IMF to Hungary: Do a Better Job Watching Banks By Margit Feher and Joe Parkinson
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BUDAPEST -- Hungary needs to step up its supervision of the banking sector so its oversight becomes more proactive and efficient, an International Monetary Fund official said.

The country recently implemented a strict fiscal policy that will help it bring interest rates down, allowing it access to the next tranche of its $25.1 billion IMF lending facility.

"Now the fiscal policy is responsible, which hopefully will continue and [will] also help bring domestic [interest] rates down," said Iryna Ivaschenko, the IMF's resident representative.

Speaking in London, Hungarian Finance Minister Peter Oszko agreed that local banks still need firmer regulation, but overhauls to address economic imbalances have been completed.

"The banking system needs to be regulated more firmly," Mr. Oszko said. But he said the "most important is banking supervision, how to make a more independent and empowered banking supervisor in Hungary."

Due to its large external debt and lax fiscal policies, Hungary was hit hard nearly a year ago by the global financial crisis as liquidity dried up and its debt markets froze, making it the first European Union country to seek IMF help last year.

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