

Remarks by Principal Deputy HR Larry Butler On the Occasion of the Fourth Assembly of the BiH Bankers' Association

Ladies and Gentlemen,

It's a pleasure to be here, particularly because the recent performance of your industry justifies optimism about the prospects for the BiH economy as a whole – on two counts

- the first is that the strong business growth you are experiencing *reflects* the positive trajectory of the broader economy, and
- 2. the second is that your current success gives you *the means* to keep that trajectory positive.

A buoyant banking sector is both a function of and a prerequisite of economic growth.

We have seen the value of deposits held in BiH banks rise from 6.9 billion KM in 2004 to 8.8 billion KM last year. That represents a remarkable 27.5 percent increase.

Over the same period the value of loans rose from 5.5 billion KM to just over 7 billion KM – indicating that popular confidence in the banking system and in the banks themselves has increased markedly. In this respect I believe the BiH banking sector is ahead of some those of the neighbouring countries.

Recently in the media I have been obliged to draw attention to

what I believe is a worrying trend among political leaders. It seems to me that some politicians have calculated that the crisis facing BiH has passed. The economy is growing, negotiations with the European Union are underway, public finances are stronger now that VAT is operating smoothly. But the improvements we are seeing are still *modest* – and we have to make it clear to decision-makers that this is absolutely not the time to play fast and loose with progress that has already been made in taking BiH towards a better European future, whatever the temptations to do so may be as we move into the election campaign.

As all of you know – and as I hope the general public is now being made aware – the necessary arrangements have been made to establish a modern European-standard banking supervision system in BiH, under the aegis of the Central Bank.

This will further protect depositors, and, by increasing banking security and maintaining the buoyancy of lending, will help to encourage investment and create jobs. Establishing a BiH banking supervision system is also an SAA requirement.

It is a Good Thing – and the people of BiH must not be deprived of that Good Thing.

It is therefore a matter of the utmost urgency and importance for BiH and for all of its citizens that – in the next few weeks – the Entity Parliaments enact the necessary agreements to establish this modern and efficient BiH banking supervisions system.

If they act now, the system can be up and running before the October elections.

The fact that cross-Entity banking has become the norm makes the existence of two banking regulators superfluous and counterproductive. Maintaining separate organisations is expensive and inefficient – and costs will rise further in the future as BiH begins to comply with EU banking Directives over

the next few years. This will require special expertise, which will be more expensive if it has to be offered by two organizations rather than one.

I urge the Bankers' Association to continue lobbying for the parliaments to act and act quickly so that the enormous progress that has been achieved in the banking sector can be consolidated and further enhanced, so that citizens, savings can be further protected and so that more investment in job creation can be attracted to the BiH economy.

Thank you.