



## Fifth anniversary of the CBBH



The Central bank of Bosnia and Herzegovina celebrated its Fifth anniversary on August 11, 2002. The CBBH was established on July 20, 1997 in accordance to the Law on the Central Bank, which was adopted by the Parliamentary Assembly of BH, and it commenced its operation on August 11, 1997.

Since the moment it was founded, the Central Bank of BH faced numerous challenges. The

existing payments system was weak and fragmented. There were four currencies being used in cash transactions - BH dinar, Yugoslavian dinar, Croatian kuna and German mark - but the German mark was the only currency that was used in the entire country. There were 76 commercial banks, but most of them were very small and none of them operated on the entire territory of BH. Modern types of

banking services, such as ATM machines or e-banking, were non-existent. Citizens didn't trust banks nor use their services.

Five years later, things look completely different. It all began with the introduction of the single Bosnian currency - the Convertible Mark, which appeared in the circulation for the first time on June 22, 1998.

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## Fifth anniversary of the CBBH

### *Continuation from page 1*

Strict implementation of principles of the monetary policy that is based on the Currency Board arrangement, according to which each issued KM banknote or coin has to be fully backed with freely convertible foreign exchange funds under the fixed exchange rate 1 KM : 0,51129 euro, has created trust among BH citizens in the stability and convertibility of the KM. Thanks to its stability and full convertibility, KM soon became the dominant currency in cash transactions in all parts of the country, which is the most obvious from the balance of the KM liabilities that rose from KM 132 million in August 1997 to KM 2,3 billion at the end of July 2002. "The biggest achievement of the Central bank is that it is trusted in all parts of the country, and the Convertible Mark currency is being used by people in the all parts of country. So that makes the Central Bank truly a state institution", said Governor of the Central Bank of BH **Peter Nicholl**. Besides the fact that it provides stability and full convertibility of the local currency, strict implementation of the Currency Board arrangement has brought low inflation, which does not go over one percent in any of two BH entities.

The Central Bank of BH has played the major role in the reform of the payment systems. With cooperation of the commercial banks in BH, a modern cashless European-type payment system with two clearing houses: RTGS and GC, which are being managed by the Central Bank, was introduced on the January 5<sup>th</sup> 2001. Introduction of the new modern payment system has marked the end of era of the old centralized monopolistic state system of

Payment Bureaus. The success of payment system work can be seen from the fact that since the beginning of its work, the payment system was operational 99,9% of the time and there has never been a case in which settlement did not occur. "Payment system is working very smoothly and I think that the commercial banks did very good job. I think that the Central Bank did good job too, but without the commercial banks we would not have the payment system. And I think that the people find it a more efficient and cheaper system from the previous one, so we can call it very successful.", Governor Nicholl emphasized. Since the beginning of work of the new payment system until the August 26 2002, a total of 21,6 millions of transactions were carried out in RTGS and GC, worth KM 30, 5 billion. There are 42 banks in the payment system.

The reform of the banking system also took place in other areas. Increase in the minimum capital requirements to KM 15 million, accelerated development of the inter-entity banking, establishment of the state-level deposit insurance scheme, as well as the arrival of the quality foreign banks to the BH market, led to the gradual return of the confidence of the BH citizens into commercial banks and into the Bosnian banking system in general. "In short, the BH banking system will start to look more and more like the banking systems that you see in other European countries.", Nicholl said. Governor of the CBBH also emphasized that the reform of the banking system is far from being completed, and that changes can be expected in near future, especially in the domain of the banking

supervision, which should come under the umbrella of the Central Bank.

Another important step is establishment of the joint registry of bank accounts. "The Central Bank has offered to maintain such a registry, but this stage it is going to be done on the entity level", Governor Nicholl said, and added that, due to the combined pressure of higher capital requirements and sharply increased competition, he expects that the number of banks will reduce, that the degree of foreign ownership will increase and that the degree of state involvement in the banking sector will decrease substantially through the privatization or closure of the state-owned banks.

Any time when the future of the Central Bank of BH is being discussed, the future of monetary policy in BH is being mentioned as well. For the Governor of the Central Bank of BH, the future of monetary policy is quite clear. "In my mind it is quite clear that the Currency Board has worked. It has given the country stable currency and low inflation.

People trust it. It is very efficient, because people can use the same currency anywhere in the country. I think the Currency Board has to be maintained, since its one element that is stable and that helps promote investments and growth. Eventual exit from the Currency Board will be when Bosnia adopts the euro as their currency. There are very few countries in the world that now have any form of the discretionary monetary policy, since that policy tends to fail anywhere in the world not just in this part of world," Peter Nicholl, Governor of the Central Bank of BH, emphasized.



