



*info*



## Dear colleagues,

*On August 11, 2009, the Central Bank of Bosnia and Herzegovina celebrated another anniversary of its operations, the twelfth in turn. On this Anniversary, the mandate of the earlier CBBH Governing Board members expired and the new Governing Board took over the duties and appointed the new Governor on its first session, since the mandate of the Governor expired on the same day as well.*

*These were not the only assignments, namely, the new Vice Governor and the Main Internal Auditor were appointed on that day, too. In the interview for our Newsletter, the new Vice Governor emphasizes the young staff capacities in the CBBH, who have a high level of specialization with potentials for their further improvement.*

*In months behind us, more other events also have happened and it is necessary to mention specially that the CBBH obtained the certificate ISO 27001:2005 for implementation of Information Security Management (ISMS). So, the CBBH is the first institution in BH and the only Central Bank in the region with this Certificate, which represents the strong acknowledgment and confirmation that the CBBH implements in its work the highest international standards in information management.*

*In this issue, we publish the article on the Vienna initiative signed by commercial banks, whose daughter banks operate in BH. This initiative has stabilized banking sector of Central and Eastern Europe.*

*The CBBH is implementing the project on strengthening the capacities of human resources management. The aim of the project is to improve and modernize human resources management in the CBBH according to the standards and practice being applied by the Central Banks members of the European System of Central Banks.*

*During his meeting with bankers, the Governor emphasized his concern about the significant decrease of credit activities, and at the invitation of the BH Ministry of Foreign Affairs he hold lectures on the monetary policy and activities of the CBBH to BH ambassadors.*

*Public Relations Section*

**Publisher:** Central Bank of Bosnia and Herzegovina; Address:  
Maršala Tita 25, 71 000 Sarajevo

**Prepared by:** Public Relations Section

**Translation in English:** Public Relations Section and Translation  
and Proof Reading Section

**Proofreader (languages of BH nations and English version):**  
Translation and Proof Reading Section

**Web page:** <http://www.cbbh.ba>; E-mail: [pr@cbbh.ba](mailto:pr@cbbh.ba); Contact  
phone: (033) 278 128; (033) 278 146; (033) 278 123

**DTP and Printing:** Printing Company CPU Sarajevo

The CBBH Newsletter is issued on a quarterly basis



The Central Bank of Bosnia and Herzegovina is certified as per ISO 27001:2005 standard, which confirms the accurate implementation of the ISMS for the scope defined in the Official Certificate Registration, No. 44 121 091933, which is issued to the Central Bank of Bosnia and Herzegovina by the certification body of TÜV NORD CERT GmbH.

## In this issue

### ◆ THE NEW CBBH SENIOR MANAGEMENT ELECTED

*Newly elected Governing Board of the Central Bank of Bosnia and Herzegovina (CBBH) reappointed Kemal Kozarić, Ph.D. as the Governor of the CBBH for the second mandate period.....*

Page 4



### ◆ VICE GOVERNOR BOŽIĆ: THE CBBH HAS YOUNG PERSONNEL OF GOOD QUALITY

*The Governing Board of the Central Bank of Bosnia and Herzegovina (CBBH) on its session held on August 11, 2009, in Sarajevo, appointed Radomir Božić, Ph.D. as the Vice Governor of the CBBH....*

Page 6



### ◆ VIENNA INITIATIVE LED TO STABILIZATION OF BANKING SYSTEM

*Already at the beginning of the actual financial and economic crisis, it became clear that the countries of Central and Eastern Europe (CEE) are particularly exposed to negative "spillover" effects from West Europe ,...*

Page 10



### ◆ REALIZATION OF THE CAPACITY BUILDING OF THE CBBH HUMAN RESOURCES MANAGEMENT STARTED

*Rapid and uncertain changes of modern organizations in global environment are an important impulse and motive for focusing on people as human resources....*

Page 12



### ◆ CERTIFICATE ISO 27001:2005 GRANTED TO THE CBBH

*A representative of the certification company, TÜV NORD CERT GmbH (TÜV NORD), with the seat in Essen (Germany), has officially on July 16, 2009 handed over to the Governor of the Central Bank of Bosnia and Herzegovina (CBBH)....*

