

Financial System of Armenia. Development, Regulation, Supervision 2014

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Introduction

In 2014, the financial system of Armenia was quite active and secured increased access to and improved affordability of financial services for the real sector. During the year, assets of the financial system grew by 15% and amounted to 83.8% of gross domestic product (a 6.7 percentage points increase over 2013). As financial intermediation deepened and competition between banks grew, loan interest rates continued to decline and deposit interest rates to increase, causing the interest rate spread to shrink.

As the geopolitical problems exacerbated, the economic fundamentals caused the Armenian dram to depreciate sharply in the fourth quarter, in turn augmenting the risks undermining financial stability. In this situation, the financial system demonstrated a strong ability to absorb risks by adapting to the emerging new economic situation quite rapidly. The Central Bank responded to changes in the market situation through a flexible combination of monetary policy and supervisory tools, thus fulfilling the objective of maintaining price stability and financial system stability.

In financial system regulation and supervision, the Central Bank continued implementing measures aimed at modernizing the regulation of activities of financial institutions, improving the effectiveness of financial supervision, protecting consumer interests, and improving the financial literacy of various target groups in society. In 2014, the Central Bank undertook amendment of legal acts related to introduction of the Basel III standards and focused on implementing a risk-based supervision system for financial institutions.

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