

5.
**OTHER ACTIVITIES OF THE CENTRAL
BANK IN 2002**

5.1. EURO conversion

In 2002 euro conversion was successfully conducted without delays and problems. It was the biggest logistic operation with cash which has ever been carried out in Montenegro. There were numerous aggravating circumstances which came as a result of the unresolved political status of Montenegro, and they reflected in conducting the conversion through commercial banks abroad and the obligation to deposit first Deutsche Marks before taking Euros, and in attempts to obstruct the process on political grounds through previous federal institutions.

The conversion for the citizens of Montenegro was conducted without any compensation. The double currency period lasted for three months. From January 1, 2002 all accounts of legal persons were automatically converted in EUR and cashless transactions were also made in EUR. Furthermore, all cash payments from accounts were made in EUR, and cash payments in EUR and DEM. Cash payments proved a significant form of the conversion.

For physical persons, residents and non-residents the conversion was organized at counters for payment operations of CBCG and in commercial banks. The conversion could be conducted at over 50 places in Montenegro. The exchange for non-residents and exchange of other currencies was possible only in commercial banks. Every transaction was documented by filling out forms. The forms will be kept in the archive of the payment operations of CBM for 5 years.

17 transactions of taking out and delivering money were conducted during 2002.

Special attention was dedicated to “money processing”, i.e. regularity check of bank notes and packages. The total amount of DEM sent to Germany was fully correct since there was no forgery in the money sent to Bundes bank.

The conversion process was followed by an educative public campaign for the purpose of introducing the public to the new currency and giving all the necessary information. Along with the operational part of the organization of the process the public campaign helped the conversion process to be conducted undisturbed, since the citizens were well informed.

During the double currency period (01/01 – 03/31/02) in Montenegro about

DEM 913 million were converted in EUR 466.8 million. Besides this amount, an additional EUR 30 million as reserves in vaults was converted.

Table 31.
Result of the conversion
during the double
currency period

Conversion till 03/31/02	DEM million	EUR million
Comercial banks	357.3	182.7
Central bank	225.7	115.4
Conversion in pay offs	329.9	168.7
Total	913.0	466.8

The citizens directly converted (at the counters of the Central Bank and commercial banks) around DEM 583 million in EUR 298.1 million.

Chart 17.
Total conversion

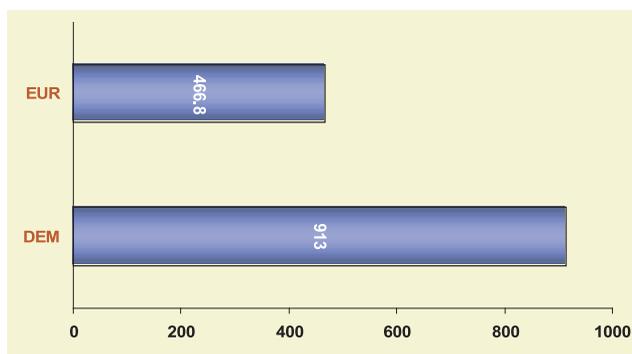
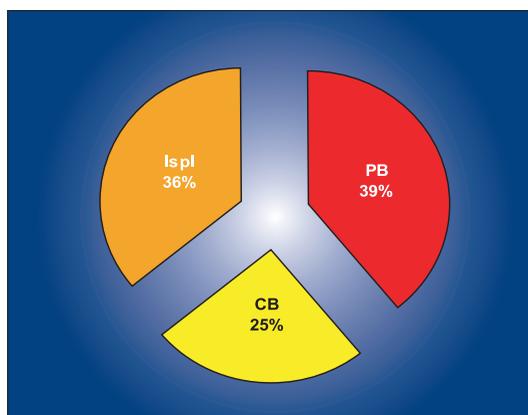


Chart 18.
Conversion by places



25% of the total amount was converted in the Central Bank, and 39% in commercial banks. Cash payments made up 36% of the total converted amount

Of the total converted amount 99.87% were in DEM, while other European currencies made only 0.13% of the total amount (somewhat less than EUR 800 thousand).

Currency	percentage
ITL	71.36%
ATS	12.82%
BEF	0.70%
FIM	0.05%
FRF	11.34%
GRD	0.46%
IEP	0.03%
NLG	2.87%
ESP	0.37%

Table 32.
Conversion of other Euro currencies

118.835 citizens converted DEM and other currencies. 60.426 citizens converted money in the Central Bank, while 58.409 citizens converted money in commercial banks.

The citizens mostly converted up to DEM 15 thousand, and only 3% of citizens converted more than this amount.

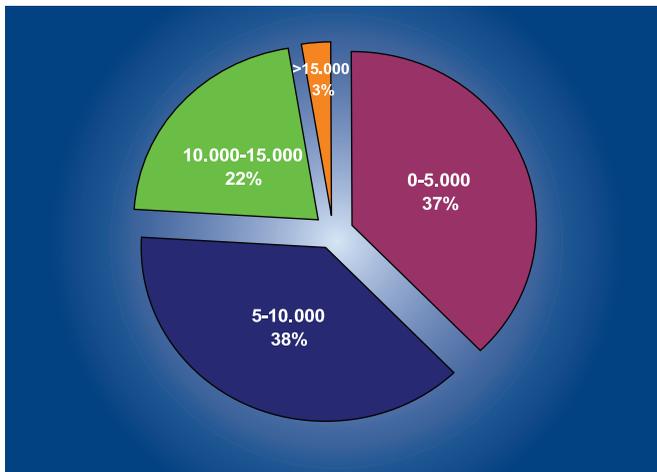


Chart 19.
Usual converted amount

The Central Bank will convert DEM to EUR during the following ten years.