# Export and import of goods

According to data provided by the BH Federation Institute of Statistics and the Customs Administration of the Republika Srpska, the values of exported and imported goods are tabled below:

Exports and imports of goods in BH

in thousands KM

DESCRIPTION	Federation of BH		Republika Srpska		TOTAL BH	
	I-VI `01	I-VI `02	I-VI `01	I-VI `02	I-VI `01	I-VI `02
Export of goods	845.817	668.569	275.799	262.488	1.128.34	935.884
Import of goods	2.227.53	2.517.75	772.905	1.000.75	3.113.89	3.622.98
Export/Import balance	-1.381.716	-1.849.184	-497.106	-738.270	-1.985.559	-2.687.096
Export/import coverage	38,0	26,6	35,7	26,2	36,2	25,8

In the period January - June 2002, the imbalance of foreign trade exchange in Bosnia and Herzegovina was KM 2,687 million, and the percentage of the import coverage by export was 25,8%.

Exports and imports of goods in BH by months in 2002

in thousands KM

Mounths	Federation of BH*		Republika Srpska**		Bosnia and Herzegovina***		
	Export	Import	Export	Import	Export	Import	Export/Import Coverage
TOTAL	668.569	2.517.753	262.488	1.000.758	935.884	3.622.980	25,8
January	91.666	313.091	28.076	131.330	120.289	454.595	26,5
February	98.673	401.708	42.178	151.109	141.495	567.963	24,9
Marth	118.640	458.747	47.249	167.754	166.765	645.546	25,8
April	130.249	469.864	51.533	189.742	183.122	679.382	27,0
May	96.380	442.475	47.001	182.726	143.982	643.918	22,4
Jun	132.961	431.868	46.451	178.097	180.231	631.576	28,5

\* Introduction of the new customs system ASYCUDA for custom declaration processing caused the monthly data change for the firs six months 2002

\*\* Modificated data of export of goods for March 2002

\*\*\* Data of export and import of Brcko District included in BH total

**PAYMENT SYSTEM DIVISION**

# 30% increase in number of transactions compared to 2001

In the first six months of 2002, there was an increase in total number of RTGS and Giro clearing transactions by 30% and 31% in total value of transactions, compared to the period January to June in 2001. 10 banks take 64,97 % of transactions and 63,08 % of the value of total transactions in RTGS and GC. 17 banks, which are participating below 1%, take 7,3 % of transactions and 8,38 % of the value of the total transactions in RTGS and GC.

**Comparative table for first six months of 2001 and 2002**

Period	RTGS		Giro clearing		Total	
	No. of trans.	Value of trans.	No. of trans.	Value of trans.	No. of trans.	Value of trans.
Jan-June 2001.	239.680	4.397.318.456,36	5.030.434	3.112.028.876,12	5.270.114	7.509.347.332,48
Jan-June 2002.	110.689	5.876.544.974,27	6.751.752	3.936.373.538,72	6.862.441	9.812.918.512,99
	54 % decrease	34% increase	34 % increase	26 % increase	30 % increase	31 % increase

**The share of Main Units in the total number of transactions in the first six months of 2002**

	No. of transactions	% of transactions	Value in KM	% of value
MU Sarajevo	3.751.441	54,67%	5.783.081.767,83	58,93%
MU Banja Luka	2.246.262	32,73 %	2.622.954.243,05	26,73%
MU Mostar	821.924	11,98%	1.341.067.445,73	13,67%
Branch District Brcko	42.814	0,62 %	65.815.056,38	0,67 %
<b>TOTAL:</b>	<b>6.862.441</b>	<b>100 %</b>	<b>9.812.918.512,99</b>	<b>100 %</b>

**CBBH's participation in the number of transactions in the first six months of 2002**

CBBH	RTGS		Giro clearing	
	No. of transactions	Value in KM	No. of transactions	Value in KM
	1.141	207.662.113,58	2.379	2.751.791,05

Total amount of fees calculated for a/m period amounted to KM 670.638,25.

According to the latest data, which was submitted by the Payment Systems Division, since January 5, 2001 until August 26, 2002, a total of 489.678 transactions worth KM 17,9 billion were carried out in the RTGS, while in giro-clearing system, a total of 21,6 millions of transactions worth KM 12,6 billion were carried out. During 2002, a total of 157.056 transactions were carried out in the RTGS, worth KM 8,2 billion, while in giro-clearing system, a total of 9,5 millions of transactions worth KM 5,5 billion were carried out.

