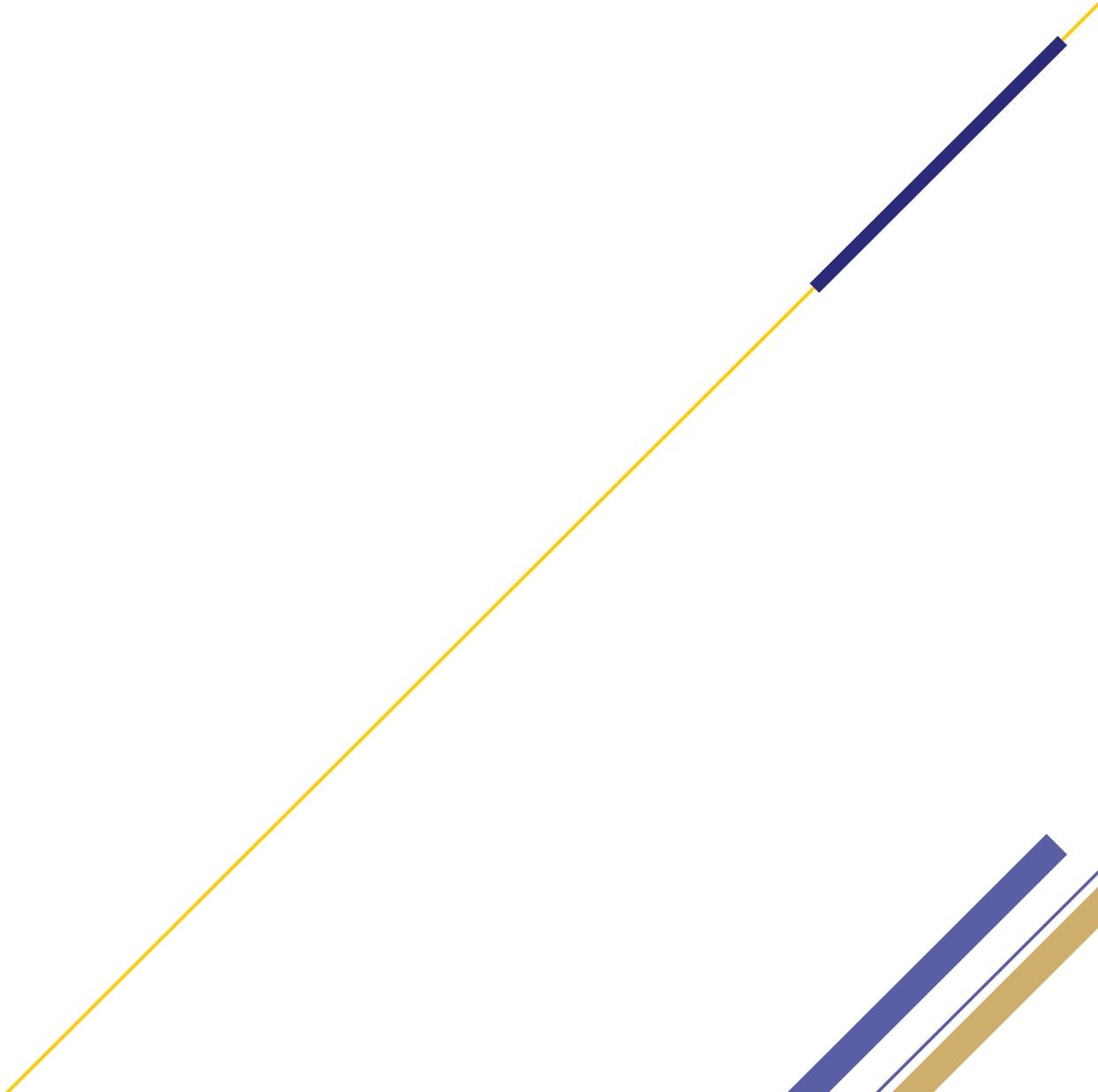


The background features several diagonal lines. A thick yellow line runs from the top-left towards the center. A thin yellow line runs parallel to it, slightly below. A blue line runs from the bottom-left towards the center. Another thick yellow line runs from the bottom-right towards the center. A thin yellow line runs parallel to it, slightly above.

