

Basic Principles for Home-Host Authority Coordination Under Vienna 2.0

As parts of the European banking sector undergo a process of deleveraging, it is important to recall that stability of the financial sector and orderly credit conditions in CESEE are in the shared interest of the private sector and home and host country authorities. The following interconnected principles are designed to enhance cooperation and coordination among the various stakeholders so as to help ensure mutually beneficial outcomes even in times of global financial stress and a shifting financial-sector landscape.

- 1) Principle of free allocation of liquidity and capital consistent with safeguarding financial stability. The commitment to free movement of bank liquidity and capital in accordance with the Treaty for EU members is reaffirmed. In this context, ex-ante coordination of financial stability measures among home and host authorities is essential, especially in conditions of financial market stress.
- 2) Principle of matching the supervisory framework with the cross-border integration of financial markets: Arrangements for cross-border supervision need to be made compatible with the integrated financial markets across Europe. Mechanisms should be adopted to involve jurisdictions outside the EU where European banking groups are active.
- 3) Principle of fiscal authority cooperation: Supervisory coordination must be accompanied by coordination among the fiscal authorities, particularly with regards to crisis management and resolution issues.
- 4) Principle of considering spill-overs from national actions. Supervisors, central banks, and fiscal authorities must take account of the implications of their actions for other national jurisdictions and for the European financial system as a whole.
- 5) Principle of the central role of European institutions: The European Commission should play its role in promoting an EU single and stable market in financial services. The European Supervisory Authorities should play a central role in supervisory cooperation and mediate among country authorities. The European Systemic Risk Board should play a key role in macroprudential oversight.
- 6) Principle of private sector engagement. Banking groups active in the region should cooperate actively with national authorities in efforts to promote financial stability, orderly credit conditions and sustainable cross-border banking.
- 7) Principle of IFIs involvement. International organizations, internalizing the impact of cross-border spillovers, should promote adjustment to more robust financial systems. They can assist the implementation of these principles through their surveillance, mediation, timely data collection, and financial support functions.

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8) Principle of focus on implementation. Participants are committed to the structured implementation of these principles. A Steering Committee will report on the proposed approach to operationalize these principles.