# Antun Branko Šimic and Filip Višnjic

Written by Nermina Kurspahic

They consider him the poet of transformation. And he was that indeed, not just within modern Croatian



poetry, but also in a much wider sense. **Antun Branko Šimic** was born in Drinovci, which is a small village in Herzegovina near Grude. He went away to Zagreb very early where he wrote poetry, first under the strong influence of Matoš. However, he dropped out of school soon and started his independent conquest of poetry. He went from impressionism to expressionism, all the way to the vision of the poetry as something that is torn away from the flow of reality, tradition. His poems are divine, in collusion with the aim to master the universe. The poetry of Antun Branko Šimic is the poetry from the other side of the mirror. He uses simple language in his poems, but at the same time those poems are rich in essence, separated from the world, from the past, focused on what is outside: "Since they have already been/ and everything already happened in the first moment/ already seen in the eternal look of the God/ ... In the bottomless God's eye, billions of future worlds could be reflected". (Future). Antun Branko Šimic was a poet who thought that crude reality has no place in poetry, and that artistic language has to be pure, sensible and free from all decorations. He used to write about it as the critic and essayist in his literary magazine "Charge" (which was founded in 1919). He used to write for other magazines of that time, and he always used the opportunity to emphasize the right of art to have its own independence and immanent aesthetics. During his lifetime, he published only one compilation of poetry, entitled Transformations, which was published in 1920. However, with its originality, beauty, cosmic exultation and universality, this compilation of poetry was enough to provide the "place among stars" for its author, among those same stars that he often mentioned in his poems. As many other writers of that time, Antun Branko Šimic spent his entire life battling various illnesses. He used to write: "Death is not outside of me, it is inside of me". He died in Zagreb in 1925.

Where history begins and legend becomes, it is hard to separate the truth from the myth at the



place where everything is based on the oral tradition. In the case of **Filip Višnjic** - hero of the oral, epic "gusle" poetry - very few facts can be viewed as "credible", in terms of written records about him. One of few known facts is that he was born in village Trnava in Semberija in 1767. When he was a child, he contracted smallpox and became blind. This handicap probably gave him some advantages, such as great memory and great storytelling ability. With his gusle, Filip Višnjic sang, often his own songs, about the Serb bravery and victories that delighted generations of Serbs, from peasants to intellectuals. Vuk Karadžic wrote: "I heard he knows a lot of great songs, especially from Kara-Đorđe era that I managed to hear in 1815... I personally think that Filip made by himself all songs after the Kara-Đorđe era. As he used to tell me, smallpox made him blind while he was still young, and after that he travelled, not only around the Bosanski Pašaluk, but also around Skadar, where he asked for charity and played his gusle. Then, I tried to talk him into going into Serbia, so that he could, maybe, make another poem, but I could not talk him into that, since he felt very well in Srijem; Wherever he showed up, people feasted him and gave him presents because of his poems; He sent his son into the Greek school; he had his own horse and cart and he clearly became a gentleman. A few years ago I heard he died in Greece. When I copied his songs, he was 50 years old". The rest is legend.

## Common expressions used in the payment systems (2)

*In this, as well as in the last issue of the newsletter of the Central Bank of BH, we bring you the list of common expressions that are most often used in the Payments System Division of the Central Bank of Bosnia and Herzegovina.*

**Electronic certificate** This is the certificate that confirms link between the data for the verification of the electronic signature and of the identity of the signer.

**Settlement bank** According to the Decision of its Governing Board, the Central Bank of Bosnia and Herzegovina is the settlement bank, in other words, the agent for settlements in card business.

**Collecting of payment orders** This relates to the gathering of credit orders for the payment of small amounts in giro-clearing system. During the gathering of the data, an electronic form of payment order is being filled out. Payment orders are being refused in case that they are not accepted or incorrect. All payment orders that are being accepted by the giro-clearing system are unconditional and irrevocable.

**Net clearing** Sorting of the accepted payments by appropriate accounts and calculations of the net balance (sum of debt and claims) for each member of clearing. Net settlement has a form of bilateral and multilateral calculation of net balance. Each single member is electronically informed about its net-balance.

**Submitting of the payment report** This is the last stage in which every member gets electronic form which contains

all details about the credit payments to accounts it holds.

**GC MAP Member Access Point** Point of access of the member of the giro clearing. Enables interface of the members with the giro clearing system.

**GC NET** Communication structure of the giro clearing, transport layer between the central system for the data processing in the Central Bank of BH and the access points of members - commercial banks.

