



THE WORLD BANK
VIENNA FINANCIAL SECTOR
ADVISORY CENTER (FINSAC)

Conference on European Economic integration

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Question 1

**What does the World Bank do to make
CESEE more resilient?**



Financial Sector Advisory Center (FinSAC)

Objective:

“to help ECA financial regulators strengthen financial stability”

How?

- Tailored Technical Assistance
- Analytical output
- Regional conferences and workshops



Geographic focus

Authorities from

EU
candidates
and
potential
candidates

EU
member
states

EU
neighboring
countries

Central
Asian
countries



Thematic focus

Four pillars

Macro
prudential

Micro
prudential

Recovery
&
Resolution

Consumer
Protection
and
Financial
Literary



Question 2

What remains to be done to remove financial sector legacies that result from the downturn of the financial cycle since 2008?



Pillar 1: Macro prudential framework

Institutional

Policy tools

Capacity building

Crisis preparedness



Pillar 2: Micro-prudential framework

NPL reduction

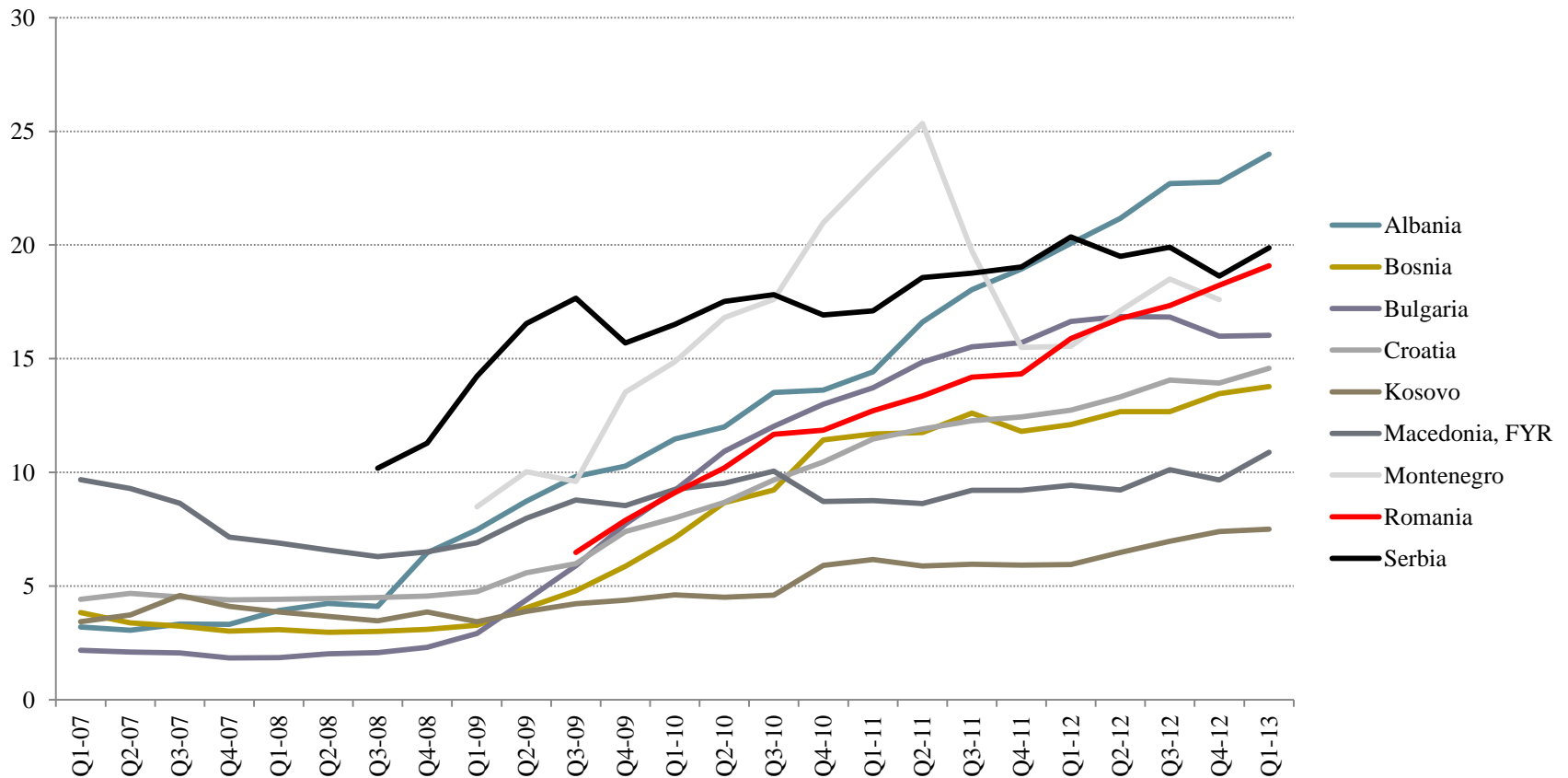
CRD IV

Information sharing



NPL ratios in SEE: high and/or rising, with the possible exception of Kosovo

Bank Nonperforming Loans to Total Loans, %



Source: IMF FSI and national authorities

NPL definitions not directly comparable

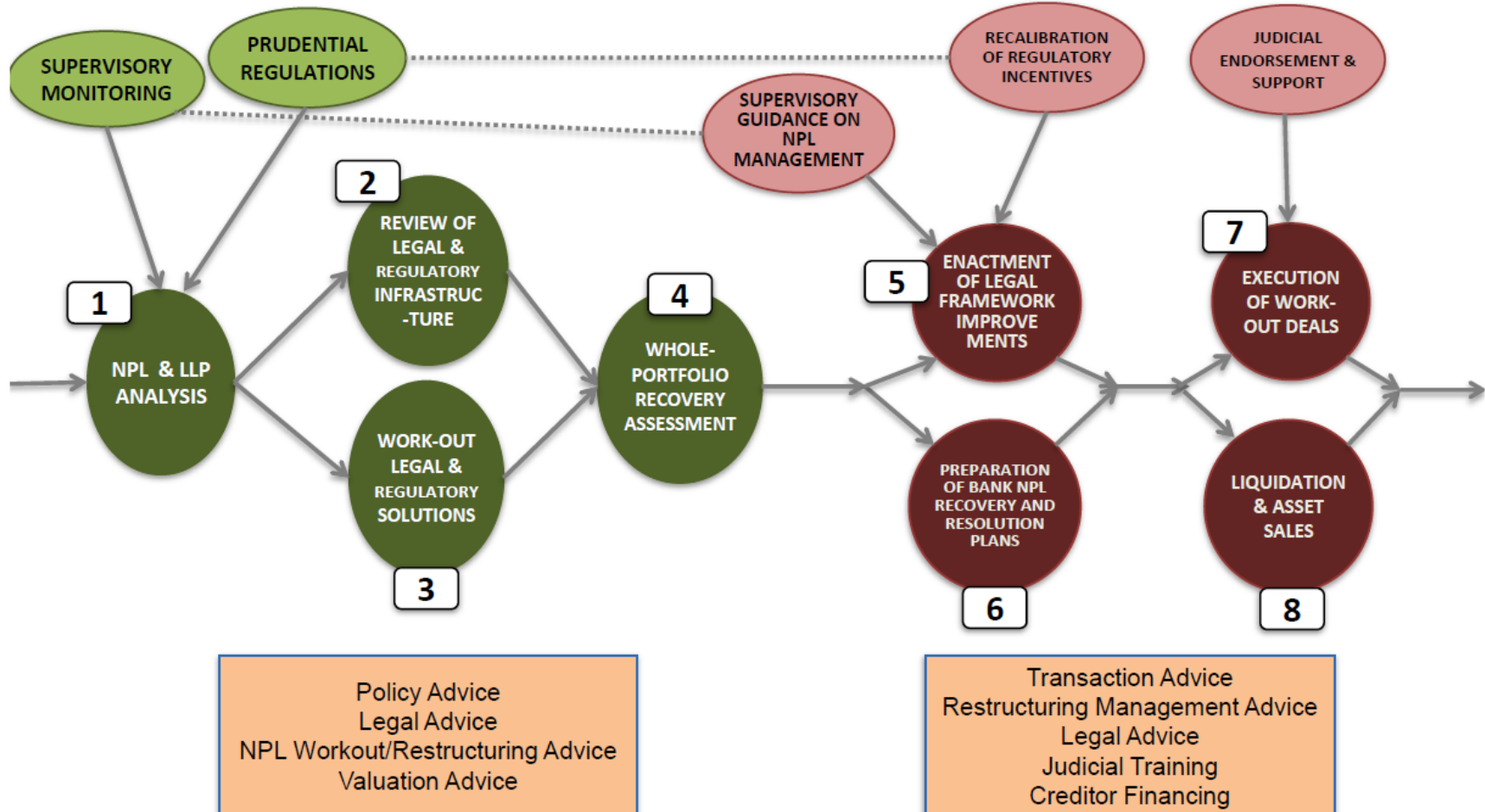


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NPL RESOLUTION -- ROAD MAP

ASSESSMENT

IMPLEMENTATION



Pillar 3: Recovery and Resolution

Underfunded deposit insurance regimes

Legal uncertainty remains

Untested bank resolution frameworks



Pillar 4: Consumer Protection & Financial Literacy

Legal and regulatory frameworks

Institutional arrangements

Information disclosure

Dispute resolution

Financial education



Question 3

What are your thoughts on the policy responses across the EU and their implications for CESEE?



