

CENTRALNA BANKA
BOSNE I HERCEGOVINE



ЦЕНТРАЛНА БАНКА
БОСНЕ И ХЕРЦЕГОВИНЕ

INFO

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INTERVIEW

Sam Zuckerman: For writing, it is important to translate the mathematical language of economist into non-mathematical language of the reader

Within FINRA project, component of strengthening the analytical function in the Central Bank of Bosnia and Herzegovina (CBBH), on September 3 and 4, 2019, a workshop on writing skills for economists was organized for CBBH employees. The workshop was hosted by Sam Zuckerman, a person with an extensive background in journalism and then in central banking. He is the founder and director of a training organization called Accessible Economics, which aims to help organizations to transform themselves in a way that makes economics and finances understandable to everyone, not just those who care about them. Writing for the public and speaking in public about economics and finance is not easy, because these areas are full of technical and jargon terms and it is difficult to understand for those who do not have that expertise. After a rich journalistic career lasting 25 years and working in economics and finance, winning several awards and receiving the status of Loeb Award finalist, most prestigious award in business journalism, Sam Zuckerman started to work for the United States Federal Reserve (FED) as a person who wrote speeches for senior executives, including former FED President Janet Yellen. He has been the editor of publications of the Federal Reserve Branch in San Francisco, has carried out seminars and training on editing economic publications and writing speeches for editors of economic publications and creators of Federal Reserve conferences. He has also created and led training programs for economists of the European Central Bank (ECB) and Bank for International Settlements (BIS).

We talked with Mr. Zuckerman about that how to write about economic and financial topics to the general public, what is important and what experiences he has from the CBBH during his stay in Sarajevo.

Your CV is truly impressive and respectable, you have exceptionally rich experience, especially in the field of communication and what is called writing skills in economics and finance. From the current time distance, what has been the biggest challenge for you and what kind of difficulties have you faced?

That's a difficult question, but I think maybe the biggest challenge for me was making the change from being a journalist to work at the Federal Reserve of USA, is that the culture of a newspaper is very different from the culture of a central banks. I had

to learn to be a good central banker. When I retired from the Federal Reserve, I started my own business, then the challenge was to be successful as an independent professional. And it's always a big readjustment when you go from a job where you show and work every day and become an entrepreneur, and you have to learn to find clients and work for them. I have been lucky, because I have continued writing and editing with very sharp focus on economics and finance. And because of my professional network and my background, opportunities like this, to teach writing skills from time to time, are part of my business mix. So, I have a great privilege to go to places like Sarajevo and Bosnia and Herzegovina, to meet excellent professional people and work with them.



Economics, finance, central banking - how difficult or not is it to bring topics in these areas closer to a wider audience, to a person who has little or no knowledge of it? To what extent is it possible to present such things in simple and understandable terms?

I started as a journalist. When I first started as a journalist writing about the Federal Reserve in USA, the Federal Reserve did not issue press releases and didn't explain its policy, and we had to try to understand and to interpret what the Federal Reserve is doing and write about the in a newspaper. We could not use technical terms in the articles we wrote in the



newspaper. We had to try to explain in plain language that people use every day. By the time I joined the Federal Reserve, there was an awareness, inside the Central Bank, that it was important to be able to communicate to the wide audience, not only those who understood the economists. And one of my jobs was as a speech writer for the President of the San Francisco Branch of the Federal Reserve. For that reason, we spent a lot of time and worked hard to make sure those speeches could be understood by the general public. And that is my business, to help organizations make sure that they are communicating in a clear way to people without technical background. Which is why I called my business Affordable Economics.

You've worked with and are still working with central banks, what does your experience in working with central banks tell you?

Central banks tend to be very formal organizations. They are very conservative organizations. That means they are very slow to change, slow to adapt to new conditions. That's not necessarily a bad thing, because they have a very important responsibility. For me the lesson is to respect the culture and be patient in expecting change happens slowly. But the good thing is I think that the central banks everywhere understand more and more that they need to communicate to many different kind of audiences including publics in the country, if they don't, if they are not successful in communicating sometimes politicians, and people who don't understand the mission of the central bank can put pressure to do things may not be good and reasonable at that moment. But at the same time, it is important that central banks respond to the real condition of the people. That means that it is no longer possible to be a remote institution like a castle on a hill. In the end what that means is that

the central banks around the world understand they must modernize and adapt to new conditions and be responsive to the needs of the people broadly.

