

Radoslav Milenkov: Banking supervision priorities

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A main priority of Banking Supervision is the participation in the process of effective accession to the Single Supervisory Mechanism (SSM) within the three working blocks, on which work is done at the Bulgarian National Bank.

The first one is the development of the required regulatory framework. Work in this area reached an advanced stage at the end of the last year with the adoption by the National Assembly of the necessary package of legislative amendments, allowing for the synchronisation of supervisory processes between the ECB and the BNB, including by expanding the macro-prudential supervision toolkit.

A review and possibly an amendment of the applicable domestic regulatory framework – ordinances, guidelines – is pending with a view to achieving compliance with the ECB internal technical regulations and reflecting the ECB's discretionally policy in key areas of prudential supervision and risk management.

The second is to continue the process associated with the synchronization of the BNB's supervisory and prudential practices with those of the European Central Bank, of the internal rules and processes and of the information flows between the two institutions. The work done by the BNB in this area is the logical extension of the reforms in the banking sector that started in 2015 and is expected to continue throughout 2019 with the following focal points:

- Development of an efficient organization for cooperation with the ECB within the supervisory colleges and joint supervisory teams;
- Streamlining the supervisory strategy to match the new institutional reality resulting from the close cooperation arrangements;
- Dividing the supervisory focus among important and less important institutions;
- Organisation of collection of supervisory and statistical data for supervisory purposes and validation of supervisory reporting;
- Development of information systems consistent with the new stage in the supervisory activities.

The third working block relates to the organisation and carrying out of the asset quality review and the stress test. The process is under way for the selected six banks and is conducted by ECB in line with an ECB-adopted methodology and macroeconomic scenarios for the purposes of the stress test. The bulk of the assumptions and parameters are determined by the Central Project Steering Committee at the ECB with an established working communication between the BNB, ECB and SSM in this process.

The Banking Supervision activities will continue through implementing the European regulatory framework applicable to the credit institutions with a focus on the consistent implementation of the technical standards and regulations, the Guidelines of the European Banking Authority and the recommendations of the European Systemic Risk Board.

Priorities:

- Carrying on the practice of uninterrupted supervisory cycle by means of ongoing off-site control

and on-site inspections;

- The supervisory review and assessment of banks based on the approach developed in alignment with the ECB Internal Guidelines and the Guidelines issued by the European Banking Authority. The purpose of the supervisory review and assessment is to strengthen the link between the dynamics of risks within the system, a bank's risk profile, its own funds, its liquid assets and risk management systems and internal control environment, which would serve as the basis for reaching an overall assessment of the viability of each credit institution individually;
- Continuing the policy of conservative macro-prudential supervision aiming at accumulation and maintenance of capital buffers during the economic upturn. The objective is upholding the stability of the banking system, including by preventing or reducing the systemic risks involved in the activities of credit institutions and identifying and limiting the emergence of macroeconomic factors that would threaten the stability of the banking system.