



Senad Softić
Governor

Conference „20 Years of Stability“

Governor Senad Softić, Ph.D. Welcome speech

Sarajevo, 22 September 2017

Your excellencies, distinguished guests,

I would like to welcome you to this Conference and thank you for recognizing the importance of our institution's anniversary.

Central banking in Bosnia and Herzegovina has a history much longer than 20 years.

However, Bosnia and Herzegovina, as a sovereign country, has established its first Central Bank (the Central Bank of Bosnia and Herzegovina) in 1997, with a mandate guaranteed by the Constitution to implement monetary policy throughout the entire country under the currency board arrangement.

The main objective of the Central Bank has been to achieve and maintain the stability of domestic currency, the convertible mark, the only legal tender in Bosnia and Herzegovina. The task was very complex because at that time there were four currencies in use in Bosnia and Herzegovina.

The Constitution defined that the first Governing Board of the Central Bank would include the Governor appointed by the International Monetary Fund in consultation with the Presidency of Bosnia and Herzegovina, and three members nominated by the Presidency of Bosnia and Herzegovina. Due to specific circumstances related to the establishment of the Central Bank, it was also defined that the first Governor would not be a citizen of Bosnia and Herzegovina or a citizen of any of the neighboring countries.

In the years of Central Bank development that followed, we saw three phases.

The main functions of the Central Bank, as defined by the Central Bank Law, were established in the period until 2000. Since 11 August 1997, all prices and all payments have been denominated in convertible marks. Since the beginning of 1999, the convertible mark has been the only legal tender in internal payment operations, supported by the modern payment systems in the Central Bank of Bosnia and Herzegovina, introduced in 2000. During this time, the Central Bank was growing and expanding the network of its organizational units in Sarajevo, Mostar, Banja Luka, Brčko and Pale.

During the following ten year period, the focus was on the strengthening of the financial system and macroeconomic stability. Since the very beginning of our operations, long before other institutions in the country, we have recognized the importance of macroeconomic statistics and invested efforts in its development. Having in mind the significance of macroeconomic statistics for the public, and by implementing constantly the adjustments with the international standards, we have managed to provide the international relevance of our country.

By using the mechanism of banking supervision coordination, we have managed to consolidate the data from Entities' Banking Agencies, reporting on the financial soundness indicators for the entire banking system.

Several years later, these activities resulted in:

- the continued monitoring of systemic risks in the Standing Committee for Financial Stability, chaired by the Central Bank,
- regularly performed macroeconomic stress tests, and
- the signed memoranda on understanding and cooperation with regulators from the home countries of the banking groups operating in Bosnia and Herzegovina.

We have also established the Central Credit Registry which helps banks to manage risks, having insight into the credit histories of their clients in the entire country.

Our cash operations underwent a serious test in October 2008, when, our citizens, in panic, withdrew significant amount of deposits from banks in only several days. Thanks to the prompt response, we provided enough foreign currency, mostly euro, confirming in that way the full coverage of the convertible mark.

During the recent years, in the third phase, the Central Bank has had an increasing prominent role in fulfilling the international obligations of our country. During this period, we continue to strengthen our functions and resources.

In addition to regular publications, we prepare other analytical publications, such as the ECB Assessment on Financial Stability for EU Candidate and Potential Candidate Countries.

We have representatives in many working bodies, groups and institutions at the local and international level, particularly in the European integration field, for example, with the aim to prepare the answers for the European Commission questionnaire.

Through the intense cooperation between the Central Bank and its partner institutions, such as the European Central Bank, we are working on:

- the implementation of new rules and policies,
- changing our practices and
- training our staff in compliance with the European standards.

This contributes to the development of the culture that will help the entire society to recognize the Central Bank's independence as a public interest.

We also highly appreciate the support of the International Monetary Fund, which had a key role in the establishing of the Central Bank twenty years ago. We hope that such support will continue in the future, especially in the activities aimed at the strengthening of the banking system in Bosnia and Herzegovina.

We also appreciate the valuable support which we received during this period from the Office of the High Representative in Bosnia and Herzegovina and institutions such as the World Bank, USAID, GIZ and other, for significant projects we implemented together.

In the future, the Central Bank will continue with its mission to:

- harmonize with the EU standards,
- modernize and improve its work, payment systems, cash management operations,
- increase institutional quality by using the best practices and experiences of other, fully developed central banks.

In the end, allow me to say that I am proud that the Central Bank is a fully independent, credible and transparent central bank, presenting the anchor of the country's macroeconomic stability.

For all these years, in the complex reality of Bosnia and Herzegovina, one thing has been certain: the value of convertible mark, expressed in euro, has never been questioned.

I also have to emphasize that this institution's successful performance is brought about by its human resources. The Bank's highly skilled employees have been dedicated to developing this institution and achieving the results that we are proud of today. The success that we have achieved during the last twenty years and the contribution we have made to the society that we serve are largely due to the trust invested in the Central Bank.

Therefore, my dear colleagues, representatives of the government and friends, representatives of the media that have professionally reported on our work, thank you for the support that you have always provided to the Central Bank and its objectives! The Governing Board, the Management and the employees of the Central Bank will continue to work in the way which will prove worthy of your confidence.

Thank you once again for celebrating with us this important anniversary and we wish you a pleasant stay in Sarajevo and Bosnia and Herzegovina.

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