Page 14





## KEMAL KOZARIĆ Ph.D. AGAIN THE GOVERNOR, RADOMIR BOŽIĆ Ph.D. NEW VICE GOVERNOR

Newly elected Governing Board of the Central Bank of Bosnia and Herzegovina (CBBH) reappointed Kemal Kozarić, Ph.D. as the Governor of the CBBH for the second mandate period. Kozarić was unanimously appointed at the session of the Governing Board of the CBBH on August 11, 2009, at which, newly elected members of the Governing Board of CBBH; Kemal Kozarić, Ph.D., Fikret Čaušević, Ph.D., Vasilj Žarković, Ph.D., Milenko Krajišnik, Ph.D., and Željko Šain, Ph.D., officially assumed their duty. Kozarić, Ph.D., has a thirty-year long work experience in banking and finances. He joined the CBBH in 2000 from the position of the Minister of Finance of Sarajevo Canton. From 2000 to 2005 he performed duties of the Vice Governor in the CBBH, and in 2005 he succeeded Peter Nicholl at the position of the Governor. The Governing Board of the CBBH has also approved appointment of Radomir Božić, Ph.D., for the Vice Governor of CBBH, who will perform this duty together with the other two Vice Governors and be the part of the CBBH senior management. The Governing Board of the CBBH has also approved appointment of Dragan Kulina MSc. to the position of the Main Internal Auditor of CBBH.

## DRAGAN KULINA, MSc.

He was born on 7 December 1963 in Sarajevo, where he completed his elementary and high school, as well as the Faculty of Economics. He defended his Master's Thesis at the Faculty of Economics at the University of the City of East Sarajevo, whereby he acquired his Master's Degree in Economics. In total, he has 22 years of work experience, which he acquired by performing duties of manager, expert associate, associate, director of finance and accounting. Eight years, from 2000 until 2008, he was Deputy to the General Auditor in the Audit Office of BH institutions. He is a certified auditor, and he acquired professional knowledge from the field of public sector, management, strategic planning and management audit process in the country and abroad. He is an author and co-author of a number of books, professional and scientific studies in the field of accounting, audit, public finance and financial management. At the time when he performed a duty of deputy main auditor, more than 200 audit reports were published.



## RADOMIR BOŽIĆ PH.D.: THE CBBH HAS YOUNG PERSONELL OF GOOD QUALITY

*The Governing Board of the Central Bank of Bosnia and Herzegovina (CBBH) on its session held on August 11, 2009, in Sarajevo, appointed Radomir Božić, Ph.D. as the Vice Governor of the CBBH. Ph.D. Božić replaced on this position Mr. Ljubiša Vladušić, Ph.D., whose mandate expired on August 11, 2009.*

### *Researching/university career*

Newly appointed Vice Governor is the university professor, but as he says, his working career was the researching university one. «Why do I emphasize this? Because I believe, and this is shown by life experience, and by the practice of other countries, that those who want to make the university career, and I try to behave in that way,

willing or not, must have the other component, too, which is the researching one and which is actually the contact with the real life. I began my career at a Sarajevo Institute, dealing with micro-economy; this was the significant experience, and one part of the career I was in the economy sector, the remaining part of my career I spent at the University. I tried my best, mostly under the

**Radomir Božić. Ph.D. was born on 1960 in Olovo, where he completed the elementary school and the Gymnasium. He graduated at the Sarajevo Faculty of Economics on 1983. On 1989 he defended his master thesis «High Technologies, Structural Changes and the Development of Economic Subjects», while the Ph.D. degree on «Financing of Companies and Financial Market» was achieved at the Faculty of Economics in Priština, on 1996. He holds the titles of Certified Auditor and the Investment Manager. From 1984 to 1992 he worked as the assistant and the research fellow at the Institute for the Organization and Economics in Sarajevo and as the lecturer at the Military Academy in Sarajevo, financial course. From 1992 to 1994 he worked at the position of Financial Director of Public Company «Vezionica» in Zvornik. From 1994 to 1996 he was the assistant at the course of «Finances» at the Faculty of Economics of Priština University. From 1996 to 1999, as the senior lecturer, at the same faculty, he was teaching «Banking», and at the Economic Faculty of Istočno Sarajevo University, he was teaching the subject of «Balance Analyses». Since 1999 to 2002, he was the senior lecturer at the Economic**

**Faculty of Istočno Sarajevo University in the academic scope of financial management, institutions and market. Since 2002 he was associate professor of the Economics Faculty of Istočno Sarajevo University at the course named «Analyses and the Audit of Business Operations», at the full time studies he has been teaching «Financial Institutions and Markets» subject and he is also the lecturer at the post graduate studies. Since 2005 he has been teaching «The Corporative Financial Reporting» at the Faculty of Economics at Banja Luka University, and since March 2008, he is full time professor at the Economic Faculty of Istočno Sarajevo University, his specialized academic areas are accounting and audit. He is member of BH Commission for Auditing and Accounting, he used to be the member of the RS Commission for Securities in the first convocation, and from June 2006 to June 2009 he was the member of Audit Board of «BH Elektroprenos» ad Banja Luka. He took part in preparation of numerous scientific – researching projects, studies, monographs and books, in work of symposiums and consultings and he has been mentoring many master and doctor's degree papers.**