You have held a two-day workshop for the staff of the Central Bank of Bosnia and Herzegovina. What did you base your lecture on?

I would also call it a workshop rather than a lecture because it was very active and with lots of participation, this is an adaptation of workshops and presentations that have been done in other parts of the world, held at central banks and other groups of economists. A part of it is a conventional business writing skills presentation, and a part of it is a focus on a special problems of communicating about economic topics. And there is nothing unusual for the central bank, specifically how to communicate economic topics that the central bank has to communicate with the public. I should add one thing and that the professional staff of the Central Bank of Bosnia and Herzegovina is very impressive, the level of their technical knowledge, the language skills, work ethic and dedication to excellence was very striking.

What is important, what should we pay particular attention to when presenting important facts in writing?

To me, the thing that is most important is to use language that nontechnical audiences can understand, is economics is a quantitative science, is based on econometrics and statistics. That's



Sam Zuckerman - in front of the CBBH building in Sarajevo

not a way that nontechnical people think, the rest of us don't think in terms of econometrics and statistics. Successful writing about economics for nontechnical audiences is essentially a translation exercise, is the translation from the mathematical world of economists to the non-mathematical world of the reader, which means to translate equations into a story. This is what I tried to emphasize most in this program, tell a story.

And finally, could you give some recommendations to all of us who are involved in writing for the needs of the institution and the general public also.

What I also emphasized during the workshop is that writing is not just sitting at the computer and typing, the work you do before and the work you do after is just as important as the work during writing. Good writing comes from clear thinking. So, that means doing what you need to do before you write is to clarify your thinking is very important, to keep points.

And afterward, it's very important carefully revise what you've written. We devoted a lot of time to that revision phase, and I said, when you finish writing, take a break, have a coffee, put down your writing. And then come back with fresh eyes. And then do it again, until you feel that it's right. And that way, you have a product that is much better than the first thing you wrote, I always say take your finger of the "send" button and wait, that was the message I tried to convey.

VICE GOVERNOR RASPUDIĆ AT A CONFERENCE IN ALBANIA

Transformation through digitalization

On October 11, 2019, the Vice Governor of the Central Bank of Bosnia and Herzegovina (CBBH), Želimira Raspudić was in Albania where she attended the conference entitled „A Brave New World? The Future of Banking in Emerging Europe. Rethinking Size, Structure, Ownership, Policies and Incentives“. The conference was organized by the Bank of Albania and London School of Economics and Political Science (LSE), and within the conference, Vice Governor Raspudić held a presentation „The future of banking and financial services, the most promising trends of development“.

At the beginning of her presentation, Vice Governor Raspudić stressed that banking may still look much as it does today in the next year or two, but the future of the

banking industry will depend on its ability to leverage the power of customer insight as well as on advanced analytics and digital technology to provide services that help today's tech-savvy customers manage their finances and better manage their daily lives. In connection with banking and financial services, trends are particularly connected with the digital transformation process in banks. On the one hand, these trends have an effect in the digitalization of internal business processes in banks, while on the other hand they are changing distribution channels with the strengthening of mobile and Internet banking, as well as Customer Relationship Management. Although the digitalization will influence lower bank costs in the future and decrease employees, in Bosnia and Herzegovina and in other SEE countries, the processes associated with digitalization are seeking increased investments related to information-communication technologies.

In the context of banking services in Bosnia and Herzegovina, also in SEE countries, financial systems are predominantly bank-based, in Bosnia and Herzegovina, as in the other countries of the region, the reduction in the number of branches is not strong as in Central, Western and Northern Europe. According to IMF survey there are 55, 44 ATMs and 30,31 branches of commercial banks per 100.000 adult population. "Banks in Bosnia and Herzegovina should particularly consider the balance between the number of branches and digital channels of financial services. Bank customers in Bosnia and Herzegovina are undoubtedly more likely to use branches in comparison to banks in Western and Northern Europe", said Vice Governor Raspudić. In light of this, according to the Vice Governor, Bosnia and Herzegovina's banks will face several challenges, including the challenges of strengthening investment funds and competition of non-banking financial institutions.