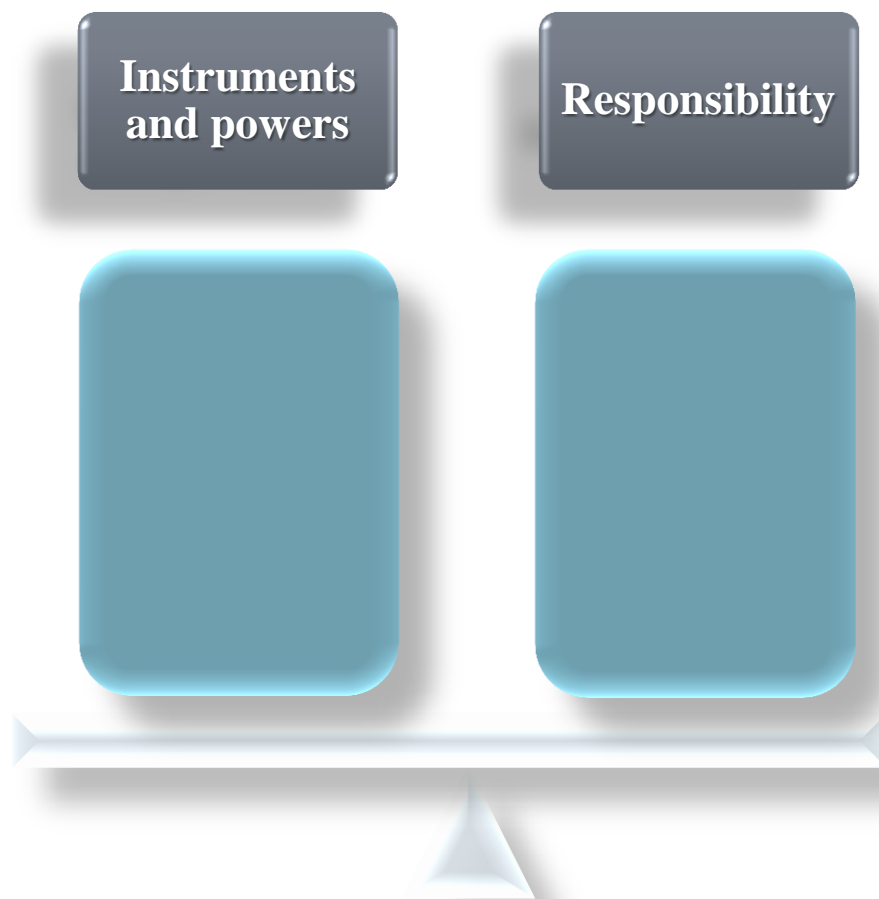
Overall

- Slow process, regular slippage in timelines
- “Third countries”
- Tensions between home and host interests remain
- Many authorities will remain in charge of banking supervision
- Asset quality review

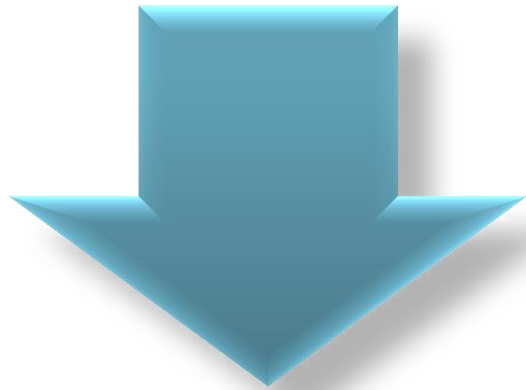


Banking Union

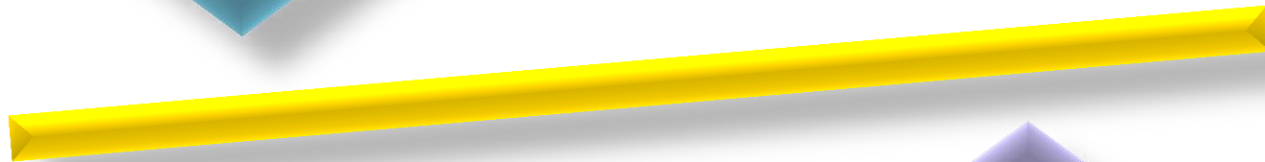
Sequencing of integration



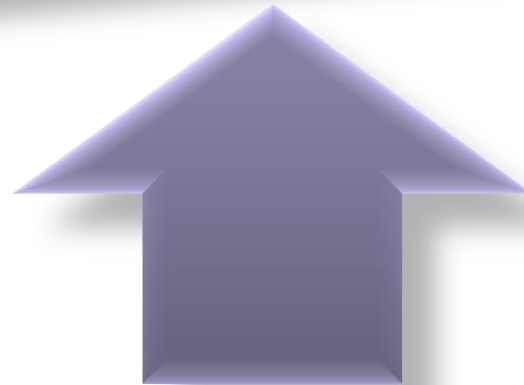
Territorial approaches as a result of sequencing of integration



Single Rule Book
Single supervisory
mechanism
Single Resolution
mechanism and fund
Single deposit protection



Fragmentation



Key challenges

- Macro-prudential frameworks not yet fully functioning
- Mechanisms for reducing the stock and flow of NPLs are not yet fully in place
- Loan classification and provisioning requirements will eventually need to become more standardized
- Impact of CRD IV to be estimated and buffers to be implemented
- Bank resolution authority and deposit insurance schemes are in process of being modernized