Central bank of Bosnia and Herzegovina

Role and Significance





General information on the Central bank of BH

The Central Bank of Bosnia and Herzegovina (CBBH) was established on 20 June 1997 with the adoption of the Law on the CBBH by the BH Parliamentary Assembly in line with the General Framework Agreement for Peace in Bosnia and Herzegovina. It started to operate on 11 August 1997.

The Governing Board is the senior authority of the CBBH. It is in charge of setting up the monetary policy and overseeing its implementation, the organisation and strategy of the CBBH in line with competencies stipulated by the Law on the CBBH. The Management of the CBBH features Governor and three Vice Governors. The Governor is the chief executive officer of the CBBH, and he is in charge of the CBBH daily operations.

The Head Office of the CBBH is located in Sarajevo, in the building built between 1929 and 1932, and recorded in the national monument list in 2009. Along with the Head Office, the CBBH has three Main Units: Main Unit Sarajevo, Main Bank of the Republika Srpska of the Central Bank of BH, and Main Unit Mostar, and two Branches: Brčko Branch and CBBH Pale Branch.



In August 2017, the CBBH celebrated the 20th anniversary of operations. This period was marked by continuous work on improving the monetary stability of financial system and economic prosperity of the country, as well as the settlement of BH's international liabilities.



For more information, visit:

<https://www.cbbh.ba/Content/Read/13?lang=en>

WHAT IS THE MANDATE OF THE CENTRAL BANK OF BOSNIA AND HERZEGOVINA?

1.

MONETARY
POLICY

2.

MANAGEMENT
OF FOREIGN
CURRENCY
RESERVES

3.

FINANCIAL
STABILITY

4.

MAINTENANCE
OF THE
COUNTRY'S
PAYMENT
SYSTEMS

5.

ISSUING OF
BANKNOTES
AND COINS OF BH

6.

COMPILATION AND
PUBLICATION OF
STATISTICAL DATA

INTERNATIONAL
COOPERATION

7.

FISCAL
AGENT ROLE

8.

9.

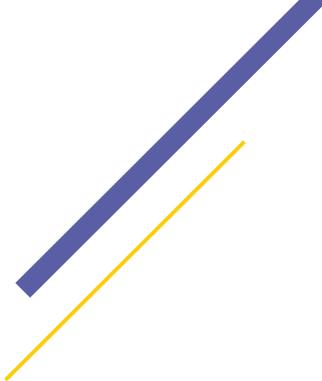
SOCIAL
RESPONSIBILITY

Objectives and Tasks

The objective of the CBBH is to ensure and maintain the stability of the domestic currency (the convertible mark - KM, international code - BAM) by issuing the domestic currency in line with the currency board arrangement, according to which each issued convertible mark banknote or coin must be backed by free convertible foreign currency assets with a fixed rate of 1 KM : 0.51129 EUR. As specified by the Law, the convertible mark is the only legal tender in Bosnia and Herzegovina.



Photo: Detail from the facade of the CBBH Head Office building in Sarajevo.



The Central Bank of Bosnia and Herzegovina

- ◆ Defines, adopts and oversees monetary policy of Bosnia and Herzegovina;
- ◆ Manages the official foreign exchange reserves in a safe and profitable manner;
- ◆ Issues and withdraws from circulation the domestic currency (convertible mark);
- ◆ Supports and maintains the appropriate payments and clearing systems;
- ◆ Maintains the Single Registry of Accounts and the Central Credit Registry;
- ◆ Compiles and publishes statistical data as an integral part of BH macro-economic statistics;
- ◆ Serves as the state fiscal agent for foreign debt servicing;
- ◆ Coordinates activities of the Entities' Banking Agencies in BH and presides the BH Standing Committee for Financial Stability.