influence of some colleagues of mine and my professors directing me, not to stay one of those who are closed only in the professor's office. I believe that this is very important, specially in some segments of the economic science, but let us not make the difference, I think that, in fact, this is very important for all segments of the economic science», Vice Governor Božić says in his interview. He emphasizes that the economy, as the serious science, must not be closed in professors offices, neither it can or should remain solely at the academic level, but it needs to answer to the real life questions. «The real life happens in the economy, there is a lot of traps, a lot of new challenges to which we need to find the answers. After all, the actual trends, marked as global, world financial

crisis prove this in the best possible way», point out Vice Governor Božić. The area of his specialized scientific interest is related to the financial sector and the financial markets in which the CBBH is one of the participants. He taught the banking, too, so this field is also familiar to him professionally wise.

#### ***Young people with the high degree of specialization***

Vice Governor Božić followed the functioning of the CBBH and he considers that in question is reputable institution, maybe the best in BH, when taking different criteria in consideration, mostly in terms of quality of its staff capacities.

«I hope other people will not resent me, but I would specially mention here the young people. Here I have found out a number of my former students. Also, these days I met some young people with whom I did not have the previous academic contacts. Without over-colouring, I can say that in question are high quality staff members, with the high level of expertise in certain field, being important for the Central Bank, and also with the strong potential to develop further», Vice Governor Božić underlines. Based on the time spent in the Bank and the available information, he considers that in question is a stable institution, over passing the starting problems, having the stable structure, quality staff and, given the passed period, it has well performed the tasks and duties defined by the Law. The Currency Board arrangement, in a certain way, has facilitated the performance of the Central Bank's functions.

However, the Vice Governor considers that there is always a room for the improvement of the everyday functioning, in the operative terms, and specially related to the CBBH key issues, such as the foreign currency reserves management, but also for the preparation of staff members to react in time and in a proper manner on new challenges, that may be repeated during the Currency Board arrangement, but also in some other circumstances, and in the perspective, for the adjustment to the Europe Union, Euro introduction, etc. «The ambience will define some elements on which the CBBH will need to take care and to adjust itself, but the optimism that I have shown is realistic. I consider that this institution has the potentials, that we can improve them and up grade them additionally and that we can successfully respond to new challenges and tasks, that shall be imposed on us», says Vice Governor Božić.

### ***Problems of BH economy***

As for the global crisis and its influence on BH, as well as, the prognosis on potential beginning of the getting out of the crisis, the Vice Governor mentions that it is not wise to give the prognosis, but that according to the information, the first recovery signs of the leading world economies are evident. «While commenting such like trends, serious people say that it is not time for too big optimism, these are the first signs, the first hints,



but, of course this is much better than the continuation of the unfavourable trends and than the information which we used to have at the beginning of the year», he emphasizes, adding that there is a question arising now at what speed the transitory economies will join the general trends. Here he mentions the example of Poland economy, which is strong European country and although the EU member, it is still one of the transitory countries, but shows the signs of recovery. Some other countries still have problems. «BH economy has own problems and this is well known, among the



economists there is more or less the consensus on the current problems, which did not come with the crisis. In a certain way, the crisis disclosed these problems, and, I rather say, put them in focus. Here, I firstly have in mind unfinished process of the recovery after the tragic war events, but I also think on various structural problems. My colleagues economists who professionally and specially deal with these areas have the strong arguments on the existence of serious structural problems and this is what should have the attention of the academic community, institutions, creative public, in

*On the occasion of the expiration of his mandate at the position of the Central Bank of Bosnia and Herzegovina's (CBBH) Vice Governor, Ljubiša Vladušić, Ph.D. thanked to all employees in the CBBH and the media, too. After 12 years of work, he expressed his appreciation and his content for the exceptional cooperation with the former working colleagues. Also, he thanked to the media, who followed up the CBBH functioning, for their professionalism and objective reporting. Such like approach and work greatly contributed to the transparent and objective informing of the public on CBBH engagement and activities, considers Ph.D. Vladušić. He spent three terms at the position of CBBH Vice Governor, from 1997 to 2009. He has achieved the title of Ph. D. in Economics and after completing of this engagement he continues to work in the financial branch. He is Authorized Representative of Bosnia and Herzegovina at the Committee for Distribution of Financial Assets and Liabilities Referred to in Annex C of the Agreement on Succession Issues of the Former SFRY.*

order to tell ourselves, but to others too, that this is our key problem«, says Vice Governor Božić. He adds that the consequences of the crisis were felt and that they are present with different intensity in BH entities. »Republika Srpska records somehow better economic results; they are, firstly, more than obvious, through the industrial production growth. In BH Federation the general economic situation is relatively more serious. However, in question is one economic space and we should look upon BH in that way. If there is no successful economy in the entire BH space, we will hardly make efficient results«, stated Vice Governor Božić.

