
Armenia's Bankers Are Ambiguous In Necessity Of Securitization Of Assets

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Armenia's bankers are ambiguous in necessity of securitization of assets, the results of voting of May 21 "English Debates" in "Marriott Armenia" Hotel, organized by an independent rating agency, member of the international Global Rating Group, certify. The debates, with participation of over 30 representatives of commercial banks, heads of credit companies, investment companies and experts, were dedicated to the topic 'Securitization as a Required Tool for Increasing Liquidity of Banking Assets. Is that Right?'.

The event was held under support of the Union of Banks of Armenia, USAID and East West Management Institute within the frames of the Partners for Financial Stability programme.

Member of the Central Bank Board Karine Minasyan said in her speech that CB is currently working over implementation of new alternative tools for regulation of the processes of securitization of banking assets.

The first tool is a possibility of issuing mortgage bonds by banks and credit organizations. Moreover, free issues will be carried out under tight control of a megaregulator. "We envisaged numerous regulatory mechanisms to assure high reliability of these securities and confidence of investors", she said. The second tool will be a "pure" form of securitization, which envisages real sale of assets to a specially created legal person. "The draft laws we intend to shortly introduce, envisage a possible alternative, due to which any market participant will be able to realize different initiatives in the area of securitization", K. Minasyan said. Along with it, member of CB Board presented the advantages the market participants will receive using the tools of securitization of assets. "In particular, this will allow the companies to extend their business, receive an additional income, manage the credit risks more efficiently and release the resources", K. Minasyan said.

For his part, co-Director of AEPLAC Tigran Jrbashyan said that securitization in Armenia is not a new phenomenon. 'In a period of privatization in Armenia in 1993-94, when the major part of the state property was transformed into a form of unclear joint-stock companies, an elementary securitization of state assets was also observed, a so called voucherization', T. Jrbashyan said and added that a postulate on non-readiness of Armenia for securitization may be ruled out. 'provide the market with a tool and, believe, the Armenians will make a profit of it', he said part in play. In addition, he said, not only mortgage loans but consumer credits as well may be subject to securitization of assets in Armenia. Along with it, T. Jrbashyan emphasized that implementation of international standards during securitization is an important moment for attraction of funds.

T. Jrbashyan expressed confidence that a boom around the banking assets shows that there are banks in the country with enough capital for investment in securities. 'They need a relevant tool. However, a certain liquidity problem exists in the banking system, especially in the actively working banks. Despite the fact that the Armenian market is not integrated enough in the world one, the volume of available resources reduced, and this problem will intensify', AEPLAC co-director said.

Director of the 'Capital Assets Management' Investment Company Tigran Karapetyan, holding to the opinion of international experts, said that the minimum volume for profitable and efficient securitization should exceed \$250 mln. T. Karapetyan thinks that securitization of assets in Armenia may be efficiently carried out only in case of a cumulative credit portfolio of the Armenian banks, totaling about \$1.5 billion. 'Only in this case, securitization will be profitable, however, unification of the banks in one pool is not real', he emphasized. T. Karapetyan divided the risks during securitization into two types: the market and legal risks. Talking about the first one, he said that the property is a pledge of the credit portfolio of the banks being an object of securitization. Based on this, he said, the size and quality of credit portfolios largely depend on the state of the real estate market being in a state of overheating. As for the legal risk, T. Karapetyan expressed an opinion that not the whole legislation covers the available legal risks today. Along with it, he shared the viewpoint that securitization will be impossible without the relevant international standards, as assessment of assets and the property is connected just with them.

T. Karapetyan thinks that not all the banks of the country need securitization today. 'The current liquidity ratio of the Armenian banks exceeds the required CB standards one and a half times. In any case, if the bankers think about increase of liquidity of their assets, securitization will not become a task of prime importance for them. An international institutional investor is necessary for the first successful securitization in Armenia. However, under the present crisis in the international market, I do not think that its attraction in a short-term prospect is real', he said.

Deputy Chairman of the Board of 'Converse Bank' Tigran Davtyan, who also marked a non-topical nature of securitization of assets in Armenia, substantiated his position by the fact that even simple bonds in the country are presently sold with difficulty. 'Currently, the local banks experience a problem of liquidity, and a deficit of available long-term resources is the greatest problem for them. Therefore, the market today is not ready for securitization', T. Davtyan emphasized.

To note, the independent Rating Agency AmRating, being part of the GlobalRating Rating group, which also includes RusRating (Russia) and KzRating (Kazakhstan) agencies, is the organizer of the English debates. The Agency's main activity is conferment of credit ratings to the banks, as well as their debt instruments, compilation of analytical reviews about different signets of the financial market.
