

European Central Bank to Track Sberbank and VTB's Austrian Branches

By [The Moscow Times](#)

June 27, 2014



European Central Bank headquarters, Frankfurt am Main, Germany.

The European Central Bank will supervise and run health checks on the Austrian arms of Russia's two largest banks, giving officials in Frankfurt unprecedented control over their activities in Europe.

The ECB said on Friday that it had added Russia's biggest bank, Sberbank, and second-largest, VTB Bank, to the 120-strong list of lenders it will police. Their cross-border operations are so significant they could create a risk for the euro zone, the Central Bank said.

The ECB is preparing to supervise the euro zone's biggest banks, a key part of a wider banking union. The system is designed to keep tabs on banks and avert the kind of financial crisis that shook the industrialized world in 2008.

Banking supervision will widen the Central Bank's reach, and it may worry Moscow. The

announcement came as European Union leaders warned Russia they were ready to impose further sanctions over Ukraine.

Sberbank is run by German Gref, an ally of President Vladimir Putin, and VTB is majority-owned by Russia. Their subsidiaries will both be subject to individual health checks by the ECB next year, a spokeswoman said. VTB declined to comment and Sberbank could not immediately be reached.

The move follows warnings by the ECB about the impact on Europe from the crisis in Ukraine. In a recent report, ECB staff cautioned that the main spillover in Europe would be through "trade and financial linkages with Russia, rather than with Ukraine."

Russia has ties with many countries throughout Europe and particularly with Austria. Vienna, positioned on the edge of the Iron Curtain that divided Europe until 1989, was a gateway to the eastern bloc and became a base for doing business with the former Warsaw Pact countries.

Russia is Austria's ninth-biggest trading partner.

Paring Back

The ECB will become the watchdog over big banks across the 18 countries in the euro zone this November. On Friday, the ECB published a list of the top euro zone banks that it will police. A final list will come out by Sept. 4.

It differs from an earlier list published last year of 128 banks that the ECB is putting through a health check. Twelve banks dropped off that watch-list, among them three in Germany.

Those taken off include the German corporate financier IKB, which was among the first big banking collapses during the crisis. An export financing arm of German state bank KfW has also been removed. Peugeot's car financier Banque PSA Finance in France and DNB Bank in Estonia were removed as well.

The clearing houses LCH Clearnet in France and Clearstream in Luxembourg were also taken off the list of institutions to be supervised.

Two other banks were added to the list along with the Austrian subsidiaries of the Russian banks: Banque Degroof in Belgium and Barclay's Italian subsidiary. Degroof will also be put through a health check by the ECB next year.

"The ECB has been made much more powerful politically by the fact that it has supervision," said Nicolas Veron of Brussels think tank Bruegel. "It is just doing its job."

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