

# **Transcript of the Press Conference in Mostar**

## **Avis Benes - OHR**

Good morning Ladies and Gentlemen. Welcome to the press conference of the IOs seated in Mostar and some other, which are not international. I apologize for the delay but I hope that this what we have to say today is worth waiting for. Given that the essence of today's press conference in Hercegovacka Banka, we will first deal with the issues that are not pertaining to this matter and then we will switch to the Hercegovacka Banka. Since our colleague Luka of the OSCE has nothing to say today, he will be at disposal for your questions.

I would like to give the floor to SFOR.

## **Lt. Col Euler - MND SE**

Dobar dan dame i gospodo, Today I have one statement for you about a scheduled explosive destruction. After the war, some explosives and devices have been stored by a Private Company in a building, which is now located in the 5<sup>th</sup> VRS Corps Weapon Storage Site at Rudo. The critical state of part of these ammunitions could be hazardous for people working or living in that area. However, even if the building is now a military site, it still belongs to the company. To support VRS and local authorities to solve the problem, MND-SE specialized teams conducted a technical inspection two weeks ago. This inspection put into evidence the urgency to destroy some dangerous ammunition and devices. In that sense, a first destruction session conducted by MND-SE teams will take place on Thursday, 8 November 2001, from 10 in the morning until the late afternoon, in a destruction point, at the Kalinovik range.

Thanks for your attention

## **Avis Benes - OHR**

Two brief statements from the OHR before the banking issues.

The first one is not a statement but rather a reminder on the PLIP statistics issued for the month of September. I shall not elaborate on this as you all can read the statistics and make your own conclusions. Also, press release was faxed to all of you yesterday.

The second issue is something that we have been repeating over the last several press conferences but which is of such a concern that we consider it to be worth repeating. There will be no need for a translation as you all can get the English version afterwards. Thus far, OHR South has been raising the issue of looting of apartments and houses on vacation by the illegal occupants on a regular basis. Such behavior is vile and wholly unacceptable. Last week the Cantonal Prosecutor reminded the Heads of Municipalities in Herzegovina Neretva Canton of their obligation to ensure that their respective Municipal Prosecutors are advised of all cases of looting in order that legal proceedings can be initiated against the perpetrators. Namely, I'll quote his letter: "We consider that this wildness and robbery by those irresponsible individuals should be put to an end by prosecuting them for criminal acts of robbery and looting of someone else's property." Once again he reiterated this both to the Municipal Prosecutors and Municipal Housing Offices whose official duty is to file a criminal charge for such cases. "It is your legal obligation to make a property inventory list with a detailed list of all the stolen or damaged items during the process of the hand-over between the former owners and the persons who have been using that property, and then to file a criminal charge against the perpetrators for criminal acts of robbery and destruction of someone else's property". The OHR and the International Community fully supports the work of the Cantonal Prosecutor in this matter. We also wish to remind both the Heads of Municipalities and the Municipal Prosecutors that they must ensure that looters of property are prosecuted. OHR staffs involved in the implementation of the property laws will take action where the authorities fail in their legal obligations.

My third point refers to the press release that we issued this morning. I will go through it shortly and there will be no need for translation.

The High Representative, Wolfgang Petritsch, yesterday issued a Decision amending the Law on Banks of the Federation of Bosnia and Herzegovina. This was publicly announced last night in the HTV OSCAR C show in which he was the guest. This Decision will allow the Provisional Administrator of a bank to pay out funds on deposit up to 5000 KM, subject to the availability of funds, and, if necessary, on a pro rata basis, before a completed report on the bank has been sent by the Administrator to the Banking Agency. Such pay-outs will be made at the discretion of the Provisional Administrator, and arrangements for such pay-outs will be the responsibility of the Provisional Administrator. The Decision does not affect accounts whose ownership is not transparent, or deposits other than cash deposits, or assets kept in a bank's safe-deposit box. Nor does this Decision enable the payment of deposits or loans which have been subject to special rates or other financial concession that may have helped aggravate a bank's financial condition. One important thing to note is that management, and shareholders of at least five percent of a bank's capital, and persons responsible for carrying out statutory audits of a bank's accounting documents are not entitled to this discretionary pay-out, and payments cannot be made to the relatives or proxies of such persons. The High Representative has amended the law since in its existing form it does not allow the payment of funds to small-deposit holders while a bank is under Provisional Administration. This Decision may thus reduce the time that small-deposit holders must wait before getting their deposits back. The amendment comes into force immediately, and will be published in the Official Gazette of the Federation of BiH.