**Operational or business day/date** This is the time period in which giro-clearing system carries out processing of the payment. It is usually the same as the current calendar day, but the manual intervention (in the situation where unpredicted situation occurs) allows for two business day to be managed in one calendar day, or one business day to be stretched over two calendar days.

**Clearing cycle** The main phase in the operational day that can be repeated many times during the business day. Generally, it encompasses one or more gatherings of the series or payment warrants, one or more informative (non-obligatory) pauses, and settlement pauses.

(end)

## NEWS FROM MAIN UNITS AND BRANCHES

### MAIN UNIT MOSTAR

During the month of August, there was an increased demand from commercial banks for larger denominations of KM banknotes, which possibly comes as result of increased citizens' savings. An increased inflow of KM from Splitska banka dd Split was recorded in August, which comes as the result of the increased purchase of the Croatian currency during the vacation season. During the month of July, Main Unit Mostar carried out total off 182.709 transactions, out of which 179.439 transactions in giro-clearing and 3.270 transactions in RTGS.

### MB RS BANJA LUKA

Governor of the Central Bank of BH **Peter Nicholl** visited MB RS Banja Luka on August 2, where he met with the Finance Minister of RS **Simeun Vilendecic** and Director of the Banking Agency of RS **Duřanka Novakovic**. After he ended his meetings, the Governor of the CBBH visited the new office space of the MB RS Banja Luka, which is located in the business center "Ekvator". Even though this is the season of the annual vacations, the level and vol-

ume of the KM net sale transactions continued with unchanged dynamics. Cash transactions of deposits and payments of KM and Euro cash also continues without slowdown with unchanged volume.

### MAIN UNIT SARAJEVO

During the month of August, due to the annual vacations season, an increased volume of correspondence with commercial banks was recorded, except in the Vault Department because of the increased usage of cash. Preparations are in progress to realize the decision of the Governing Board of the CBBH to purchase office space for the Main Unit Sarajevo. As a first step following this decision, an invitation for bid was announced that should result in a proposal that will be prepared in the next month, after which it will be sent to the Governing Board for discussion.

During August, Federal Banking Agency made a decision to revoke the working license of the International Commercial Bank and opened liquidation procedure in that bank. The agency also gave its approval for merge of Travnicka Banka dd Sarajevo with the Central Profit Bank.

### BRCKO BRANCH

During the month of August, an increased inflow of the KM and Euro cash to the branch vault was recorded, while the outflow of KM was somewhat smaller. During August a commercial bank was selected in Brcko District for the gathering of incomes based on customs taxes and other import taxes for District. This is very significant for the CBBH since until now, the commercial banks individually made daily payments of income to the customs deposit account, which was opened in the CBBH.

### PALE BRANCH

Even though the vacation season is ongoing, activities of the business banks from the region covered by the Pale Branch were not reduced. The average number of daily KM net sale transactions grew 24% in this month compared to the previous month. The positive balance of the KM net sale grew 7% at the end of August compared to the end of July. Parallel work with the new software for the banking-accounting business is going on quite smoothly with only minor problems.

## EMPLOYMENT

### New Deputy to the Comptroller



**Amina Sofradžija**

On August 10 Deputy to the General Comptroller Amina Sofradžija ended her employment in the Central Bank of Bosnia and Herzegovina, based on fulfillment of the retirement conditions.

**Amina Sofradžija** was born in 1937 in Sarajevo. She earned her degree at the Faculty of Economics in Sarajevo in 1960. During her years of service, she gained rich working experience. She worked for ŽTP Company in Sarajevo for two years, after which she transferred to the National Bank of BH, where she worked for 34 years. She worked in the Central Bank of Bosnia and Herzegovina since its establishment, i.e. from August 11, 1997 until August 10, 2002. She worked as the Deputy Comptroller General in the Office of the Main Comptroller. Even though she spent most of her years of service on executive positions, she remained a simple person, always ready to help her younger colleagues with her knowledge, experience and friendly advice.

We wish her a lot of good health and happy retirement days.



**Jasmina Novalija**

On August 11, 2002, Manager of Monitoring and Analysis Division **Jasmina Novalija** was appointed as the New Deputy General Comptroller. She was appointed to a four-year mandate based on the decision of the Governing Board from July 12, 2002.