It also includes the effects of the EU accession process resulting in accepting the legislative framework regarding the Payment Services Directive 2 (PSD2) and the effect of fintech providers on the traditional access to payment operations, and close collaboration between fintechs and banks due to increasing demand for products and services from fintech firms and large tech companies. Over the past few years, traditional financial institutions and non-traditional fintech firms have begun to understand that collaboration may be the best path to long-term growth. The rationale for cooperation is the ability to bring strengths of both banks and fintech firms together to create a stronger entity than either unit could bring on their own. For most fintech organizations, the primary advantages are an innovation mindset, agility, consumer-centric perspective, and an infrastructure built for

digital use. Alternatively, most banking institutions are large, with a stronger brand recognition and established trust. They also have adequate capital, knowledge of regulatory compliance and an established distribution network

The CBBH has been working on EU standardization, streamlining and accelerating payment transactions in Bosnia and Herzegovina, introducing SEPA standards. As the CBBH is responsible for the country's payment transactions and financial stability, changes in financial technology impose the need of monitoring and implementing technological innovations that affect the way in which banking operates, concluded Vice Governor Raspudić her presentation at the conference in Albania.

DECISIONS



The CBBH changed the remuneration rate on excess required reserves

The Central Bank of Bosnia and Herzegovina (CBBH) adjusted the remuneration rate on excess required reserves with the European Central Bank's (ECB) new deposit facility rate. The rate is further reduced from the current -0.40% to -0.50%. The remuneration rate on required reserves has remained unchanged.

The change of remuneration rate is based on the policy of remuneration on funds in reserve accounts with the CBBH, which has been in effect since May this year. With the new policy, adopted by the Governing Board of the CBBH, the remuneration rate on excess required reserves has been made equal with the Deposit Facility Rate of the ECB. Among other things, at its meeting held on 12 September 2019, the Governing Council of the ECB adopted the decision on reducing the deposit facility rate by 10 bp, from current -0.40% to - 0.50%.

DATA

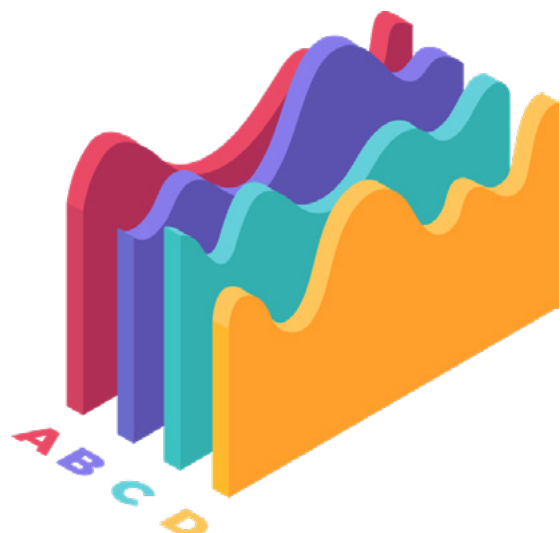
In the first six months, the foreign direct investments in BH amount to KM 650.1 million

Foreign direct investments in Bosnia and Herzegovina, in the first six months of 2019, amounted to KM 650.1 million, of which KM 252.8 million in the first quarter and the rest in the second quarter of 2019. There is an increased inflow compared to the same period last year, when KM 423.3 million was recorded.

In terms of components, the majority of investments were realized in the form of equity shares which amounted to KM 304.8 million, while retained earnings amounted to KM 293.3 million. The largest investments in the first six months came from Russia, KM 265.1 million, followed by Croatia, KM 114.2 million and the Netherlands, KM 83.1 million.

The Central Bank of Bosnia and Herzegovina (CBBH) has upgraded the available foreign investment statistics, as quarterly levels of retained earnings are now provided for the first time. In this way, users will have more detailed

information before conducting a full annual FDI survey. It is important to keep in mind that direct investment is a very dynamic category of flows, and especially a component of retained earnings that can change significantly during the year, depending on the decision of foreign investors to pay dividends. The final annual amounts may, therefore, differ significantly from the annual amounts, which should be kept in mind when making projections.



CREDIT RATING

S&P confirmed Bosnia and Herzegovina's credit rating

The international rating agency Standard and Poor's (S&P) announced that the credit rating of Bosnia and Herzegovina remains „B“ with positive outlook.

The positive outlook reflects the expectations of analysts that economic perspective of BH would improve, if the government is formed by the end of the year, as well as, the expectation that a new government would

regulate the status of the program with the International Monetary Fund (IMF), which would accelerate reforms and make possible the access to funding for important infrastructure projects.