Zijada Kovač,  
Coordinator of the Public Relations Section

## THE VIENNA INITIATIVE LED TO STABILIZATION OF BANKING SYSTEM IN THE COUNTRIES OF SOUTH AND EAST EUROPE

Already at the beginning of the actual financial and economic crisis, it became clear that the countries of Central and Eastern Europe (CEE) are particularly exposed to negative “spillover” effects from West Europe. One of the major problems and weaknesses in the CEE is related to large presence and dependence on large banking groups coming from West Europe. In the past years, high level of liquidity was channeled into the countries of the CEE through the subsidiaries of these banking groups, and on such basis, these countries were able to experience a rapid growth of financial intermediation, lending boom and the related general economic dynamics. With the crisis occurrence, there was a realistic danger that could lead to a drastic decrease, and even to reversible capital flows, which would represent an additional shock to the CEE economies, that were faced with other global crisis effects. Thus, at the international level, discussion commenced on how to prevent such development of events, and thoughts were focused on how to assist the countries in which foreign owned banks play such an important role and which were already in serious problems in regard to their balance of payments position.

### *Realization of Vienna Initiative*

The International Monetary Fund (IMF) and European Commission (EC) were willing to provide an official assistance to the countries with major balance of payments problems, but it was certain that such assistance would not have a positive effect without engagement of private banking institutions, which had to assume their part of responsibility in newly occurred situation, and also to defend their long-term interests in those countries. Banks, as competitors in these markets, had a problem to formulate their “collective position”, there was a possibility to act individually in order to protect their own interests, and thereby create psychosis that would have a negative effect on the overall system. All the aforementioned led to an idea of establishing an Initiative for Coordination of European Banks, often quoted as “Vienna Initiative”, which represents partnership among the international financial institutions (IMF, EU, EBRD, IFC, EIB), Western European banking groups and authorities of host countries, with sharing of responsibilities for undergoing the crisis period. International financial institutions have agreed with the governments of some CEE countries on the programs for macroeconomic stabilization, which were supported with major packages of financial assistance indicated in the following table.

	Hungary	Latvia	Romania	BH	Serbia
In billion of euros	20	7.5	20	1.4	3.5
% of GDP in 2009	38.5	21.9	15.8	11.6	11.3
Realized, billions of euros	14.1	3.0	8.4	0.2	0.8

On the other side, banks had a significant interest to create their collective interest and to ensure continuous presence in these markets. Several rounds of negotiations were organized for these five countries, which resulted in voluntary agreement by banks and signing of Letter of Intent for maintaining the level of exposure in terms of financing and capital in their subsidiaries in those countries. In this manner, systematically important banks were included in signing of joint declaration, those banks are: six banks in Hungary, four banks in Latvia, nine banks in Romania, six banks in BH and ten banks in Serbia, which constitutes all together 13 European banks. Banks have explicitly committed themselves to maintain the level of financing and capital at the level, which corresponds to the situation on a particular date (end of 2008 or first quarter of 2009), and thereby assist their subsidiaries to continue with their business operations. Banks have asked the question as to whether it is necessary to maintain such a high level of exposure in CEE countries due to a drastic decrease of demand for lending as a result of slowed economic

activities, as well as due to the availability of funds within the group that can rapidly be channeled into each of the subsidiaries, if the need arises. However, in general terms, banks have more or less maintained the agreed level of exposure (with a certain reserve due to inaccuracy in statistical data).

Net claims to the main partner countries (consolidated BIS data) indicate that exposure decreased from 4% to 10%, except the case of BH in which it increased.

