

Regulatory adjustments for responsible finance

Ardian Fullani
Governor of Bank of Albania
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Overview

- The central bank and financial stability as an objective: Promoting Responsible Finance
- The realms of BoA's engagement to maintain financial stability while targeting price stability.
- BoA's regulatory adjustments to prevent financial crises and manage the impact of the global financial crisis.
- The importance of transparency, responsibility and good governance in the banking system.
- Education mission of the Bank of Albania.



Promote financial stability

- The crisis revealed that long run macroeconomic stability requires a sound investment in financial stability
- Responsible Finance as a tool to achieve Financial stability:
 - Fair balance of interests between a financial institutions and its stakeholders
- Three main areas where Bank of Albania has focused its responsible finance philosophy
 - Banking supervision
 - Transparency and Accountability
 - Education



Regulate to Support Financial Stability

- Risk-oriented supervision
 - Financial position and risk profile of foreign banks' branches, must be monitored by parent banks
 - Capital Adequacy Ratio
 - More prudential measures on indicators of banks' large exposure
 - Prevention of money laundering
- Enhance corporate governance in the banking system
 - Adequate internal audit system to assist management
 - Core management principles of banks and foreign banks' branches

Enhance Transparency to Support Financial Stability



- Lack of transparency hampers the transmission of information, it prevents rational decision-making
- Improve banks transparency to the public and vice-versa
 - Via new regulations
 - Transparency of Banking and Financial Products and Services
 - Minimum Requirements of Information Disclosure for Banks and Foreign Banks' Branches
 - Consumer Loans and Mortgages
 - Using efficient tools and clear communication strategies



Engage in Public's Education

- Financial illiteracy- is a significant barrier to market efficiency.
 - Information is useless if it were not understood by market participants
 - The lack of understanding prevents communication and rational thinking
- Central bank is a necessary partner in the fight of financial illiteracy. However its objectives, its credibility and its financial and human resources can transform it into a leader with considerable impact in financial stability
 - Publication of educational booklets
 - The launch of educational programs for students
 - Training seminars for journalists, high school teachers and social workers