According to the analysts, the credit rating could be upgraded in next 12 months if a lasting government is formed that promotes the resumption of structural reforms. In that case, the analysts would expect a reopening of a dialogue with the IMF, a firmer grasp over the financial positions of BH large public nonfinancial companies, as well as, taking steps to decreasing the grey economy. On the other hand, the report states that the rating would be downgraded if a government is not formed and reforms are not revived.

The rating has been B with positive outlook since 8 March 2019, when this Agency upgraded the outlook for long-term rating of BH from stable to positive, which was the first upgrade of the outlook for long-term rating of BH by S&P since 2012.

STANDARD & POOR'S

DATA

Remittances from abroad for the first six months of this year amounted to KM 1.32 billion

According to the Central Bank of Bosnia and Herzegovina (CBBH) data on remittances for the first six months of 2019, as of June 30, 2019, remittances from abroad amounted to KM 1.32 billion. This represents a 2 % increase compared to the same period of last year.

In 2017, remittances from abroad amounted to KM 2.65 billion, and in 2018 KM 2.7 billion.

The reasons for the increase in remittances from abroad are the better financial status of people who live in diaspora from earlier period, and the increasing number of migrants from BH, living abroad, who are starting to deliver money to their homeland.




PROJECTS

The upgrading of the CRC of legal entities and natural persons in Bosnia and Herzegovina successfully completed

The Central Banks of Bosnia and Herzegovina (CBBH) has successfully completed the project of upgrading and improving the functioning of the Central Registry of Credits of legal entities and natural persons in Bosnia and Herzegovina, which is an electronic collection of data on credit and other debts of legal entities and individuals.

The Credit Registry of legal entities includes following

categories of debts: loan, letter of credit, guarantee, credit cards, factoring, leasing and other debts. The Credit Registry of natural persons includes following categories of debts: loan, letter of credit, guarantee, credit cards, leasing and other debts.

A very significant improvement is the fact that the upgraded Registry operates on the principle of „ a real time“ data processing. This includes updating the Registry „ in real time“ after the financial institutions correctly provide the information during working hours, further reinforcing the relevance of the Registry data. By the Decision on the CRC, with indicating the purpose and legal basis for accessing the data, the direct access to the data from the Registry through the Internet 

is allowed to the entities' Banking Agencies, courts, prosecutors, attorneys general, internal affairs authorities and police departments, which allows faster and more efficient performance of the activities carried out by these institutions. The banks, microcredit organizations, leasing companies, factoring companies and every other company under the jurisdiction of competent entity Banking Agency may, upon a written request from a legal entity or individual, issue individual Registry report. The list of institutions issuing the reports is available on the CBBH website.



ALONG WITH THE WORLD SAVINGS DAY

Household deposits amount to KM 12.89 billion

According to the data of the Central Bank of Bosnia and Herzegovina (CBBH), at the end of September 2019, the total household deposits with commercial banks in BH amounted to KM 12.89 billion, which is the highest recorded level.

Observing household deposits by maturity structure, time and savings deposits in September 2019 amounted to KM 5.66 billion or 43.9 % of the total household deposits, of which short-term deposits amounted to KM 478 million and long-term deposits to KM 5.18 billion. Transaction accounts and demand deposits accounted for KM 7.23 billion or 56.1 % of the total household deposits.

Citizens in BH have been continuously increasing their deposits, thus the increase was as much as KM 1.06 billion or 8.9 % compared to the end of September last year. However, there are significant differences in the pace of growth depending on the type of deposit. The fastest growing were transaction accounts, which increased by 17.3 % (KM 562 million), followed by demand deposits, which increased by 9.4 % (KM 293 million). Time and savings deposits, which reflect real savings, were also growing, but at a slower pace, and on an annual level they increased by 3.8 % (KM 204 million), which indicates that citizens still do not have possibilities for abundant long-term savings. However, it should be taken into account that there are other forms of savings, such as insurance policies, etc.

In terms of currency structure, household deposits in the local currency amounted to KM 5.52 billion, which is 42.8 % of the share, which is significantly higher than 6 years ago when the share of deposits in the local currency was 38%. Deposits in euro amounted to KM 6.74 billion or 52.2 %, while deposits in other foreign currencies amounted to KM 638 million or 5 %.