I think that statement of our today's guest, Johan Verheyden, Spokesperson of the Provisional Administration of Hercegovacka Banka, corresponds very well to what I have said. I would like to give the floor to Johan.

### **Johan Verheyden - PA of Hercegovacka Banka**

Good morning to you all, it is good to be back in Mostar again.

I would first of all like to elaborate and expand on a number of issues the High Representative, Wolfgang Petritsch, raised yesterday in his TV address, i.e. the way in which some of the shareholders purchased their shares. Last night, the High Representative was talking about the way in which one of the companies purchased shares in Hercegovacka Banka, through the loan from Hercegovina Osiguranje, and then asked for the loan from Hercegovacka Banka in order to return the loan to Hercegovina Osiguranje. The story is a bit more complex than this circle itself. One of the elements that I would like to explain here is how it was carried out realistically. The procedure is a complicated one and therefore I would like to distribute the scheme, which can help you understand this procedure better. If there are electronic media that would like to save it on a disk we can talk after the press conference.

First of all – the acquisition of shares in Hercegovacka Banka by Antonio Trade, a company from Grude:

1. 07/07/2000: 2 million KM loan from Hercegovacka Banka to Elektroprivreda to make advance payments for life insurance
2. 06/07/2000: 2 million KM advance payment for life insurance from Elektroprivreda to Hercegovina Osiguranje
3. 07/07/2000: 2 million KM loan from Hercegovina Osiguranje to Antonio Trade paid for with Elektroprivreda life insurance money
4. 07/07/2000: Antonio Trade purchases shares in Hercegovacka Banka for 2 million KM
5. 28/12/2000: 2 million KM pledge from Hercegovina Osiguranje as a collateral for Antonio Trade's request for a loan for 2 million KM

6. 28/12/2000: Hercegovacka Banka loans 2 million KM to Antonio Trade

7. 29/12/2000: Antonio Trade paid back 2 million KM loan from Hercegovina Osiguranje with Hercegovacka Banka loan

Mr. Antonio Ljubic is one of the loudest when it comes to the issue of return of credits. He kept asking us as to why are we not asking from citizens and companies to return the credits. However, Antonio Trade has not returned the credit either. He is not the only one. The total capital of the bank amounts to 20 million KM, yet the shareholders have taken out loans that amount to a total of 19.5 million KM. These loans are not always being paid back which means that there is no risk in this bank for the shareholders. They have already taken out the money they have put in. Is not it sad? As the High Representative stated last night, this was a self-service Bank, a self-service for some people.

Secondly, in spite of the blocking of the bank accounts because of the PA, employees in many branches of the bank continued to make transactions, often to their own benefit or to the benefit of friends and family. They withdrew their savings, with interest and often even overdrawed their accounts. According to the bank's policy, interest can not be charged on early withdrawals. Not only did they empty their own accounts, but often falsified the signatures of friends or acquaintances to withdraw money for them as well. Banking is based first and foremost on trust – the depositor comes first – employees should always put the interests of the (small) depositors before their own. It did not happen in this case. Roughly 1000 withdrawals, amounting to 2,5 million KM, were made on April 6, 2001 and in the days after. This immediately lowered the amount of cash available to the depositors, thus lessening their chances for a full pay-out of their deposits when the PA will start with the pay-out. These withdrawals did not only violate the banking law but also the bank's own policy and moral and ethics that banking business should have. Managing a Bank is not like managing a store, the Bank's business operations are being carried out with someone else's money and this is very difficult issue.

Thirdly, the bank was established under the guise of being «...a bank for the common Croat people...» yet in reality, it are a few chosen ones that reap the benefits of the bank and the other companies around. As I said earlier, the total capital of the bank amounts to 20 million KM, yet the shareholders have taken out loans that amount to a total of 19.5 million KM. These loans are not being paid back or in small amounts. The founders claim that Hercegovacka Banka was created to support the common citizen and the development of small businesses. But now, one can question whose business was actually being supported.

