Provisional Administrator Announces Conclusions of Her Investigation

The Provisional Administrator, Toby Robinson, on Monday made public the conclusions of her investigation into Hercegovacka Banka. The report, which runs to more than 90 pages, reveals that

o the Bank was insolvent on 6 April 2001, and would have collapsed had it not been taken over. Depositors would have had no compensation, and all the staff would have lost their jobs

o the individuals who founded the Bank used it to benefit themselves and special interest groups, by channeling money through private companies that they also owned

o the management and shareholders grossly mismanaged the Bank to the detriment of depositors and customers. At least KM 216 million that should have gone to pay HVO salaries, pensions and war widows went missing.

o the management and shareholders of the Bank knowingly violated the Banking Law, Federal Banking Agency Regulations, and the terms of their license. The Report documents serious violations of seven articles of the FBiH Law on Banks.

o some of the shareholders were using the Bank to fund what appears to have been a deliberate attempt to change the Constitution of BiH through illegal means.

o the vast majority of employees and almost all customers were not responsible for these abuses. Indeed, despite these abuses, the Bank ran a successful branch banking operation and played an important role in the local economy.

“This Report represents only the tip of an iceberg of information that we have been analyzing for the past 18 months,” Ms Robinson said. “It represents the conclusion of my investigation, but not of my work. The Report now goes to Paddy Ashdown to consider the implications for the future of the Bank. A copy also goes to the Federal Prosecutor to consider possible further civil and criminal prosecutions. Once the High Representative has taken his decision about the Bank, it will then be my responsibility to implement that decision.”

Ms Robinson said her investigation had taken a substantial amount of time because of “the complex network of cross-holdings between the Bank, its subsidiaries, and related companies; the unusually varied and diverse nature of the Bank’s operations, given its size; and the fact that extensive precautions had been taken to conceal the real nature of many of the transactions.” However, she said, she had been able to “analyse every piece of data thoroughly before reaching conclusions.”

She reminded those customers with deposits of KM 5,000 or less in Hercegovacka Banka that they are already eligible to full compensation and noted that if they have not already done so they can apply for compensation by contacting one of the branches or the Provisional Administration directly.