

# PDHR Highlights the Need to Centralize Banking Supervision

Principal Deputy High representative Larry Butler today highlighted the need to centralize the banking supervision in BiH under the Central Bank in order to strengthen the banking system in the country.

Speaking at a financial sector conference in Sarajevo this morning, he noted that such a move will inject greater confidence in the banking system, help attract investment from outside the country and help lower interest rates. It will also increase the amount of desperately needed credit available to small and medium enterprises.

“Banking reform has been a notable success story in BiH. But efforts to strengthen the independence of the banking agencies have met with political obstruction,” he said.

“The Banking Agencies have been in the forefront of a battle to secure the BiH banking industry from endemic corruption and wholesale theft,” Ambassador Butler said. “The agencies have performed well, and their work has been invaluable – as the unfolding stories of corporate graft and abuse of deposit holders at Hercegovacka banka and Privredna banka Istocno Sarajevo starkly reveal.” However, it is essential to heighten regulatory surveillance.

He regretted that proposals to strengthen supervision by bringing the two Entity supervisory bodies into the Central Bank were on hold, a hiatus which also compounded difficulties with their funding. He pointed out that that the RS Government passed a Conclusion on 31 July 2005 arguing that the transfer of bank supervision to the BiH Central Bank and the abolition of the RS Banking Agency are not constitutional.

“This is not about politics. It is about setting up a system that will have a direct impact on the lives of the average person by making it easier for small businesses to borrow money,” said Ambassador Butler. “So why are politicians attempting to prevent the strengthening of the supervisory role? Are they on the side of the supervisors or on the side of the criminals?”