As Avis always says: “šecer dolazi na kraju” — The Provisional Administrator of Hercegovacka Banka d.d. Mostar, Ms. Toby Robinson, welcomes the Decision of the High Representative amending the Law On Banks Of The Federation of Bosnia and Herzegovina. The Provisional Administrator especially welcomes the possibility to pay the small depositors of the bank up to 5000,00 KM – this will help alleviate the difficulties a lot of the ordinary citizens are facing. Ms. Robinson and her staff are currently studying the implications of this Amendment to the Law. The Provisional Administrator would like, however, to appeal to the understanding of the depositors of Hercegovacka Bank not to start rushing to the nearest branch office demanding their savings – all depositors will be contacted by their Hercegovacka Bank Branch Managers in the coming days. This is very important and I would like to appeal on media to put an emphasis on my last point. Yes, small depositors will receive up to 5000, 00 KM. This process will start in the forthcoming days. However, this is a very complicated process. First of all, we need to locate these people, find the way to inform them, how much money they have on their accounts, whether or not they took loans from the bank, whether or not they have connections with the Bank employees, etc. There is an organization part of action that we have to complete and it will take a couple of days. I hope that we shall be able to start contacting small-depositors of the Bank next week via Bank branch offices, in order to jointly determine the situation on their Bank accounts. So, people should not start rushing to the nearest branch office but wait until they receive a call from Directors of Branch Offices.

## Questions

**Q: Leo Plockinic (Hrvatska Rijec):** I have a question for Mr. Verheyden. Why are the Provisional Administration, Provisional Administrator Toby Robinson and her personnel being financed by the deposits of the Hercegovacka Banka?

**A: Johan Verheyden:** First of all, Ms. Robinson is employed by the OHR. Her personnel is being financed by various sources, mainly through the International Organizations, except for the employees of the Bank itself, former employees of the Hercegovacka Banka, who are receiving salaries from the Bank resources, although the Provisional Administration should be financed by the Bank resources as outlined by the Law on Banking. Taking into consideration that the Bank is currently making no profit, the only capital the Bank has is deposits. However, when it comes to the payments to small depositors, this is very often being presented as if we are taking money from the small depositors. No. When the moment of payment to small depositors comes and all the way through to the final payments, then there is an issue of so called categorization where small depositors are always category one. Namely, common people are always first to receive their money back. Then, we go along the list. If there is anything left the last to receive are shareholders. Among those who will be the last to receive money back are also Government institutions. Namely, small depositors are exposed to the smallest degree of the risk. However, the Law on Banking orders that expenses of the Provisional Administration are covered by the Bank resources.

**Q: Mirsad Behram (RTV Mostar):** I have to be honest and say that I have not watched Mr. Petrsich's interview last night but I have been told that Mr. Petrisch has also announced certain criminal proceedings. Probably, the first ones who raised their voices about the raid into Hercegovacka Banka were politicians. What information do you have about this? Do you have any information as to how many, and in which way, who these peoples are, who are these people?

**A: Johan Verheyden:** I think you omit a possibility to watch an extremely interesting show, in which the High Representative was sincerely answering a number of questions, including the ones you are posing to me now. The High Representative did indeed talk about criminal proceedings against responsible individuals. For the sake of investigation, it is normally not clever to talk about individual names. However, the position of the High Representative as well as the Provisional Administration have always been that those who committed criminal acts should be prosecuted. On several occasions, I have been pointing out that there are three institutions, or three pillars in this process: first of all, order-issuing authority for the Provisional Administration is in this case the High Representative. Taking into consideration that the High Representative had certain information that led up to the need for establishment of the Provisional Administration. He issued the order to establish the Provisional Administration. Then there is Ms. Robinson, who has a very technical task – to establish a way of functioning of the bank, to determine financial situation of the Bank and then eventually we are coming to the third pillar of this process – judiciary of the BiH Federation. It is up to judiciary to take a final decision in terms of criminals proceedings for the acts which are going to be documented by us as the Provisional Administration, and which probably the OHR is going to face public with.

**Q: Mirsad Behram (RTV Mostar):** According to your findings who are these people?

**A: Johan Verheyden:** There are a number of people highly placed individuals that are linked to this Bank. And, at this moment I would not like to name people but I think that when the time is right and when the possible investigation allows it that we will come up with the names.