Citizens decide to save for a number of reasons and motives - for extraordinary circumstances and emergencies,

for worrying about a possible decline in purchasing power in the future, for larger or smaller purchases, to avoid borrowing, for old age to supplement pension or health insurance. A stable domestic banking sector, with a reliable deposit insurance system, provides a guarantee to the citizens to keep their funds in their bank accounts, through which they carry out current transactions or save for later periods. Household deposits' share in the total deposits with commercial banks is the highest, 55.2 %, therefore, they represent an important basis for financing and functioning of banks. Based on this trust and the entrusted resources of citizens, banks are able to finance and contribute to a more efficient functioning and growth of the economy, and to help reduce informal transactions.

The World Savings Day is marked on October 31st every year. On that day in 1924, the First International Savings Bank Congress was held in Milan, at which representatives of the World Savings Institutions sought a way out of the crisis caused by World War I and concluded that saving was urgently needed for development. The World Savings Day has also been established to popularize savings across the globe.

For many years now, the CBBH has been carrying out a number of activities to host pupils from primary and secondary schools in BH. These activities are aimed at creating awareness of the importance of responsible money management and the importance of saving from the earliest age. The central celebration of the World Savings Day was organized this year in the Main Bank of Republika Srpska of the Central Bank of Bosnia and Herzegovina in Banjaluka, and similar activities were carried out in other CBBH main units and branches.



EVENTS

By visits of primary and secondary school pupils, the CBBH marked the World Savings Day

On the occasion of the World Savings Day, marked on October 31, 2019, as a part of the financial education program being implemented for several years, this year the Central Bank of Bosnia and Herzegovina (CBBH) organized the central celebration of the World Savings Day at the Main Bank of Republika Srpska CBBH Banja Luka (MBRS CBBH). On that occasion, a visit by the pupils of the Primary School „Ivo Andrić” from Banja Luka and the Economic School of Banja Luka was organized.



This year's World Savings Day was also marked in the Main Unit Mostar CBBH premises, on October 28, 2019, by visits of the pupils of the Public Institution „Mostar Sixth Elementary School” and of pupils from Mostar Gymnasium Fr. Grga Martić, then in Pale, on October 29, 2019, in the premises of the elementary school „Srbija” and the Pale High School, in the CBBH Brčko Branch premises on October 30, 2019, by visits of the pupils from the First, Second, Third, Fourth and Fifth Elementary Schools of Brčko District and pupils from Public Institution High School of Economics Brčko District, and in Sarajevo, on November 1, 2019, by visits of the pupils from Elementary School „Isak Samokovlija” from Sarajevo and Elementary School „Jovan Dučić” Kasindo – Istočna Ilidža and pupils from the Second Gymnasium from Sarajevo and High School “Sapna” from Sapna to the Sarajevo CBBH Main Unit.



During the visits, elementary school pupils were educated through a presentation entitled „Little School of Money”, while the high school pupils, through presentations, were informed about the CBBH and its tasks, as well as the need to manage money, financial products and savings. These presentations and related activities are intended for primary and secondary school pupils in order to create awareness of the importance of smart money management and the importance of saving from the earliest age. Publications were distributed to pupils- a brochure for children called „Novko i Novčica u svijetu novca“, and for high school pupils a brochure „Saznaj sve o novcu” and a leaflet entitled „Šta je štednja?”.



This and similar events organized on the occasion of the World Savings Day are the integral parts of the financial education that the CBBH has conducted in recent years with the aim of strengthening financial inclusion and responsible financial management for the benefit of the economic development and growth of Bosnia and Herzegovina. So far, the CBBH has opened its door to pupils of many primary and secondary schools and students from all over Bosnia and Herzegovina and universities outside Bosnia and Herzegovina. These activities were carried out as a part of the Financial Education and Inclusion Promotion project implemented by the CBBH with the support of the European Fund for South East Europe - Development Facility (EFSE DF).



FINANCIAL EDUCATION AND INCLUSION

Planned activities of the Financial Education Expert Team

The Financial Education and Inclusion Expert Team held a meeting on August 30, 2019 to discuss the planned activities of this team by the end of 2019.