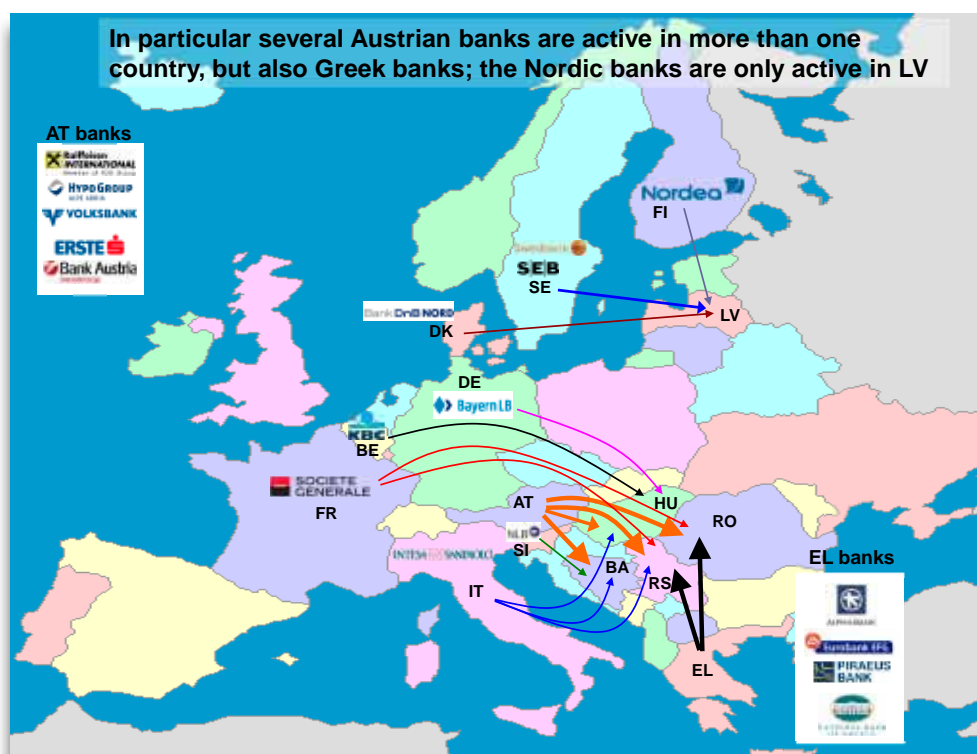
Billions of euros	Hungary	Latvia	Romania	BH	Serbia
First quarter of 2009	81.7	19.0	68.2	7.0	13.5
Fourth quarter of 2008	90.9	20.6	71.3	6.8	14.1
% maintenance	89.9	92.1	95.7	103.1	95.4

As a support to such commitment of banks, three other international financial institutions (European Bank for Reconstruction and Development, European Investment Bank and IFC of World Bank) have prepared a specific financial assistance to the banks in order to increase the level of capital and provide sufficient financing in the course of crisis. This joint package of assistance for the CEE (and not only these five countries) amounted to around 25 billion dollars and so far around 15 billion was distributed, which should help in mitigating the effects on the banking systems in these countries.

### Results and forthcoming challenges

The financial assistance packages of IMF and EU have certainly contributed to the stabilization of macroeconomic position of these countries. Above all, the pressure on the currencies of the countries with floating exchange rate was eased, which suffered major depreciation against euro and thereby created additional problems for the banking system. Also, fiscal position of these countries has been repaired to the great extent, which was one of the key challenges. The issue related to the lack of liquidity in the banking institutions has mainly been resolved and there is no longer immediate danger as it was the case in early 2009. In these countries, banks have mainly maintained the planned level of capitalization and financing, and thereby fulfilled their promise.

As it could be expected, banks were not in a position to increase their exposure as it was the case in the previous years, but given the general circumstances this was not expected to happen. At the recent meeting in Brussels, it was stated that the Initiative contributed to improving the situation and prevented failure of banking system in the CEE countries, and that we are now entering the next phase. It is entirely certain that it will be necessary to continue with the partnership amongst the official institutions (national and international) and private sector, as crisis of such extent requires a full coordination of all the engaged factors. Following the first shock, banks will more frequently be facing the problems arising from real sector and credit losses in the full amount will be realized only in 2010.



## CAPACITY BUILDING OF THE CBBH HUMAN RESOURCES MANAGEMENT



Rapid and uncertain changes of modern organizations in global environment are an important impulse and motive for focusing on people as human resources.

Many experts, coming from the field of human resources management emphasize that economic crisis and recession represent the most significant factors of changed policy and relationship towards the human capital and directing the focus on those resources that are in excess in practice, and such resources are people. Thus, through development and maximum use of those resources, there are efforts to compensate unavailability and lack of other forms of capital.

Effects of such conditioned approach have determined the changes in business philosophy and modern management strategy in which, development and release of overall human potentials, individual possibilities and creative capabilities of each individual, arise as main strategic aim and most efficient mechanism of economic development.

The CBBH management has recognized that the human factor represents the foundation for success of the institution and therefore directed the strategic development in such manner, expressing support to the idea and efforts to establish more efficient human resources management system in the CBBH.