**Q: Josip Blazevic (Nezavisne Novine):** I have two questions for Mr. Verheyden. Have you finally placed 54 million DM, which was the original purpose of the establishment of the Provisional Administration? Secondly, how true are the allegations presented by some media that the OHR, i.e. the Provisional Administration, called the Croatian state attorney, Radovan Ortynski, during his recent visit to Sarajevo, and gave him documentation

regarding the investigation into the Hercegovacka Banka, which refers to its co-operation with Privredna Banka Zagreb? Whether there are sufficient elements for criminal proceedings against certain individuals in Croatia?

**A: Johan Verheyden:** I shall respond to your second question first. I have no information as to whether there has been sharing of information with Radovan Ortynski. At this point of time, I would not like to comment on this question. I will check with Ms. Robinson and kindly ask Avis to check with the OHR if this happened.

**A: Avis Benes:** I can tell the same on behalf of the OHR. I have no information about this question.

**A: Johan Verheyden:** As far as your first question is concerned, let me make a small correction. The Provisional Administration was not established because of 54 million. The Provisional Administration was established because of various elements among which 54 millions, that were transferred from the budget of Republic of Croatia to BiH for the purpose of war sufferers and others, was just one of the elements of investigation. Did we trace 54 million? Yes. We are following 54 million and that is in the first place the issue of transparency. Why does it have to take this long to follow 54 million? After all, 54 million is high amount of money. However, why there is not enough transparency when Government of one state is transferring money to the Government of another state? Why is it very difficult to follow such transactions? This is one of the questions we have to pose and which I would add to the numerous questions that are coming to my office and Office of the High Representative. These are questions of the people who were beneficiaries of this money – these are soldiers of HVO, who have been regularly asking as to why have not they received full salaries, or why are the payment of their salaries delayed. These are all questions connected to the amount of 54 million. This is a very complex issue. I have always been telling that I do not want to say everything until the completion of elements of the investigation. Therefore, I do not want to make any further comments on this amount but I would like to emphasize once again that the amount of 54 million is just one element of the investigation. Suspicious or weird construction of the ownership of the Bank which I presented today is also one of the elements that was taken into consideration when the decision on the establishment of the Provisional Administration was taken.

**Q: Nermin Bise (Oslobodjenje):** Question for Mr. Verheyden. I might have two. Could you tell us how far the investigation into Hercegovacka Banka has gone considering what you have told us today and what the High Representative said last night? And could you give us orientation as to when we could get the final results?

**A: Johan Verheyden:** Response to both questions is no. I cannot tell you which phase of the investigation was completed or when will the investigation be completed, i.e. audit of the Bank business operations. One of your colleagues from Oslobodjenje asked me today if this preliminary final report that I presented today is final. It is not even close. This is just one of the elements. I have always been saying that as soon as I get one segment of the investigation I will present it to you, explain what is that all about, and present evidence and information. This is of the steps in that process. This process will last relatively long and that is something we have been saying all along. This is not something that can be finished within few months. In western countries, investigation into so called white-collar crime – financial crime, with much more possibilities and greater number of people involved in an investigation, lasts approximately from 18 months to two years. So far, we have spent 7 months. Give us some more time.

**Q: Pejo Gasparevic (HINA/BBC):** Question for SFOR. Mr. Petrisch and the President of Croatian Sabor have agreed yesterday in Sarajevo that Croats will officially be invited to return to Republika Srpska, and in particular to Bosanska Posavina. The general opinion is that the fact that Radovan Karadzic is still at large prevents the return of Croats to the RS. A day before yesterday, Mr. Petrisch has strongly criticized RS authorities in Banja Luka and

requested for Karadzic's to be arrested. My question is – what will SFOR do under these circumstances now that the RS problem has been raised and especially Bosanska Posavina?

**A: Lt. Col. Euler:** As far as I understand your question, there are two different fields. The first one is about return or something like that. As you know, SFOR has his prime mission here to provide secure and safe environment. But the questions about return are mainly a mission for UNHCR and OHR. SFOR will provide support. Concerning the part about Mr. Karadzic, I should remind that none arrested more persons indicted for war crimes in this country than SFOR. So we still have operations, we are still playing our role to locate them. But I should also remind you that the location and arrest of persons indicted for war crimes are also the mission of all signatories of the Dayton Peace Agreement, not only SFOR but also BiH authorities and BiH police.

