counterfeited HRK banknotes recorded (2 pieces were of HRK200 denomination and 1 piece was of HRK 500 denomination).

Zijada Kovač, Public Relations Section Coordinator

MEMORANDUM ON UNDERSTANDING BETWEEN CBBH AND GIZ-SPI SIGNED

On February 9, 2012, the representatives of the Central Bank of Bosnia and Herzegovina (CBBH) and Deutsche Gesellschaft für Internationale Zusammenarbeit – Programme for the Strengthening of Public Institutions (GIZ-SPI) signed the Memorandum of Understanding, in Sarajevo.

and study visits, and development and implementation of IT solutions.

The cooperation between CBBH and GIZ-SPI aims at strengthening of the of CBBH capacities in order to contribute to its preparations for the accession to the

As the Governor of the CBBH Kemal Kozarić, Ph.D., said on the occasion of signing the Memorandum, the CBBH has so far been involved in numerous programs of technical cooperation with the European Union and international institutions, which have significantly contributed to the strengthening of institutional capacities.

He pointed out that the special qualities of cooperation with the GIZ-SPI are very open, quick and flexible approach based on a thorough understanding of the needs and demands of the CBBH and its implementation. Although the CBBH constantly works on necessary improving of its resources, the consulting and financial assistance of the GIZ-SPI is extremely significant, stressed Governor Kozarić.

The action plan of the project includes the areas of risk management, cash management, statistics and IT. In the framework of the joint Consultative Board of BH and GIZ-SPI, the CBBH Vice Governor, Feriha Imamović, on behalf of the CBBH, is in charge of the relevant information exchange.

The Manager of the GIZ-SPI's Programme for the Strengthening of Public Institutions, Reinhard Luke stressed that cooperation with the CBBH is a satisfaction, but also a challenge, and that it is of mutual benefit for both institutions.

The funds for the realization of this program are provided by the German Government.

Zijada Kovač, Public Relations Section Coordinator



This memorandum defines modes of GIZ-SPI's technical assistance to the CBBH. GIZ-SPI's support to CBBH can, among other things, take the form of consulting services provided by international as well as local experts, on-job training, professional capacity development through seminars

European System of Central Banks (ESCB), to support the harmonization of CBBH's standards with those applicable within the European Union and to devise new methods and rules where necessary and to improve on the processes, policies and practices.

THE VIENNA INITIATIVE MEETING

The Governor of the Central Bank of Bosnia and Herzegovina (CBBH) Kemal Kozarić Ph.D. and Director of the Federal Banking Agency Mr. Zlatko Barš attended, the meeting of Vienna Initiative in Austria.

The meeting brought together representatives of supervisors, central banks and fiscal authorities from host and home countries of major cross border banks that are present in the markets of Central and Eastern Europe.

One of this meeting's conclusions was that parent banks should continue to give financial support to their daughter banks, but also that all institutions of government in countries should ensure conditions for banks to mobilize local sources of financing. It is recommended for supervisors from host countries

to improve the cooperation and exchange of the information on banks and on potential problems in their subsidiaries. International financial institutions should be ready to continue the financial support to banks in host countries within their mandates and capacities.



It is emphasized that the Vienna Initiative, launched in 2009, met its aims, and these are: the banks remaining well capitalized and active in funds lending. It was assessed that the Initiative assisted the financial sectors of European countries to preserve their stability during the global financial crisis.

The meeting in Vienna was a preparatory meeting for so called Vienna Initiative 2, with the commercial banks.

Zijada Kovač, Public Relations Section Coordinator

PRESENTATION OF THE ACTION PLAN FOR CONSUMER PROTECTION IN THE BANKING AND MICROFINANCE SECTORS

On January 27, the World Bank (WB) in Bosnia and Herzegovina and the Central Bank of Bosnia and Herzegovina (CBBH) has organized a workshop to discuss the Action Plan for consumer protection in the banking and microfinance sectors in Bosnia and Herzegovina. The workshop was attended by key stakeholders - a broad spectrum of the government's, financial institutions' and civil society representatives - who were closely consulted during the preparation process.

The WB has provided the grant funding to support authorities in Bosnia and Herzegovina in designing and implementing the most urgent reform actions which are expected to be in place by September 2012.

The Action Plan identifies specific measures that would strengthen consumer protection and improve financial literacy as preconditions for further development of the financial sector.