### *Commencement of project implementation*

In this context, implementation of the project entitled “Capacity Building of the CBBH Human Resources Management” commenced on 1 September 2009. The project shall be implemented in cooperation with the Deutsche BundesBank and Check National Bank, and will be funded from the pre-accession assistance for BH and European Commission (EC) with the value of EUR 250,000.

Human Resources Department worked two years on creating the preconditions for defining the project, elaborating and meeting requirements of the complex EC administration. This was the first project in the region in which technical cooperation with a central bank is focused on the human resources.

In that respect, at the press conference, which was held on the occasion of the project commencement, EC representative stated that the CBBH is a leader in the reforms in the region and that he expects that central banks in the region will follow this example soon.

The aim of the project is to improve and modernize human resources management in the CBBH in compliance with the standards and practice that is applied in well-developed central banks, members of the European System of Central Banks. With the selection of partner banks in this project, extremely good combination was achieved in regard to the experience and tradition of Deutsche BundesBank and experience of the recent euro system member, Check National Bank, which it had acquired in the transition process and fulfillment of requirements for the European integrations. This Bank has developed one of the most modern human resources management systems in central banks.

### *Ongoing experts missions*

The manner of work within this project has been defined in such manner that there will be ongoing missions of experts for each individual field, on

the spot, within the work itself, in which business processes, procedures, practical solutions and problems will be analyzed and on the basis of practice in the EU central banks and practice in the CBBH, the most optimal solutions, specially designed for the CBBH specific structure will be found. At the same time, number of employees, legal regulation, environment, organizational culture, working habits and other micro and macro specificities of working environment in BH will be taken into account.

Thus, for example, the work is being performed on defining efficient method of human resources planning, education plan development and professional training and education of employees engaged on specific tasks, professional orientation of newly employed people, career development monitoring, system of work results assessment, reporting systems and statistics data, creation of reliable data base and personal files, etc.

The project will be implemented in the course of six months of intensive work, and as it is planned, it will be completed by the end of February 2010, with the international conference that will be held in regard to the position and role of human resources in central banks in modern era. Project experiences and specific human resources management system will be presented at the conference, i.e., practice and experiences in other central banks in the region and EU.

All proposals for improvement or introduction of new processes in the human resources management will be the subject of discussion at the CBBH senior management meetings and meetings of the CBBH Governing Board. According to the conclusions reached by the Governing Board, more efficient organization system and systematization of working posts in CBBH will be created, taking into consideration, amongst other, recommendations from this project.

All employees will be adequately and timely informed on all possible changes in the field of human resources and activities that are being implemented, in order for all to be actively engaged in improvement of business operations and provision of contribution to the work of this institution.

Namely, human resources management is not an obligation and task of only one department, it is a strategic task of the management, each head of department, section coordinator.

Professionally, consistently, with equal rights, and in compliance with clearly set and defined procedures and processes, human resources management can be successful and can maintain reputation which the central bank acquired as a result of extremely professional and well-qualified human capital.

Ernadina Bajrović M.Sc., Head of the Human Resources Management Department



## CERTIFICATE ISO 27001:2005 GRANTED TO THE CBBH

A representative of the certification company, TÜV NORD CERT GmbH (TÜV NORD), with the seat in Essen (Germany), has officially on July 16, 2009 handed over to the Governor of the Central Bank of Bosnia and Herzegovina (CBBH), Kemal Kozarić Ph.D., a certificate ISO 27001:2005, which was granted to the CBBH for the implementation of the Information Security Management System. Thereby, the CBBH has become the first institution in BH and the only Central Bank in the region that owns such certificate, which represents major recognition and affirmation that the CBBH in its business operations, implements the highest, worldwide recognized standards in the field of information management. “This certificate is not granted for the protection of information technology as some people pointed

out, but this is for the protection of information management. The certificate was granted for the period of three years, i.e. 2012, and we will have reviews on semi-annual basis, which implies that this process is alive and that we will have to monitor it”, stated the Governor Kozarić. He added that for the employees in the CBBH, the certificate is an instrument that can easily identify as to whether the Bank complies with the high standards that it had imposed on itself, with the aim of continuously improving the work for the benefit of all the citizens in BH. According to him, the certification process did not require more substantial changes and adjustments of the existing procedures and business policies of CBBH, which is another recognition for the quality of the work performed so far by the CBBH.