For more information, visit:

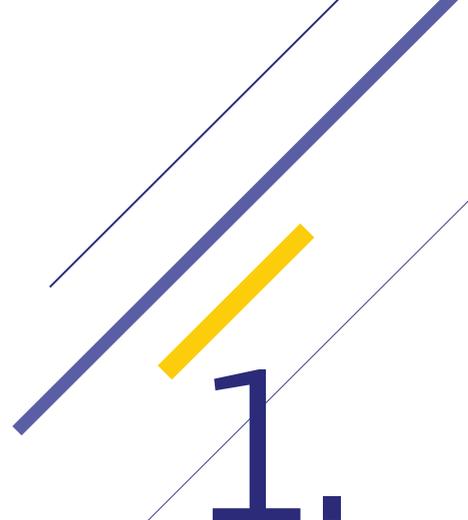
<https://www.cbbh.ba/Content/Read/13?lang=en>



Photo: Statues at the entrance to the building by Vladimir Zagorodnjik



Monetary Policy



The monetary policy of Bosnia and Herzegovina is regulated by the Law on the Central Bank of Bosnia and Herzegovina. The CBBH operates under the currency board arrangement.

Given that the convertible mark (KM) is pegged to the "anchor" currency, the euro, KM can be bought at a fixed foreign-exchange rate of 1.95583 KM for 1 EUR. When the KM is exchanged for another convertible currency, the transactions are carried out according to the market foreign-exchange rate. Currency in circulation, along with the banks' deposits in the CBBH, are covered by foreign currency.

This monetary policy model provides stability for the domestic currency and strengthens the confidence of the public and institutions in the KM. External stability of the currency is ensured through successful observance of the fixed exchange rate and regular servicing of BH foreign debt, which is performed by the CBBH, having the role of the fiscal agent. As the result of these efforts, the foreign-currency reserves are stable and continuously increasing, as is the amount of saving deposits, made with domestic banks.

By applying a fixed exchange rate against the euro, any uncertainties in the exchange rate have been eliminated, and the message has been sent to investors that they do not need to worry about any unforeseen fluctuations of domestic prices as a result of monetary policy.



Foreign Currency Reserves Management 2.

The CBBH manages its foreign exchange reserves based primarily on the principles of security and liquidity of investments, in accordance with the Law on the CBBH and relevant internal acts (Strategic Asset Allocation, Investment Guidelines and risk rules and parameters). Given the provisions of the Law, more than 95% of the foreign exchange reserves is invested in euro denominated financial instruments, which makes the CBBH dependent on market developments within the euro area.

The Governing Board adopts decisions at the strategic level on the management and investment of the foreign exchange reserves. The Investment Committee acts within the framework of binding legal restrictions and Investment Guidelines adopted by the Governing Board in the preparation of the risk rules and parameters related to the foreign exchange reserve investment. Decision-making and responsibility for day-to-day management of the foreign exchange reserves is at the operational level, working in accordance with the guidelines and risk rules and parameters.

In the process of managing foreign exchange reserves, information and forecasts from the relevant money and capital markets in the euro area and the world are continually analyzed. Accordingly, appropriate changes in the investment policy are initiated in order to adjust to the market conditions in the euro area.

The foreign exchange portfolio is exposed to various financial risks (interest rate risk, credit risk, liquidity risk and foreign exchange risk), which are managed in accordance with the best international practices. The CBBH invests its foreign exchange reserves in accordance with legal goals, principles and limitations, primarily in bonds of selected euro area countries and in deposits with selected foreign financial institutions (commercial banks, central banks and the BIS) that meet the credit risk criteria.

The foreign exchange reserves have grown intensively since the founding of the CBBH, so they have tripled in the last 15 years and exceeded the amount of KM 11 billion.



Financial Stability

3.

The CBBH implies that financial stability is a condition in which a financial system can absorb various shocks without significant disturbances in its current and future functioning and whose functioning has no negative impact on the economy.

The CBBH performs the function of monitoring financial stability, which implies timely identification of vulnerabilities in the country's financial system, arising either from domestic and international macroeconomic environment or from the financial system itself. The activities of the CBBH in the field of monitoring the financial system stability include specialized communication with the relevant domestic and international institutions, which ensures the continuity of the systemic risk monitoring process, as well as communication on the financial stability risks with the general public.