The Expert team considered New Work Plan for the coming period proposed by partner institution of European Fund for Southeast Europe - Development Facility (EFSE DF), publications that were completed under the auspices of EFSE DF, proposal of EFSE DF for holding a workshop for Expert Team members, financial education web page, and activities for the Savings Day in 2019. Within the Work Plan for the following period, a general work plan was adopted according to which in 2020, in addition to regular activities related to the marking of the Global Money Week and Savings Day, the Expert Team agreed to take over three activities that will be implemented with the support of EFSE DF. At the meeting, the publications „Centralna banka Bosne i Hercegovine – Uloga i značaj” and „Saznaj sve o novcu” were presented, and the EFSE DF proposal for holding a workshop for Expert

Team members was discussed and accepted, and the Team members expressed their attitudes on topics and time schedule. The meeting was also an opportunity to present the financial education web page on the CBBH subdomain. The concept of the web portal design has been adopted, noting that it will not be published before all available material has been posted. On this portal, materials prepared so far (brochures, presentations...) will be published, and the site will provide some forms of interactivity, such as the ability to announce the visit online, and quizzes. The proposals for activities for the Savings Day 2019 were considered, and it was concluded, among other things, that the central event on the Savings Day will be organized in Banja Luka (last year it was in Mostar) and that all CBBH main units and branches would be offered the opportunity to individually organize a Savings Day event.

The meeting of the Financial Education and Inclusion Expert Team preceded the workshop for the development of an Activity Plan for providing financial education services within the CBBH activities, organized by EFSE DF. The purpose of the one-day workshop was to internally review and adjust attitudes, needs, opportunities, resources, deadlines, and accordingly to create an Activity Plan for 2020 to provide financial education services within the CBBH activities.

AWARDS

The “Golden BAM” awards presented at the Night of the Bankers

On September 12, 2019, the Night of the Bankers „Golden BAM” was held at the Holiday Hotel in Sarajevo, during which the prestigious awards „Golden BAM” were presented for the 17th consecutive year by the business-financial magazine „Banks and Business u BH” to the most successful banks, based on the reports of independent auditors for business operations in previous year.

The awards were handed over to the representatives of the banks by the Governor of the Central Bank of Bosnia and Herzegovina, Senad Softić, Ph.D. Unicredit Bank d.d. Mostar won two „Golden BAM” awards, for the largest assets and the largest total equity. NLB banka ad Banja Luka also won two „Golden BAM” awards – for ROE – the highest return on equity and ROA – the highest return on assets. Nova banka ad Banja Luka was awarded for the largest assets of the banks with predominantly domestic equity, Raiffeisen Bank dd BiH Sarajevo for the largest equity, and Komercijalna banka ad Banja Luka for the largest growth of deposits.

Special awards were also presented at the Night of the Bankers – „Golden BAM” for successful individuals and organisations providing the banking and financial sectors with diverse products and services.



THE CBBH AND EURO INTEGRATIONS

Within the EU regional project „Strengthening the Institutional Capacity of the Western Balkans Central Banks to Integrate with the ESCB“, representatives of the CBBH attended two seminars. The program is a continuation of earlier successful European Central Banking System (ESCB) programs and is intended for candidate countries and potential candidates from the Western Balkans covered by the IPA Regulation. The aim of the Program is to further strengthen the institutional capacities of central banks of the Western Balkans and two banking supervisory agencies in Bosnia and Herzegovina, primarily through the strengthening of analytical capacity and policy-making tools, and through the transfer of the best international and European standards into national practices. Seminars and trainings within this program provide excellent perceptions by end users - seminar participants, exchange of knowledge and experience, strengthening the network of contacts, and are an adequate combination of lectures and interactive assignments.

EU integration, process management and EU convergence

From October 2 to October 4, 2019, at the Bank of Lithuania, the training was held on topics of the EU integration, process management and the EU convergence. The training was attended by the Western Balkans central banks, which are candidates or potential candidates for the EU, while the central banks of the new EU member states, Lithuania, Bulgaria and Poland, shared their experiences with the participants. In addition to the Central Bank of Bosnia and Herzegovina, the training was attended by representatives of banking agencies from Bosnia and Herzegovina, since they are responsible for banking supervision.

The management of the EU integration process also depends on the stage of accession to the EU and the EMU. The EU central banks have similarities that may help the Western Balkans central banks in the future. In addition to the ESCB platform called DARWIN, central banks have established an internal electronic management platform, or DMS (Document Management System), which enables clear coordination and monitoring of processes, involvement of all relevant officials and the management of EU documents. In the advanced stage of accession to the EU and the EMU, the volume of EU documentation and the number of staff recruited is significantly increased and complicated, which, in addition to expertise in business areas, entails management skills and appropriate IT solution.