In addition to describing the proposed action, the Plan specifies which organizations have the responsibility for its implementation and suggests target deadlines. Although the primary focus is on the high priority measures, achievable by end of September 2012, it also includes medium to longer term reforms.

what government organizations, civil society and the financial sector should do to implement these changes.

«The adoption and implementation of the proposals in this Action Plan would show citizens in BH that both the authorities and financial institutions recognize consumer concerns and that they take strong actions to address them. All levels of government, banks and MFIs should work together on a prompt implementation of the Action Plan», said A. Abreu.

According to CBBH Governor, Kemal Kozarić, Ph.D., the aim of this workshop is to promote peaceful solution of problems between the client and the financial agent.

«I believe that this can be done by strengthening the role of the Ombudsman for the Banking Issues, and the continuous education of clients and financial agents. The final result of this long-term process should be protected client and higher level of service quality by the financial services providers », said Governor Kozarić.

In his presentation, Governor Kozarić pointed out the difference between the consumer and the client. The term consumer means short-term, primarily



communication and more benefits for a client through that relationship (personalized service, preferential treatment when ordering, with payments, etc....).

This is why clients' protection is singled out through the Institution of Ombudsman for protection, since it requires specialized knowledge on financial services by the financial services provider, by a client, as well as by the Ombudsman, said the Governor.

The role of the CBBH in this process is to coordinate the Banking Agencies and equalize the position of the Ombudsman in both entities, to affirm the role of the Ombudsman, to encourage the role of mediation as a model of solving the issues between a client and the financial institution, to assure the operations of the Central Credits Registry in real time, and to increase the awareness on social responsibility of financial services providers and agents.

The presentation of Radovan Jelašić, the former Governor of the National Bank of Serbia (NBS), who spoke about the consumer protection in Serbia, was also interesting. This issue was untouched in Serbia for a long time, and finally the NBS took it over on its own initiative even before the crisis. After all, the biggest challenge in the field of a consumer protection remains a practice, consider Jelašić, noting that when informing and educating clients there remains a question how to convince the users of financial services to admit what they know, and what they do not know, how to bridge the information gap during the conversation between a banker and a client and how to use "the consumer protection" in order to strengthen, not to weaken the confidence in the financial sector.



« Treating customers fairly is equally important as the soundness and stability of the financial system for the public's perception of the financial sector and for the confidence in it», stated Anabel Abreu, World Bank Country Manager in Bosnia and Herzegovina. She emphasized the need to ensure that citizens understand

economic relationship. The person who enters the store, buys something and leaves, shall be considered as a consumer. Term client is also referring to a person shopping goods and services. Unlike consumer's, the client's relationship with the provider of services and goods is a long-term and includes two-way

Zijada Kovač, Public Relations Section Coordinator

GOVERNOR KOZARIĆ AT THE EBRD CONSTITUENCY MEETING

Governor of the Central Bank of Bosnia and Herzegovina (CBBH) Kemal Kozarić, Ph.D., attended the session of the European Bank for Reconstruction and Development Constituency (EBRD), held on February 17, 2012, in Valletta (Malta), and gave a presentation on the economic developments in Bosnia and Herzegovina. The session of the Constituency was held as a preparation for the Annual Assembly of the EBRD, planned for May, this year in London.



At the beginning of his presentation, Governor Kozarić thanked to the EBRD, which in Bosnia and Herzegovina has the status of the strongest institutional investor with over 90 completed projects with EUR 1.3 billion of cumulative business volume. „The role of the EBRD in Bosnia and Herzegovina is clearly identified and the citizens of our country appreciate the fact that the EBRD has not reduced business volume, even during the worst crisis“, said Governor Kozarić, who received assurances from the EBRD officials that the bank will continue with projects in Bosnia and Herzegovina. Although there is no fixed plan for investment in Bosnia and Herzegovina in 2012, it is expected that the amount will be between EUR 150 and 200 million.

To be specific, 43% of the EBRD investment portfolio so far allocated to our country was related to the infrastructure projects, 31% to the financial sector, 15% to the industry, trade and agriculture, and remaining 11% went to the investments in energy production. The scope of the Bank in the future will remain same on the public as on the private sector. In the public sector this means continuous support for projects such as transport (road construction, railway and aviation), infrastructure (water and wastewater management, public city transport), and the

development of capacities for production and transfer of "green" energy. In the private sector, part of the investments will go in the financial sector through the credit lines for support to small enterprises, through assistance in the development of domestic private banks. A part of support related to the corporate sector will consist of support to the privatization of large companies, consulting services for small enterprises and the investment lines in the project of energy efficiency.

