

# Belgian banks

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Central banks are part of solution, which addresses the results of market imperfections. The central banks always seek promotion of financial stability. Central banks directly control short-term interest rate in order to keep the economic development. Central banks plays role in global financial system and developed traditionally. But it is more complex since the institutional and current market trends of the financial system are being changed. In Belgium National Bank of Belgium plays the role of central bank.

The National Bank of Belgium is Central bank of Belgium since 1850. It is a member of the European system of Central banks. In order to play effective role with changing environment in financial sector, another system is developed in the name of European Central Bank during 1999. However, the National Bank of Belgium still exists but most of the functions of have been endorsed to European Central Bank. The primary objective of the ECB to maintain price stability with the Euro zone. The National Bank of Belgium situated at Brussels.

Belgium financial system identified that a few internationally active bancassurance conglomerates dominate it. The bancassurance model has become well-developed feature in the Belgium, which follows series of mergers and acquisitions. Such financial system leads stability in banking system. Besides the stability in banking system caused by large holdings of government securities and low holdings of equity by banks, a high standard of banking supervision, traditional cautions about risks and macroeconomic policy frame work.

It is also recognized that the Belgium's financial sector has never experienced the crisis, though some strains in the insurance sector. BELGIAN BANKS OWN NON FINANCIAL FIRMS In the Belgium, the following banks plays vital role in banking industry. ABN AMRO Belgium, AXA bank Belgium, Argenta, Banca Monte Paschi Belgio, Bank van De Post/Banque De La Poste, Dexia Bank Belgium, Europabank, Fortis Bank, ING, KBC, Rabobank be, Volksdeposittokas (VDB). Previously the Belgian banks invested in the amounts in arms industry. The Ownership of Belgian banks of military companies in general.

There was also financial tie-up between KBC, ING, Fortis, Axia and Dexia with the manufacturers of cluster bombs, landmines, nuclear weapons and weapons with depleted uranium. But thereafter ING stopped investing for such activities, as the Belgium became first country to introduce a ban on cluster munitions. But the other bank groups like AXA, Dexia, Fortis and ING continue to invest in cluster munitions. It indicates that in Belgium, the Banks can own non-financial firms. BANKING RISK/CRISIS IN BELGIUM The following types of risks are identified in the banking system/financial institutions

Risks on credits to enterprises Not only in Belgium, in other EU countries appear same risk. When the banks or financial institutions provide credits to the enterprises, it causes risks on the outstanding of the credit outstanding. The risk is based on the development of outstanding of credits. It is identified that the bank credits represents less than 20% of the financing sources of Belgian enterprises. Risks on credit to individuals The risks connected with

the granting of credits to individuals. The average of amount of credits per borrower is much smaller.

But large proportion of outstanding borrowings are available however with mortgage guarantees. However it depends upon the realization of mortgage properties. Because in Belgium, the price of real residential real estate has not undergone any speculative rises. Interest rate risks Maturity transformation is one of the main activities of credit and banking/financial institutions. The interest rates for Belgium banks monitored by Central Bank of Belgium. The banks and financial banks cannot make independent decisions, but they can lower the rate of interest rate.

Hence the interest rate plays vital role in banking and financial industry with respect to interest rate risk. Strategic risks The stability of the Belgian banking sector depends upon the credit and market risks. But these risks cannot be uniformly. During 1999, 30% of Belgian banks recorded a profitability is less than 4% whereas 13% banks achieved return on equity of more than 20%. The Strategy of increasing market share on the traditional markets. Now the banks are trying to extend their activities to other segments of financial services or other geographical areas, so that the risks be lessened.

The strategic risk applied not only to credit institutions but also all enterprises who faced with a problem of diversification. Exchange rate risks Transactions in foreign currencies often defers payment terms and these exchange rates can be minimized with Forward exchange contract, option on currencies, hedging techniques like Cylinder type. The Forward exchange

contracts may be concluded for first business day to 10 years. With regard to option in currencies, it is available week or longer. In respect of the hedging technique i. e. Cylinder system, it is call and put option.