
CBA Official : Mitigation Of Banking Supervision Standards Will Result In 60 % Growth Of Crediting

Noyan Tapan - 6/9/2007

YEREVAN, SEPTEMBER 6, NOYAN TAPAN. The Central Bank of Armenia (CBA) is continuing to take measures aimed at mitigation of banking supervision. It is forecast that thanks to this, the volume of crediting by the RA banking system will grow by 60% by results of 2007 as compared with last year (as of December 31, 2006, the total amount of credits provided by Armenian banks and their bills receivable made 298 bln 310 mln 37 thousand drams or about 820.7 mln USD), the head of the CBA Financial System Policy and Analyses Department David Sargsian said at the September 6 press conference.

According to D. Sargsian, the RA banking system is currently at the third stage of development, whose main purpose is to increase sharply the volumes of crediting and to enhance access to financial services from the territorial point of view. The speaker noted that during the first stage of formation of the RA banking system (1991-1996), the main task was formation of private commercial banks: at the end of this stage, more than 70 banks were operating in Armenia. The second stage was marked by the process of "cleansing" the banking system when the banks not in line with international standards stopped their operation.

In his words, taking into account the fact that Armenian banks are now at a qualitatively high level of risk management, the CBA has considered it expedient to mitigate requirements on regulation of banking activity. It was forecast that thanks to such mitigation, the banks will reduce their expenses and use available resources for crediting.

He noted that in early 2007 the CBA mitigated the prudential standard of current liquidity of banks, which allowed banks to allocate additional 27 billion drams to crediting. The capital adequacy standard and the overall liquidity standard will be mitigated soon as well, allowing banks to allocate at least additional 35 bln drams to crediting.

D. Sargsian added that as a result of using another package of amendments in normative requirements, considerable incentives have been created for increasing the range of financial services and expanding their volumes and territorial coverage. Henceforth the banks will be able to implement movable crediting activity without opening their branches in regions. The technical requirements to the premises of branches have been mitigated as well, thanks to which expenses on establishment of a branch will be reduced. At the same time, the branch management of those banks that have an efficient internal system of staff qualification and training will no longer have to undergo qualification checks at the CBA.

D. Sargsian said that thanks to the indicated measures, an unprecedented growth of crediting (90 bln drams) was registered in January-August 2007 on the same period of last year.
