

Draft Deposit Insurance law for BiH savers presented to State and Entity Ministers

After several months of intensive effort, a working group composed of representatives from both Entity governments and banking experts from the International Community, this week presented a draft State law to the BiH Treasury Minister, the Federation Finance Minister and the RS Deputy Finance Minister that will establish a State-level bank-deposit insurance agency, thus safeguarding all BiH depositors' assets up to 5,000 KM in member banks.

Currently, separate agencies exist in each Entity but only in the Federation does the relevant agency have a reserve fund. The RS deposit insurance agency was created by law earlier this year but has no reserve funds in place. Under the proposed law, RS depositors in qualifying banks will enjoy the same protections as depositors in the Federation.

When the law is adopted it will create a new professional, non-profit and independent agency operating under strict financial standards and reporting to a Management Board including representatives from the Central Bank and both Entity Governments. The motivation for providing deposit insurance facilities is the need to bolster savers' confidence in the banking system. In the Federation so far, the experience has been extremely positive, with very rapid growth of deposits in the six banks currently enrolled as members.

The U.S. and German Governments earlier donated 10 million KM each to establish a credible reserve fund and have now agreed to donate another 5 million KM each to the fund, which would

service the entire country. In addition, passage of the law will satisfy a World Bank condition for release of the next tranche of financial assistance to the RS.

Presenting the draft text, members of the working group, including representatives from OHR and GTZ, emphasized the need to act quickly to pass and implement the law so as to meet the deadlines set by the donor organizations.