Commenting on the situation in Bosnia and Herzegovina economy, Governor Kozarić stressed that it was expected that 2011 would be concluded with a GDP growth of 1.8%, the average inflation rate of 3.1%, the coverage of imports by 53.6%, and the average industrial production growth rate of 7.1%. „These encouraging indicators are the result of increased demand and economic growth with some of our major foreign trade partners, primarily Germany“, said Kozarić, and added that it would be difficult to maintain this pace of recovery in 2012, mainly due to deepening of the debt crisis in the Euro Zone. „Our projections shows the growth of 1.5% during 2012, we expect that the inflation will remain at approximately the same level of 3%, and we expect the industrial production growth of 5%“, said Governor Kozarić. Nevertheless, according to him, the greatest challenge for Bosnia and Herzegovina authorities remains the problem of unemployment, the highest in the region with the rate of 27,6%.

However, it is encouraging that the newly formed state government has already taken some measures to start the economy cycle, but it still has to face the major challenges. „First of all, we need to develop the concrete plan of support for domestic manufacturers, primarily for those export-orientated, and the demand for domestic products need to be stimulated. On the other hand, the strategies for development of the sectors which have large development potential must be created, firstly for the energy sector, the sector of food production and tourism. However, none of this would be possible if serious attention is not paid to remove the barriers for investors - the category in which we are not competitive yet“, said Governor Kozarić.

In his presentation, Governor Kozarić also commented the situation in the financial sector in Bosnia and Herzegovina, and stressed that, despite the impact of the crisis, the predominant banking sector (84% of share in total assets of the financial sector) remained well capitalized, with high level of liquidity, while the crisis mostly reflected growth in non-performing loans

(NPL), which reached the level of 12.6% at the end of last year. Governor Kozarić added that the recently conducted stress tests showed a remarkable level of resilience to shocks in the system, but that the future activities should be more focused on the development of corporate governance and risk management. Special attention will have to be paid to the cross-border supervision, given the concentration of large banking groups in the region, the fact that strategic decisions are made outside the scope of the monetary authorities of host countries, and having in mind the impact that large banking groups have on the economic growth of the transition countries. „Therefore, the arrangements



like the Vienna Initiative are very important, because through these arrangements the banks will continue the credit expansion and exposure, which is a positive sign to investors and the business world as a whole“, said Governor Kozarić.

Besides the presentation of Bosnia and Herzegovina, the topic of this year's session of the constituency was the business expansion of the EBRD into the region of Southern and Eastern Mediterranean, concretely into Egypt, Tunisia, Morocco and Jordan, and changes in the Bank's statute, which were necessary for the business expansion. The Director of the constituency, Kurt Bauer, informed the members of the constituency on changes in the financial operations in order to strengthen the bank's investment portfolio, and topics for the upcoming Annual Assembly of the EBRD. The next session of the constituency will be held in 2013, and it will be hosted by Cyprus. Otherwise, except Bosnia and Herzegovina, the member-countries of the constituency are Austria, Cyprus, Israel, Kazakhstan and Malta.

M.Sc. Almir Salihović, Special Assistant to the Governor

THE ANALYSIS OF MEDIA COVERAGE OF THE CBBH ACTIVITIES

The analysis results in printed media reports showed that the CBBH is a source of reliable and up-to-date information. The analysis of reports whose contents are devoted to the activities of the CBBH in period January - December 2012, shows that there were 618 reports recorded in

23 printed media, out of which 11 daily newspapers and 12 periodical printed editions.

The most reports, 88 of them, were recorded in August. Given the grading and evaluation of the media reports'

contents, the contents were valuated as positive with 449 (73%) reports, neutral with 98, and negative with only 71. Given the position of authors, even 522 (84%) are oriented neutrally, 62 positively, and only 34 negatively. The largest number of analyzed reports, 211 of them, was related to the CBBH activities on which the media were informed via the CBBH press releases or through the replies forwarded to journalists. Also, in even 139 reports the contents were the activities of the Governor Kemal Kozarić, Ph.D. and 134 of them contained information provided by the CBBH.



Igor Soldo, Public Relations Senior Specialist