The CBBH provides its contribution to the maintenance of the financial stability through its competence, established by the Law, to coordinate the activities of the entity banking agencies, as well as through its membership in the Standing Committee for Financial Stability of BH, which, in addition to the CBBH Governor and the Directors of the Banking Agencies, includes the members of the Fiscal Council of BH and the Director of the Deposit Insurance Agency of BH.

The CBBH reports to the general public on the financial stability risks through a regular annual publication, the Financial Stability Report, which has been published on the CBBH website since 2007. By publishing the Financial Stability Report, the CBBH wishes to point out to the public the consequences of the earlier macroeconomic trends and trends in the financial sector, primarily the banking sector, on the risks and challenges that the financial system will face in the coming periods.



Photo: Silver coin issued on the occasion of the 20th anniversary of the CBBH



The Financial Stability Report can be downloaded via:

<https://www.cbbh.ba/content/archive/575?lang=en>

Maintenance of Country's Payments Systems

4.

The CBBH had an important role in the payments systems reform. Modernisation of payment operations which was done in 2001 led to significant improvements, evident in faster transfer of transactions, reduced cost, and the introduction of European standards.

In cooperation with commercial banks in Bosnia and Herzegovina, the CBBH is managing modern settlement systems of interbank payment orders, being Real Time Gross Settlement (RTGS) and the Gyro Clearing System, which operates on the basis of net settlement.

Within the payments systems services in Bosnia and Herzegovina, there are also the Single Registry of Accounts of Business Entities in BH and the Central Registry of Credits of Legal Entities and citizens in Bosnia and Herzegovina. All these have significantly contributed to the monitoring of systemic risk in the financial system and to maintaining the financial stability.

In early 2007, BH was assigned an International Bank Account Number - IBAN. The introduction of the international account numbering standard has enabled banks in Bosnia and Herzegovina to formally integrate into the system for automatic processing of international payments within the European Union (EU). Reliable functioning of payments systems in the country ensures that the payments between all entities are made in a timely and efficient manner. More than 40 million transactions worth in total over KM 100 billion are completed annually within this system.

For more information, visit:



**Single Registry of Accounts for
Business Entities in BiH:**

[https://www.cbbh.ba/
ContentRead/28?lang=en](https://www.cbbh.ba/ContentRead/28?lang=en)



Central Credit Registry:

[https://www.cbbh.ba/
ContentRead/27?lang=en](https://www.cbbh.ba/ContentRead/27?lang=en)



For detailed information about Gyro Clearing and RTGS, visit:

<https://www.cbbh.ba/Content/Read/1058?lang=en>

Issuing of Banknotes and Coins of BH

5.

In accordance with the currency board rules, the task of the CBBH is to put into circulation and withdraw from circulation convertible mark (KM) banknotes and coins. KM is a monetary unit of Bosnia and Herzegovina, and one convertible mark is divided into 100 fening.

The CBBH is the only institution in Bosnia and Herzegovina that organizes the production of banknotes and coins of convertible mark, determines their denomination structure and basic features, ensures regular supply of banknotes and coins, and replaces banknotes and coins that have become unsuitable for circulation. As of December 31, 2018, there were 69.4 million pieces of banknotes and 363.6 million pieces of coins outside of monetary authorities.



Click here for banknote design:
<https://www.cbbh.ba/content/read/19?lang=en>



Click here for coin design:
<https://www.cbbh.ba/content/read/1072?lang=en>

The objective of the CBBH is to ensure that the currency in circulation has the characteristics of quality, lifetime span and protection against counterfeiting at the level of current technological standards in the European Union countries. The information on the convertible mark banknote security features which may help verify the authenticity can be found on the CBBH website.



For detailed information about protective features, visit:
<https://www.cbbh.ba/content/read/645?lang=en>



Collecting and Publication of Statistical Data

6.

The CBBH compiles and publishes statistical data as an integral part of BH macro-economic statistics. Statistics production is based on the leading international methodology and practices covering three areas of macroeconomic statistics: monetary and financial sector statistics, balance of payments statistics, and statistics of government finances and financial accounts.

A range of different statistical research activities are being used in order to collect data from banks, companies, government institutions, etc. The statistics are offered free of charge to the public through publications, the official website, and the international dissemination of statistical data.



