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Central Bank Plans Weighted Criteria for Increasing Scrutiny of Lenders

By The Moscow Times

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The Central Bank has proposed a set of criteria by which banks will be identified as significant players in the banking system and worthy of additional regulatory scrutiny.

The initiative comes two weeks after the shutdown of mid-sized Master Bank, previously considered inviolable due to its scale, and actions by the financial regulator to deal with several failing small regional lenders, which has sparked talk of a crackdown within the banking sector.

Four measures will be considered by the regulator, which will then be weighted and compiled to give a final rating: the quantity of assets and deposits, and the importance of the bank on the interbank market as a creditor and as a borrower.

In calculating the rating, the most weight — contributing to 50 percent of the final assessment — will be given to the size of the bank's asset sheet.

The bank's deposit portfolio will be weighted at 25 percent, while the two measures of market integration will be factored in at a ratio of 12.5 percent each.

The result will be a percentage figure showing the relative size of each bank within the sector as a whole. Banks representing more than 0.6 percent of the total will be subject to intensified regulation. This list will then be reassessed annually.

Based on third-quarter results, 14 banks fall within the zone of increased scrutiny based on the Central Banks proposed criteria, said Alexei Buzdalin, head analyst at Interfax's analytical center. Three state lenders occupy the top spots: Sberbank makes up more than 30 percent of the country's banking system; VTB — 8.6 percent; GazpromBank — 5.9 percent.

However, the list excludes a number of major players, Buzdalin said. "Trust Bank, for example, with deposits of 107 billion rubles ($3.2 billion), 18th largest in the country, [is not included]. Otkritie and Binbank, also with extensive deposit portfolios, do not make it onto the list either. If something happens to these banks, the system of deposit insurance will collapse."

So far, Master Bank has been the biggest test of the country's deposit insurance safety net. It required a bailout of about $1 billion.

The adoption of a set of criteria is the first step towards a tightening of oversight in the banking sector and, in particular, a stricter focus on levels of capital, said Moody's vice president Eugene Tarzimanov, but it may stimulate machinations by banks keen to avoid the regulatory spotlight.

"Some banks will probably not want to appear on the list," he said, "and in order to keep below the criteria they may even subdue their levels of activity."

The regulator will put together its list at the turn of the year, said Alexei Simanovsky, who heads the Committee of Bank Oversight at the Central Bank.

Ranking of Top Banks Based on Central Bank Weighting

№	Bank	Weighted Influence on Banking System as a %	Assets in Billions of Rubles	Share of Banking Market in Asset Terms	Deposits by Individuals, in Millions of Rubles	Share of Banking Market in terms of Deposits, %
1	Sberbank	30.38	14823.5	29.02%	5663.2	42.84%
2	VTB	8.61	5014.9	9.82%	14.1	0.11%
3	Gazprombank	5.88	3336.5	6.53%	267.6	2.02%
4	VTB 24	4.14	1738.7	3.40	1024.6	7.75%
5	Rosselkhozbank	3.06	1656.9	3.24%	191.2	1.45%
6	Bank of Moscow	2.88	1543.4	3.02%	163	1.23
7	Alfa Bank	2.55	1394.4	2.73	152.1	1.15
8	Raiffeisen Bank	1.41	671.4	1.31	139.7	1.06

	9	Promsvyazbank	1.37	724.3	1.42	164.7	1.25
	10	Nomos-Bank	1.37	752.7	1.47	96.7	0.73
	11	UniCredit Bank	1.34	789.4	1.55	33.1	0.25
	12	Rosbank	1.32	698.9	1.37	112.8	0.85
	13	Russian Standard Bank	0.79	352.2	0.69	175	1.32
	14	UralSib	0.79	407.8	0.80	126.6	0.96

— Interfax Analytical Center

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