

Enhancing co-operation among the Banking Supervisory Authorities of South Eastern Europe

At the invitation of Mr. Ivan Iskrov, Governor of the Bulgarian National Bank, the Governors of the Bank of Albania, the Bulgarian National Bank, the Central Bank of Bosnia and Herzegovina, the Central Bank of Cyprus, the National Bank of the Republic of Macedonia, the Bank of Greece, the Central Bank of Montenegro, the National Bank of Romania and the National Bank of Serbia, as well as the Heads of the Banking Agencies of Bosnia and Herzegovina and Republika Srpska, had their regular meeting in Sofia on the 3rd of October 2008.

The meeting was held within the framework of the multilateral Memorandum of Understanding that was agreed at a meeting in Athens in July 2007 and aimed to further advance co-operation in the area of banking supervision in South Eastern Europe (SEE) and safeguard financial stability in the region. This is the third regular meeting of banking supervision authorities in SEE after this that has been held in Thessaloniki in the beginning of 2008. The discussions at the meeting took into account the conclusions of a Meeting of Heads of Banking Supervision Departments that was held in Sofia yesterday, 2nd of October 2008.

The Central Bank Governors noted that the consequences for the SEE economies of the turmoil in the international financial markets, that has started in 2007 and has intensified in recent months, have been indirect and limited until now. Currently banks that have strong presence in the region have no direct exposure to markets which are under severe pressure. SEE economies continue to demonstrate strength, strong economic growth and resilience to the deteriorating global financial and economic environment. However governors also acknowledged heightened uncertainties to the outlook of SEE economies stemming from a possible further deceleration in the growth rates of world output and trade in the event the prolonged period of global financial distress.

Against this background, they stressed the importance of sound financial and economic fundamentals in the region. In light of the dynamic credit growth observed in many countries of the region, their supervisory authorities are monitoring closely liquidity conditions of banks and credit developments to

safeguard the quality of the banks' loan portfolio and financial stability. It is also important fiscal, income and structural reform policies to be strengthened in many of the countries of the region with a view to containing inflationary pressures and the external current account imbalances.

The Central Bank Governors decided:

1. In addition to the regular exchange of information, to exchange quantitative and qualitative information on SEE banking systems development on an annual as well as on an ad-hoc basis;
2. To prepare and maintain a List of line banking supervisors for each SEE cross-border banking group;
3. To establish and maintain a special Experts group on Stress-tests with a mandate to develop the methodology for the performance of stress-tests on a banking group level for each SEE cross-border banking group operating in the region;
4. To further promote the functioning of Colleges of supervisors for SEE cross-border banking groups operating in the SEE region based on the CEBS' Template for Multilateral written agreements for coordination and cooperation between home and host supervisors.

It was agreed that the next meeting of the Governors of South Eastern Europe will take place in Romania in September 2009.