

Financial System of Armenia. Development, Regulation, Supervision 2012

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Introduction

In 2012 world economy did not wholly leave the dangerous crisis zone. Nevertheless, macroeconomic stability in Armenia in 2012 was maintained to ensure favorable environment for positive economic developments in coming years. The Central Bank succeeded in stabilizing the inflation within target range through targeted policy and creation of positive public expectations on inflation. In 2012 the inflation was 3.2 percent. Stabilization of macroeconomic environment had positive impact also on strengthening of financial stability. One of the distinctive developments of the current year was high growth rate both of real and financial sectors. The share of financial system assets was 68.7 percent of gross domestic product, while the share of loans was 41.3 percent, which have increased around 9 percent each compared with 2011.

Armenian financial system, which back at a deep crisis stage proved its ability to withstand shocks, continued sustainable development trend in 2012 and ended the year with positive results. The stability of Armenian financial system was also assessed by International Monetary Fund and World Bank Financial Sector Assessment Program. The mission summed up the financial stability assessment and provided valuable recommendations significant part of which is already realized. Generally, the mission assessed Armenian financial system and financial stability instruments as rather satisfactory (according to assessment Armenian banking system is rather stable and able to withstand shocks, and in the Central Bank efficient supervision system and crisis management mechanisms are implemented).

The World Bank also carried out research on consumer rights protection in financial system as a result of which the level of consumer rights protection and financial education were assessed. Based on the research Financial Consumer Rights Protection and Financial Literacy Enhancement strategies were developed. With the view of developing and implementing national strategy of financial education, an interagency committee was established and a number of governmental, nongovernmental and private institutions are members of that committee. In the context of financial education public awareness programs concerning pension reform were continued. In 2012 the Central Bank was focused on pension reform, particularly, parallel to the development of regulatory

framework the Central Bank also actively negotiated with foreign reputable asset managers with the view of involving the latter in the management of mandatory pension funds.

In general, in 2012 the Central Bank proceeded with large scale actions aimed at development of financial system, modernization of financial sector regulation framework, financial supervision, consumer rights protection and financial education of various target groups.

In 2012 too, the participants of Armenian financial system followed a stable path for growth trend in main financial indicators (assets, loans, liabilities, deposits, capital and etc.).

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