Jasmina Novalija was born in 1956 in Maglaj. She earned her degree at the Faculty of Economics in Sarajevo in 1991. She has 18 years of working experience. For the last five years she has worked in the Central Bank of BH - over two years as the Manager of the Monitoring and Analysis Division and two years and seven months as the coordinator of the same Division. She worked for two years and 10 months in the National Bank of BH as the Adviser for the monetary-credit operations, and spent 10 years and nine months as the financial-accounting technician in FAMOS Company. She is fluent in the English language, and also speaks French and Russian. She has a profound computer literacy and during her years of service she attended various seminars.

Central Bank of BH currently has **247** employees, out of which nine persons are trainees for an indefinite period. One person is employed for a definite time period.

Let us remind you that August 11, 2002 marked fifth anniversary of the work of the Central Bank of BH. On August 11, 1997, Central Bank of Bosnia and Herzegovina had 46 employees.

## EDUCATION

### New experience in statistics



**Dragana Buric**

Economist in Evaluation of Monetary Policy Section **Dragana Buric** attended a seminar entitled "Monetary Policy Strategy and implementation in the ESCB", which was organized by the Deutsche

Bundesbank from to

12 until August 16 in Frankfurt, Germany.

Comptroller General in the CBBH,

**Jasmina Halilbegovic** attended

"International Banking Supervisory

Seminar", which was organized by the

BIS from August 9 until August 16 in

Beatenberg, Switzerland. Economist for



**Jasmina Halilbegovic**

the Statistic in Banking Section

of the MBRS Banja Luka

**Biljana Ninkovic** attended a

seminar entitled "Monetary

and Financial Statistics", which

was organized by the IMF from

August 12 until August 30 in

Vienna, Austria.

Economist I in Statistics and Publications

Division **Snježana Janjic** and Economist

I in Balance of Payment Division **Danica**

**Lucic** attended a seminar entitled "IFC

Conference: Challenges to Central Bank

Statistical activities" organized by the BIS

in Basel, Switzerland.



**Danica Lucic**



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

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

**As on 31st July, the Bank met all requirements under the Currency Board rule as mentioned in Article 31 of the Law.** Status of Net Foreign Assets exceeds its Monetary Liabilities in Konvertibilna Marka (KM) by 93,414,346 KM. This has been shown in the item Net Foreign Exchange Assets less Monetary Liabilities.

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

**Monetary liabilities**, represent to larger extent the liability of the Bank for KM currency in circulation, (1,968,132,518 KM) and resident banks' reserve deposits (264,561,789 KM).

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

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

The Bank also maintains certain accounts in foreign currencies in terms of agreements entered into among the Government of Bosnia and Herzegovina and foreign governments and financial organisations. As these accounts does not appear to be either assets or liabilities of CBBH, they have not been included in the above mentioned balance sheet. Total amount of resources maintained on these accounts was 198,622,826 KM.

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

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

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

ASSETS		Total Amount	EUR	Other Currencies
1	<b>Foreign Exchange Assets</b>	<b>2.393.882.387</b>	<b>2.392.500.201</b>	<b>1.382.186</b>
1.1	Cash	33.538.118	33.243.151	294.967
1.2	Investments	2.360.344.269	2.359.257.050	1.087.219
2	<b>Position of Government in the IMF</b>	<b>750.454.980</b>		
3	<b>Other Assets</b>	<b>72.626.573</b>		
<b>TOTAL ASSETS (1+2+3)</b>		<b>3.216.963.940</b>		
LIABILITIES		Total Amount		
4	<b>Monetary Liabilities</b>	<b>2.300.005.666</b>		
4.1	Currency in Circulation	1.968.132.518		
4.2	Credit Balances of Resident Banks	264.561.789		
4.3	Credit Balances of Other Residents	67.311.359		
5	<b>Liabilities to Non Residents</b>	<b>462.375</b>		
6	<b>Liabilities of Government to the IMF</b>	<b>750.454.980</b>		
7	<b>Other Liabilities</b>	<b>11.338.238</b>		
8	<b>Capital and Reserves</b>	<b>154.702.681</b>		
<b>TOTAL LIABILITIES (4+5+6+7+8)</b>		<b>3.216.963.940</b>		

<b>Net Foreign Assets minus Monetary Liabilities (1 -4 -5)</b>	<b>93.414.346</b>
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<b>Position of Government in the IMF – Foreign Reserves –SDR Hold</b>	<b>1.273.344</b>
<b>Liabilities of Government to the IMF-IMF Accounts No 1 and 2</b>	<b>1.214.263</b>
<b>Net Foreign Reserves of Government in the IMF</b>	<b>59.081</b>

  
P.W. Nicholl  
Governor  
Sarajevo (date) 26. 07. 2002.

  
Jasmina Halilbegović  
Comptroller General