For detailed information about statistics and access to the interactive online statistics portal, visit:

<https://www.cbbh.ba/Content/Read/8?lang=en>

Along with the earlier mentioned Financial Stability Report, the CBBH also issues a number of regular publications that are useful to analysts, the media, the academic and business communities, international institutions, and the wider public.



For an overview of available publications visit:

<https://www.cbbh.ba/Content/Archive/36?lang=en>



International Cooperation

7.



For more information, visit:

https://www.cbbh.ba/content/reactions_1091?newscategoryId=68&lang=en

The CBBH is involved in all stages of the European integration process in Bosnia and Herzegovina, and contributes to BH European integration in line with its competencies. It is in charge of preparing information, data, and documents for the European Commission Annual Report on Bosnia and Herzegovina and the Economic Reform Programme. It also participates in work of coordinating and expert groups in Bosnia and Herzegovina established for the purpose of carrying out the obligations defined in the Stabilization and Association Agreement, preparation and drafting of responses to the Questionnaire upon Bosnia and Herzegovina application for membership in the European Union, and other obligations related to the European integration process.

Bosnia and Herzegovina is a member of numerous international financial institutions such as the International Monetary Fund (IMF), the World Bank, and the Bank for International Settlements (BIS). The Bank also maintains active bilateral relations with other central banks, financial institutions, and organisations such as the ECB, EUROSTAT, EBRD, EFSE, USAID, SECO, GIZ, etc.

Fiscal Agent Role

8.

Since 2002, the CBBH has served as a fiscal agent in relations with the IMF, acting on behalf of BH government bodies, thus, the CBBH performs the accounts management, funds withdrawals, settling of financial obligations, receiving and allocating the indirect taxes, depositing, and prepares the relevant correspondence.

Aside from working with international financial institutions, as a fiscal agent of the BiH Ministry of Finances and Treasury, the CBBH coordinates activities with international credit rating agencies with regards to sovereign credit rating.



For detailed information about BH membership and relations with international financial institutions, visit:

<https://www.cbbh.ba/Contentrelations/892?newscategoryId=69?lang=en>



For detailed information about BH credit rating, visit:

<https://www.cbbh.ba/Content/Read/549?lang=en>

Social Responsibility

9.

Through its activities the CBBH wishes to observe the principles of social responsibility. Therefore, it continuously works on raising financial literacy of Bosnia and Herzegovina citizens through preparation and distribution of educational materials, financial education, and organisation of informational and educational visits to the CBBH.

The CBBH is contributing to the promotion of useful financial knowledge and skills among the general public. By raising the level of financial literacy, it contributes to financial stability, but also to a greater individual financial inclusion.

In the past, the key focus was on primary and secondary school pupils, as well as university students in Bosnia and Herzegovina. These activities were implemented through various forms of interactive workshops, quizzes and debates. The aim was to use simple, fun, but also meaningful ways of teaching the participants about responsible money management, financial products and services, and overall personal finance management. Aside from these, there are also other activities for marking all relevant international events, focusing on responsible financial management, such as the World Savings Day and the Global Money Week. Another significant item is the organisation of briefings for ambassadors and journalists, with the aim to full present the role and significance of the CBBH.

Apart from financial education, the CBBH and its employees regularly get involved in humanitarian initiatives such as voluntary blood donations and collecting of aid for vulnerable groups. Every year, the Bank actively participates in socially responsible initiative, such as collection and recycling of paper and other materials.



IA BAH
LNA BANKA

Addresses of the Head Office, Main Units and Branch Offices:

- ◆ Head Office of the CBBH
25 Maršala Tita Street, Sarajevo, 71 000
- ◆ Main Unit Sarajevo
3 Mehmeda Spahe Street, Sarajevo, 71 000
- ◆ Main Unit Mostar
10 Zagrebačka Street, Mostar, 88 000
- ◆ Main Bank of Republika Srpska of the Central Bank of BH
19 Vidovdanska Street, Banja Luka, 78 000
- ◆ Branch Office of the CBBH in Pale
14 Milana Simovića Street, Pale, 71 420
- ◆ Branch Office of the CBBH in Brčko
28 Bosne srebrene Street, Brčko District, 76 100