**Q: Zoran Kresic (Vecernji List):** It seems to me that on the basis of information that we have been given today, Antonio Trade i.e. Antonio Ljubic has already been indicted. So far, we have not heard a single word from Mr. Verheyden that would substantiate that Mr. Ljubic has committed any criminal act. My question would be – will any criminal suit be filled against Mr. Ljubic and is it illegal to take a loan if you are a shareholder?

**A: Johan Verheyden:** First of all, as I have stated some time ago I do not believe that the issue here is to indict Antonio Trade. Antonio Trade was one of the examples of the way of financing and way of purchasing shares. Are there illegalities here? There are a number of illegalities plus a moral obligation. According to the Law on Enterprises of BiH, it is explicitly prohibited that a company is financed by its own capital, i.e. that a loan is given to a person who wants to purchase shares in that very company. This is exactly what happened here. On the other hand, it is also illegal not to return a loan. Mr. Ljubic, who is one of the loudest persons when it comes to talking about return of loans, keeps forgetting that he should return the loan he took from the bank as well. Thirdly there is a moral obligation. He, as the share-holder, and shareholders in general should set an example to the citizens, the share-holders should be the first to return loans, who are not deceiving public on one side saying that the Provisional Administration is doing nothing, that the PA is not asking for loans to be returned. How many times here, from this stage, have I appealed on people to start returning their loans? Mr. Ljubic forgot that he has 2 million loan to return. This is the moral obligation.

**Q: Zoran Kresic (Vecernji List):** I would like to know if the criminal charges will be pressed against Mr. Ljubic? Will Mr. Ljubic face court?

**A: Johan Verheyden:** This is what I have already pointed out – this is the question for courts of FBiH. We are co-operating with judiciary in BiH and we will forward all that is in our opinion suspicious or illegal. And then it is up to the judicial bodies of BiH to decide.

**Q: Leo Plockinic (Hrvatska Rijec):** You said yourself that some people have taken advantage of the Bank. I would like to know whether for example in Austria Army raids the private bank in order to determine financial situation? As for you scheme, has it ever occurred to you that Mr. Ljubic cannot return the loan because of the fact that the Bank is blocked?

**A: Johan Verheyden:** First question – have you ever seen in Austria or any other country that upon the establishment of the Provisional Administration, that Austrian Bank employees and Austrian citizens are going out

to the streets to throw stones at the group of auditors with brief-cases and calculators?

**Q: Leo Plockinic (Hrvatska Rijec):** I have.....

**A: Avis Benes:** We are not going to start a debate...

**A: Johan Verheyden:** After all, I think we have overcome such questions. However, sometimes we have to see who is leading these peoples, who talked them into going out to the streets? I think that the High Representative was talking about this very clearly yesterday. Second question - I think that the loans of Hercegovacka Banka were issued before the establishment of the Provisional Administration. Ante Ljubic, i.e. Antonio Trade as well as many others, have not returned their loans. I can give you a list of all shareholders and loans that they have taken afterwards. These are loans up to 19 million, which is very close to the amount of money they invested into this Bank.

**Q: Leo Plockinic (Hrvatska Rijec):** I have a question for Ms. Benes and colleague from SFOR. Dnevni List has published a plan of the IC entitled "Roman Defense." Does such a plan designed to assimilate the Croats exist and is this plan's purpose establishment of a permanent peace? Is this the right political moment for such a plan, a plan that the OHR will and can implement? A question for SFOR - at the beginning of your statement, you mentioned storage of weapons in RS. I would like to know if the weapons in that secret storage was intended to be used against SFOR?

**A: Avis Benes:** Thank you for your question. I have already replied to Dnevni List on this issue. However, permanent peace solution in BiH cannot be achieved with some ideas, which would include assimilation of any nation in BiH. The OHR has no knowledge about the existence of such a plan, nor my colleagues in Sarajevo. This idea is borderline with absurdity or stupidity. In any case, nobody who is normal, reasonable and who wish good to BiH cannot think that the plan on assimilation of two nations or any nation would achieve any result, nor would anybody normal within the IC welcome such a plan if such a plan would exist at some level.

**A: Lt. Col. Euler:** Concerning the point that you were raising, first of all, let me come back to my statement. I have talked about explosives and devices, which have been stored in the building after the war. This building belongs to a private company, and is now located in the military site of the VRS 5<sup>th</sup> Corps. But that has nothing to do with the weapons seized or terrorism.