5.2. International cooperation

As in 2001, the international activities of the Central Bank of Montenegro in 2002 went on in the situation of unresolved relations with Serbia. International communication was difficult despite the evident fact that by signing the Belgrade Agreement member states were to have their own Central Banks and that there was not to be a common monetary and banking authority at the level of the state union of Serbia and Montenegro. That was the limitation for the international position of the Central Bank of Montenegro to be carried out in full in accordance with the law and common international practice. Even in such circumstances the Central Bank of Montenegro significantly improved international cooperation and fulfilled all obligations in the domain of its authorities which Montenegro had taken towards foreign donors. Moreover, the necessary preparations were made to improve international cooperation of the Central Bank of Montenegro after constitution of the state union and in conditions of new relations in the union.

Connected to stand-by arrangement with the IMF, which was terminated in May, and an extended three-year arrangement signed afterwards, all agreements with this international financial organization were fulfilled. This primarily refers to the following: (a) making final decisions on resolving the status of Montenegrobank, Jugobank, Development bank; (b) applying Basel standards in bank supervision, Camels rating, applying IAS in the Central Bank of Montenegro and other banks; (c) change of regulations in order to enable the Central Bank of Montenegro to control off-shore banks, and certain activities connected to this, as well as the preparation and enactment of the Law on Money Laundering. In addition, the fund was regularly informed on macroeconomic developments, monetary accounts, changes in the balance of payments of RMN in accordance with standards of international financial statistics, and on developments of banking reforms and total structural reforms for the purpose of implementing the stand-by arrangement.

Necessary cooperation was carried out with the World Bank in the field of activities of the Central Bank of Montenegro and connected to structural adjustment (SAC) and defining conditions and mechanisms and selecting purpose of new loans.

In cooperation with EU, the Central bank of Montenegro took an active part in preparation activities connected to starting negotiations on an Agreement on

stabilization and association of SCG. In carrying out the macroeconomic help of EU to Montenegro the Central Bank regularly fulfilled all obligations on reporting on the progress of the reforms in the banking system and on macroeconomic developments.

The Central Bank of Montenegro made all the necessary communication with SWIFT and made all training and preparations on time in order for banks, with its permission, to join this network of international payments.

The necessary cooperation with Central banks of neighboring countries was also made for the improvement of cooperation through agreements on cooperation and exchange of information in the field of bank supervision.

5.3. Advanced professional training

Advanced professional training of the employees in Central Bank of Montenegro in 2002, besides attending foreign language courses, was also accomplished through training courses and attending seminars, and study trips in the country and abroad.

The aim of the Central Bank is to improve the knowledge and professional skills of the employees, raise the level of competence and bring it in line with all necessary needs.

We single out the following institutions with whom we have cooperated: the Bank of England, the Center for Improvement of Finances (CEF) in Ljubljana, the JVI-IMF Institute in Vienna, and the European Central Bank. For the purpose of gaining comparative experiences the following working visits were made to: the Bank of Slovenia, the Croatian National Bank, and the National Bank of the Republic of Macedonia.

The most important areas and subjects where the improved knowledge was made are on-site and off-site control, risk management in business operations of banks, banking accounting and auditing, internal control, money laundering, macroeconomic statistics, structure of financial markets, public debt, risk management, discovering forgeries and preventing false money circulation, financial control, attracting foreign investors, and communication strategies.

Employees in Central Bank of Montenegro attended 34 seminars, 11 of which were abroad.

The effects of this knowledge resulted in improvement of the work and skills of the employees, especially in the field of bank control where it is necessary to continue working to reach a higher level of competence for risk analysis in banking business operations and intensifying cooperation with regulation bodies in other countries.

The Central Bank of Montenegro will continue investing in human resources – the potential of this institutions and will carry out numerous educative plans in the fields where need for further improvement are identified.

5.4.

Public relations of the Central Bank

Activities of the Central Bank in the field of public relations were directed towards informing the public and making public support for other activities which the Central Bank conducted in 2002, as well as towards making and improving the image of the Central Bank.

Active public relations were carried out especially on the following occasions: the conversion of DEM to EUR, reform of the banking system, bank licensing, liquidation and initiating bankruptcy proceedings in banks, payment operations reform, macroeconomic development, cooperation with international financial institutions, harmonization of economic systems in the state union of Serbia and Montenegro.

During 2002 the Central Bank activated its web site for the purpose of more efficient communication and available information for the public on the activities of the Central Bank (www.cb-cg.org). The web site has all the information necessary to understand the functions of the Central Bank in both Serbian and English.

Contact with the public was achieved through:

- appearances in domestic and foreign media;
- giving statements, comments for the press;
- making public announcements;
- organizing press conferences;

- organization of public campaign;
- participation in round tables, conferences, professional debates and
- writing monthly, quarterly, and annual reports.

An intensive public campaign promoting the euro conversion was carried out in the first quarter of 2002.

The public was regularly informed about the activities of the Council of the Central Bank and its decisions which were of importance for the monetary system.

The achieved results were presented on several occasions at professional and other gatherings.

The public relations were directed towards the following groups: the general public (citizens), banking and financial institutions in the country, international financial institutions, potential investors, and the professional public.

The Central Bank has formed the image of a transparent and trustworthy institution ready for cooperation.