Regarding the institutional preparations for the EU and the EMU, the National Bank of Bulgaria presented its example of developing a roadmap for European integration, with the aim of having a comprehensive document of a reference list of tasks, activities and plans for human and financial resources. The final roadmap was preceded by a series of documents

such as reporting procedures and action plans by business areas, including the appropriate IT solution for management and coordination. The Roadmap contains membership-based obligations for the preparations and meetings of the Governing Council of the European Central Bank (ECB), the ESCB Committees and Working Groups, as well as tasks related to EU and EMU membership by business areas: the implementation of the ECB's monetary policy, foreign exchange operations, holding and managing reserves, issuing EUR banknotes, payment systems, financial reporting in accordance with the ECB guidelines, reporting and budgeting relating to the membership in the ESCB. The National Bank of Bulgaria prepared a road map with the help of an EU twinning project with the Bank of France and the Bank of the Netherlands. In this way, in the case of the Western Balkan countries, the experiences of the central banks of the new EU member states are useful, including those with the currency board arrangements pegged to EUR (Bulgaria and Estonia).



Training in the field of payment systems

In the period from 23 to 25 September 2019, in Rome, under the auspices of the European Union, with the coordination of the ESCB and other national central banks, a seminar was held, with speakers from Banca d'Italia, Deutsche Bundesbank and Banque de France. The seminar was designed as a training event in the area of Payment System I, with a reference on the payment system from the regulatory, project and operational aspects, taking the TARGET Payment System of the European Union as an example. The seminar was attended by the



representatives of central/national banks from the Western Balkans countries.

Historically, the basis for the development of the EU payment system can be perceived through an understanding of the role of the central bank. That role can be perceived through the monetary policy being implemented and through financial stability. Before the introduction of the euro, there were many currencies and payment systems were directed to national financial markets, which made cross-border banking difficult and more expensive. The above mentioned resulted in the introduction of the euro and the opening of the market, which created the need to creation of new common payment systems. This is how the Trans-European Automated RTGS Express Transfer System (TARGET) was created. It initially allowed settlement of central bank operations, large settlements with large amounts between banks and other payments in EUR. Initially, it was TARGET 1 (1999-2007), based on the RTGS systems of the EU member states, and later when TARGET 2 (2007) was introduced, it was based on a new technical platform. After TARGET 2, TARGET 2-Securities was introduced in 2015. TARGET 2 and its newer version TARGET 2S systems are the basic payment systems of the EU and provide services to all EU member states.

The development and maintenance as well as the operation of the systems are coordinated through three EU banks, Banca d'Italia, Deutsche Bundesbank and Banque de France. Each of these banks is responsible for developing and implementing one part of these systems. Banca d'Italia developed a project for the whole EU, the so-called TIPS

which implies instant payments. TIPS is also part of the TARGET services and has coverage in central bank money. TARGET coverage for TIPS implies secured liquidity and also ensures that there is no credit risk for participants, because the money of central banks is used. TIPS is a novelty that implies the payment systems operation 24/7, 365 days a year. It is based on the legal frameworks of the four central banks that are part of the Eurosystem. Its members, Banca d'Italia, Deutsche Bundesbank, Banque de France and Banco De Espana, constitute the management system of TIPS. Banca d'Italia and Deutsche Bundesbank are in charge of the „Eurosystem Market Infrastructure Portfolio“ (EMIP), and Banque de France and Banco De Espana are in charge of the „Eurosystem Shared Application Platform“ (ESAP).

Application of the acquired knowledge will be useful in understanding the EU's payment systems that the Western Balkans countries aspire to. The presented technologies and payment systems through T2, T2S systems, and now TIPS as instant payments, open new opportunities for both the Central Bank of Bosnia and Herzegovina (CBBH) and all other participants of the payment process in the future. The activities that can be taken in relation to this seminar are certainly an improvement in terms of understanding the TARGET payment system (T2 and T2S), as they represent something that the CBBH will develop and implement in the future. This applies in particular to the newly created real-time payment system, the instant payment TIPS which has not yet fully come to life since it has been launched not so long ago, in 2018.



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The background is a vibrant yellow with a diagonal line running from the top-left to the bottom-right. Several large, five-pointed stars are scattered across the page, some overlapping the diagonal line. The stars are a slightly darker shade of yellow than the background.

CBBH INFO

September - October