
RA CB Is Ready To Make First Serious Steps To Transfer To Basel II Principles Starting January 2008

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Transfer of RA banking system to the principles of Basel II changes a number of accents on the banking control, Head of RA Central Bank Tigran Sargsyan said today. First, he said, the banks will be able to better manage the risks without permanent control of a supervisory agency. Second, the market and market discipline will contribute a more sufficient mite to regulation and supervision of the banks.

He said that starting January, 2008, a new standard of the capital adequacy will be established that will meet the standards of Basel II. In view of this, the standards of reservation are tempered for possible losses on the risks of the weighed assets, in particular, 50% instead of 100% will be set on hypothec credits, 75% instead of 100% - on retail credits, 0% instead of 10% - on state bonds, 50% instead of 100% - on correspondent accounts. The calculations have shown that that the actual value of the capital adequacy standard will reduce to 3,3% on average, that will allow the country's banking system to find additional 25 bln drams of financial resources which may be purposed to credit the economy. In the area of standards, the most sufficient tampering, that has already come into force, is removal of a standard per the currency position, as well as reduction of the requirement per the current liquidity from 80% to 60%. Change of the standard of the total liquidity is presently discussed, where the matter concerns its tampering or complete removal. One step more has been made within the frames of Basel II philosophy, the penalty provisions to the banks are henceforth applicable only in case of serious and significant violations.

For Basel II implementation, it is important to form a statistical database in the banks, that will be possible by means of the private credit bureau of ACRA.

T. Sargsyan said that serious changes have been observed over the last years I relation to dramization of the economy and the banking system. Thus, the level of dramization in 2006 deepened by 10%, the assets of the commercial banks are expressed in drams by more than 50%. T. Sargsyan hopes that the most part of the attracted means will also be expressed in drams in 2007.

For growth of the dram circulation, the banks will have to increase the number of cash machines and POS-terminals.

The pension reformation together with the social reforms will find 600-700 bln drams of savings which may be aimed at development of the financial market.