### What is ISO 27001:2005?

*ISO 27001:2005 is an international standard prepared to enable the model for establishment, implementation, maintenance and promotion of the Information Security Management System (ISMS). With the ongoing improvement, the standard assists in establishing and maintaining the effective ISMS. ISO 27001:2005 is applicable for production related organizations and organizations providing various services and servicing and enables disciplined process of recognition and control of risk for information security. The Standard applies a numerated structure and "Plan-Do-Check-Act", approach known in all industrial business environments.*

### **Two review phases of the ISMS operations validation**

The team of Certification Auditors (CA) from the company TÜV NORD CERT GmbH (TÜV NORD) visited the CBBH in the course of June 2009 in order to make a validation review of the implementation of ISO 27001:2005 (ISO 27001) standard in CBBH and as well as of provision of certificate for this standard. The task of the CA team was to identify the level of compliance of CBBH with the requirements of ISO 27001 standard, i.e., validity of the ISMS functioning, and to propose issuance of certificate for CBBH in the case of a positive review outcome. With the thorough verifications of ISMS, the team of Certified Auditors determined that, in terms of ISMS implementation, CBBH meets the criteria of ISO 27001 standard and they provided a recommendation to the headquarters in Essen, suggesting them to issue and send a certificate for the CBBH, that confirms compliance of CBBH with the specifications of ISO 27001 standard. The Certificate for 27001 standard was delivered to the CBBH within a short period of time.

The DNC company from Sarajevo, in co-

operation with the company Belington International from England and with ISMS teams from CBBH, worked on the implementation of ISMS. CBBH commenced preparations for the certification process in 2006, following the establishment of the framework for Business Continuity Plan – (BCP) which constitutes an integral part of ISMS, which is a requirement of ISO 27001 standard. The original framework BCP was designed with the assistance of consultants from USAID and US Treasury.

Review of ISMS system was conducted in two phases. In the first phase the team of CA reviewed the structure of ISMS, scope and objectives of ISMS, results of the performed risk assessment, review of existence of mandatory procedures, business continuity plan and results of the conducted audit of ISMS. Following the implementation of the first phase of certification review, the CA team provided a positive opinion on ISMS CBBH and the second phase of compliance review was opened up with the ISO 27001 standard. In the second phase, CA team conducted a review from Annex A, ISO 27001 standard in the selected organizational parts of CBBH.

### **What follows after provision of a certificate?**

Satisfied with the review results, CA team provided positive recommendations related to the work of ISMS, which was a precondition for obtaining the certificate ISO 27001 standard. CA team has, also, provided recommendations for improvement of ISMS work that needs to be implemented.

Provision of a certificate does not mean an end to the work of improving the ISMS. In May 2010, TÜV NORD plans to conduct a regular review of the ISMS operations. These reviews will be conducted once a year, in the following three years, followed by another thorough ISMS review.

Kemal Hajdarević, Ph.D.,  
Information Security Coordinator



## THE CBBH GOVERNOR MET WITH THE BANKERS

**O**n September 22, 2009, the Governor of the Central Bank of Bosnia and Herzegovina (CBBH) Kemal Kozarić, Ph.D., and his associates discussed the actual topics in the banking industry with the directors of the commercial banks in BH, representatives of the Banks Association of BH and the banking and financial institutions. Governor Kozarić appealed on the commercial banks to extend their lending more strongly to the corporations and households, considering the fact that the banks are extremely liquid and that they hold significantly more funds, about KM 1.6 billion, in the excess over the required reserves that could be placed into lending capacity.

### *Decrease of lending activities*

The Governor, once more, pointed out the commercial banks' modified policy in terms of credit approval, since risks have risen and capital flow is interrupted. Therefore, credit growth declined from 28% as recorded in the last year, to 4.6% in July this year. The banks turned to more expensive domestic capital, which is more expensive, and that led to the growth of deposit interest rates, as well as growth of lending interest rates. The level of loan repayment, as the Governor said, is still extremely high. There is a problem with micro credit organizations, which

*The Head of the International Monetary Fund (IMF) Office to BH, Costas Christou, and the Head of the World Bank (WB) Office to BH, Marco Mantovanelli addressed the participants of the meeting and briefly informed the attendees about the activities related to the Stand by arrangement with the IMF and the plans of the WB for the credit lines for assistance to small and medium size enterprises in BH.*

are operating with the clients that were not able to obtain loans from commercial banks and who have poor paying abilities. The



crisis effect is obvious, there is fear, and unemployment rate increase is evident, feeling of insecurity is present, concern for social status, the clients fulfill their obligations with difficulties, they hardly manage, they are looking for a new field for action and they expect support from commercial banks, stated the Governor. While expressing their dissatisfaction with classification of cash credits into the consumer credits category, on whose basis lawsuits were initiated against commercial banks in BH, the bankers emphasized that the legal regulation constitutes the basis for further operations of banking sector. The conclusion of the meeting was that the commercial banks representatives, in cooperation with the Entities Ministries of Finance and the Agencies for Banking Supervision, should start the activities on drafting the sub-legal enactments for application of the State Law on Consumers Protection in order to enable its application. The participants welcomed the recent decision of the Banking Agencies for Supervision on policy relaxation related to the approval of credits to households, and suggested that the similar decision should be delivered for the legal entities in order to make their business operations easier during the economic crisis. The issue of commercial banks

taxation was also discussed, and they emphasized a need to harmonize the regulations from the tax regulations area for the Entities and BH Brčko District. Thereby, legal security would be improved in business activities on the entire territory of BH.

