

EBCI

Vienna Initiative



European Bank Coordination Meeting: international coordination helped avert a systemic bank crisis in Central and Eastern Europe

The European Commission, the IMF, the EBRD, the EIB, the World Bank Group and the ECB met with 15 systemically important EU-based parent banks of subsidiary banks in Central and Eastern Europe and their home and host country supervisors, fiscal authorities and central banks from Austria, Belgium, France, Germany, Greece, Italy, Sweden, as well as Bosnia Herzegovina, Hungary, Latvia, Serbia, and Romania. The participants took stock of crisis response and management in the context of the European Bank Coordination (“Vienna”) Initiative since the start of the crisis and discussed strategies to address jointly new emerging challenges.

The participants expressed satisfaction over the positive role that the European Bank Coordination Initiative has played in averting a systemic crisis in the region in the past year in the context of a worse than foreseen economic environment. A combined effort of appropriate host government policies, massive international support and parent bank engagement has helped stabilise the economies in the region. Continued parent bank support has accompanied balance of payments support from the IMF and the European Union (about EUR 52 billion to Hungary, Latvia, Romania, Serbia and Bosnia-Herzegovina) as well as from IBRD and bilateral donors. This took the form of parent banks recapitalizing subsidiaries as needed and broadly maintaining exposures to countries, even though with some variations across countries and banks. In turn, bank groups have benefited from a stabilising macroeconomic environment and many of them from access to the Joint IFI Action Plan launched by the EBRD, EIB, and the World Bank Group earlier this year. Bank groups remain committed to the region. Local demand conditions and the need to shift to more sustainable external account positions are being taken into account in country-based commitments.

Looking ahead, the economic outlook is improving, yet important challenges remain. Ensuring financial system health and putting in place policies to avoid future crises must remain a key concern, while ensuring that recovery in the economy is supported by adequate supply of credit. Improvements in local regulatory frameworks, where necessary, will help this process. Parent banks and local subsidiaries will continue to engage in a constructive dialogue with home and host supervisors and governments, as well as IFIs and the European Commission on how to address these challenges in a coordinated manner. In this context, coordinated and harmonized stress testing will help identify potential vulnerabilities. These issues will be discussed at a high-level meeting of bank groups, IFIs, home and host supervisors as well as the European Commission during the forthcoming IMF-World Bank Annual Meetings in Istanbul.