

Chapter I

ESTABLISHMENT, OBJECTIVE AND TASKS OF THE CENTRAL BANK

Article 01. Establishment of the Central Bank

1. There is hereby established a Central Bank of Bosnia and Herzegovina, to be known as the Central Bank of Bosnia and Herzegovina (hereinafter referred to as the "Central Bank"). It will be headed by a Governing Board and it may not extend credit by creating money, operating in this respect as a currency board.
2. The Central Bank shall be a juridical person with full capacity under the law of Bosnia and Herzegovina, the law of the Federation of Bosnia and Herzegovina, and the law of the Republika Srpska. In particular, the Central Bank shall have the capacity to contract, to acquire and to dispose of movable and immovable property, and to be a party to legal proceedings.
3. The Central Bank shall have its head office in Sarajevo. However, it will decentralize its activities in other locations of the common institutions of Bosnia and Herzegovina. The Central Bank shall establish and maintain a head office and main units in the Federation of Bosnia and Herzegovina and the Republika Srpska; these main units shall have no legal status or authority independent from the Central Bank. One or two main units shall be established in the Federation, and one in the Republika Srpska. They will perform their duties as decided by the Governing Board and the Governor, and under this law they may operate through accounts opened with the appropriate authorities in the payment system. The Governing Board of the Central Bank may establish representative and liaison offices abroad and appoint agents and correspondents. It may also establish representative offices under the authority of the main units at such locations in Bosnia and Herzegovina as it shall determine.
4. The Central Bank shall have a seal consisting of the image of the coat of arms of Bosnia and Herzegovina with the words "The Central Bank of Bosnia and Herzegovina". Each main unit shall have a seal bearing the words "Central Bank of Bosnia and Herzegovina", and the name and location of that main unit. The seals of the Central Bank and of its main units shall include coats of arms in accordance with the Law on Coats of Arms of Bosnia and Herzegovina.

Article 02. Objective and basic tasks of the Central Bank

1. The objective of the Central Bank shall be to achieve and maintain the stability of the domestic currency (Convertible Marka) by issuing it according to the rule known as a currency board.
2. The responsibilities, tasks and duties of the Central Bank shall be discharged through its head office, main units, and its other branches.
3. The basic tasks of the Central Bank performed under the authority of its Governing Board shall be:
 - a. to formulate, adopt and control the monetary policy of Bosnia and Herzegovina by issuing the domestic currency (Convertible Marka) at a one to one exchange rate with the Deutsche mark with full backing in freely convertible foreign exchange, and through its other functions as defined in this Law;
 - b. to hold and manage the official foreign exchange reserves of the Central Bank in a safe and profitable way;
 - c. to promote or to establish and maintain appropriate payment and settlement systems;
 - d. to issue regulations for the implementation of the activities defined in paragraph a of Article 2, section 3, of this Law;

- e. to coordinate the activities of the agencies responsible for bank licensing and supervision in the Entities in ways to be determined by the Governing Board of the Central Bank, including monthly meetings of the heads of such agencies with representatives of the Central Bank, and the submission of monthly reports by these agencies to the Central Bank on their activities and on developments at the financial institutions under their jurisdiction.
- f. to execute the monetary policy in accordance with paragraph a of Article 2, section 3, of this Law;
- g. to receive deposits from Bosnia and Herzegovina, and from commercial banks to meet the reserve requirements. The Central Bank may also hold deposits of the Entities and other public institutions, and other reserves of commercial banks, if these so desire;
- h. to put into and to withdraw from circulation the domestic currency (Convertible Marka), including legal tender banknotes and coins, adhering strictly to the currency board rule defined in paragraph a of Article 2, section 3, of this Law.

4. In particular,

- a. the Governing Board of the Central Bank shall have exclusive responsibility for the tasks in (a), (b), (c), (d) and (e) of paragraph 3 of this Article, while the remaining tasks will be carried out by the head office, main units, and other branches of the Central Bank;
- b. other basic tasks of the head office of the Central Bank and of the main units shall be:
 - I. to undertake foreign exchange operations at the request of the banks located in the region covered by the main unit; and
 - II. to collect data related to economic and financial activities in the region in which they are located.

Article 03. Independence of the Central Bank

Within the limits of its authority established by this Law, the Central Bank shall be entirely independent from the Federation of Bosnia and Herzegovina, the Republika Srpska, any public agency and any other authority in the pursuit of its objective and the performance of its tasks. Except as otherwise specified by law, the Central Bank shall take no instructions from any other person. The independence of the Central Bank shall be respected and no person shall seek improperly to influence any member of a decision making body of the Central Bank in the discharge of his duties towards the Central Bank, or interfere in the activities of the Central Bank.

Article 04. International cooperation

1. The Central Bank shall represent Bosnia and Herzegovina in all inter-governmental meetings, councils and organizations concerning monetary policy and the other matters that are within its competence.
2. The Central Bank may provide banking services for the benefit of foreign governments, foreign central banks and monetary authorities, and for the benefit of international organizations in which it or Bosnia and Herzegovina participates.
3. The Central Bank may participate in international organizations that pursue financial and economic stability through international monetary cooperation.
4. As agent of Bosnia and Herzegovina, the Central Bank may undertake responsibilities and perform transactions concerning the participation by Bosnia and Herzegovina in international organizations.