### *To enhance enforced collection system*

The Head of the Payment System Department in CBBH, Đorđe Racković, indicated the results and problems of the BH internal payment system management. Within the discussion related to this issue, agreement was reached in regard to the improvement of the enforced collection system on money execution. It was decided to establish a working group consisting of representatives of the Entities Ministries of Finance, Banking Agencies for Supervision, Banking Association of BH and CBBH who will create and suggest the amendments and supplements to the Law on Payment Transactions, Law on the Enforcement Procedure and the Law on Bill and Check.

Zijada Kovač,  
Coordinator of the Public Relations Section



## GOVERNOR KOZARIĆ LECTURER TO THEBH AMBASSADORS



On 1 September 2009, in the premises of the Common Institutions of Bosnia and Herzegovina in Sarajevo, Governor of the Central Bank of Bosnia and Herzegovina (CBBH) Kemal Kozarić, Ph.D., upon the invitation of the Ministry of Foreign Affairs participated at the advisory meeting, entitled „Foreign Trade Policy of BH“. On that occasion, he delivered a presentation to the Ambassadors and other employees of the Ministry, about the CBBH role, foreign trade deficit and foreign direct investments. At the beginning of his presentation, the Governor of the CBBH talked about the concept and significance of the monetary policy. He stated that a central bank is a monetary institution which creates and implements monetary policy with the following activities: regulating of the required reserve rate, performing of the payment system, role of the fiscal agent as a regulator of the international liquidity, supervision of the banking sector, operations at the market, lending to the commercial banks.

Mr. Kozarić, Ph.D., in his address, mentioned inde-

pendency, credibility, responsibility and confidence as significant features of each central bank. In his further presentation, he explained thoroughly each the aforementioned features. He emphasized that the CBBH performs a part of the mentioned functions. This was followed by the presentation relating to the significance of the currency board and its disadvantages and advantages.

At the end of his presentation, Kozarić, Ph.D., informed participants about the main economic indicators in BH for 2008, and sources of financing of the foreign trade debt, trade exchange balance, trade deficit, FDI level, and provided recommendations for further economic development of Bosnia and Herzegovina.

Igor Soldo, Senior Staff  
Member for Public Relations - Web Master

## SECTION FOR PROTOCOL AND ARCHIVING ESTABLISHED

Since January this year, within Common Affairs Division, Section for Protocol and Archiving is established in order to improve the office and archives operations of the Central Bank of Bosnia and Herzegovina (CBBH).

Office operations represent supporting activity within the CBBH work. This activity is related to the files and other documents since the moment of a document's receipt until its resolving, i.e. its archiving.

The operations with files and documents have two types of the activities making for the single entity and those are:

- office operations
- archiving operations.

Office operations are related to the work with the documents and files during the processing of those documents and files, and this is the period from the receipt of a document or a file until its working out, while the archives operations are related to the work with documents and files after their resolution, i.e. its storing and keeping in the archives. The offices operations consist of eleven separate activities. Those are: receipt of mail, opening of mail, check up of mail, arrangement of mail, i.e. the documents, book keeping of documents, grouping of documents, delivery of documents in work process, administrative technical processing of documents, dispatching of mail, taking document out of records and storing of the docu-

ments in the archives (archiving and keeping). Those activities represent the main part of office operations and they need to be carried out with each document or file, which is the part of the CBBH operations.

The above mentioned operations of Section for Protocol and Archive are performed by the Section Coordinator, the Archivist and two Couriers.

Section for Protocol and Archiving in cooperation with the EDEA project team works on modernization of these operations and assignments. The basic aim of this project is to provide e-movement of documents between the organizational units of the Bank, establishment and using of the e-archives of the Bank. This aim is planned to be

achieved by construction of the information sub-systems which will ensure the preparation of an e-document with the possibility of digital - time stamp, scanning of a paper document, archiving and searching of an e-document. In the final phase of this project implementation, an e-document should, replace completely a paper document within the Bank.

Vidosav Pantić, M.Sc.,  
Manager of Risk Management  
Division

Muris Pašalić,  
Coordinator of Section  
for Protocol and Archiving



