

## **Vienna Initiative adopts mission statement, sets its objectives**

*Initiative sees renewed deleveraging in Q2; is set to discuss cross-border supervisory practices in September*

The Steering Committee of the Vienna Initiative, chaired by National Bank of Poland Governor Marek Belka, held a meeting in Warsaw on 18 July.

The Committee adopted the Mission Statement of the Vienna Initiative, guiding the future work of the Initiative, and discussed its two main areas of interest: (i) cross-border bank deleveraging in Central Eastern and Southeastern Europe (CESEE); and (ii) home-host coordination on cross-border banking activities in CESEE.

The Committee was presented with a report on cross-border deleveraging that was prepared by staff of participating international financial institutions. It noted that a sharp reduction of external positions of banks vis-à-vis the CESEE region had taken place in the second half of 2011. While this had slowed in the first quarter of 2012, likely reflecting the impact of the European Central Bank's liquidity facilities (LTROs), partial data suggest renewed deleveraging in Q2. Avoiding disorderly deleveraging requires continued close monitoring with further detailed analysis, including country-by-country and bank-by-bank analysis. The Committee will consider regular reports on deleveraging in CESEE with a view to highlighting systemic concerns and informing competent national and European authorities.

The Committee also discussed cross-border supervisory practices. It decided to hold a workshop in September for Vienna Initiative 2 public and private sector participants to further discuss this topic as well as the recently proposed EU framework for recovery and resolution. The focus will be on helping to ensure effective cooperation between home and host country authorities that takes account of host country responsibilities for domestic financial stability. Assessment of the impact of cross-border deleveraging on emerging Europe will also be on the agenda.

### **BACKGROUND ON THE VIENNA INITIATIVE**

The Vienna Initiative was established at the height of the global financial crisis of 2008/09 as a private-public sector platform to secure adequate capital and liquidity support by Western banking groups for their affiliates in CESEE. The initiative was re-launched as "Vienna 2" in January 2012 in response to renewed risks for the region from the eurozone crisis. Its focus is now on fostering home and host authority coordination in support of stable cross-border banking and guarding against disorderly deleveraging. Western banking groups continue to

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play an important role in the Initiative, both by supporting the coordination efforts and doing their own part to avoid disorderly deleveraging.

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