STATE REGULATION AND FINANCIAL SECURITY OF THE BANKING SECTOR OF UKRAINE: PROBLEM QUESTIONS AND WAYS OF DECISION

Urgency of the research. The current conditions of functioning of the banking sector in Ukraine are characterized by a number of destabilizing trends associated with the accumulation of risks. This necessitates a scientific search for ways to ensure its financial security, in particular, by optimizing the functions of state regulation and supervision of the banking sector.

Target setting. Financial security and stability of the banking sector objectively requires the deepening of the theoretical justification to optimize the functions of state regulation and supervision of the banking sector in order to neutralize the threats and prevent local crises.

Actual scientific researches and issues analysis. The theoretical basis for the formation of the system of state regulation of banking activity has been reflected in the scientific works of such scholars as: O. Baranovsky, V. Kovalenko, O. Kirichenko, Habyuk O. and others.

Uninvestigated parts of general matters defining. System research requires methodological approaches to the formation of a system for ensuring the safety of the banking sector.

The research objective. Deepening of scientific views on the development of the banking regulation and supervision system, outlining the directions of its modernization in modern conditions.

The statement of basic materials. In this article, the author has proved that an important component of providing financial security to the banking sector is the development of an effective system of state regulation and supervision of the banking sector. The basic strategic directions of the state regulation by the banking system are determined.

Conclusions. Proposals for developing a system of state regulation and supervision of the banking sector, which will create the foundation for its financial security have been developed. The article presents a system of regulation and supervision of the banking sector from the point of view of ensuring its financial security.

Keywords: banking sector; financial security; financial system; state regulation; banking supervision.

DOI: 10.25140/2410-9576-2017-2-3(11)-131-137

Urgency of the research. The history of the development of the banking system allows us to conclude that there is a need to regulate banking activities. This is due to the role and importance of the banking system as the most important part of the country’s financial system. Crisis phenomena in banking activities do not relate to rare phenomena of national economies. In the period since the early...
70’s. XX century. In some 120-140 countries or 3/4 of the IMF member states there were local or systemic banking crises. Therefore, the optimization of bank supervision functions, neutralization of threats, and prevention of local crises - is considered as the basis for ensuring the security of the banking system.

**Actual scientific researches and issues analysis.** The theoretical and practical questions of the state regulation of the banking sector and the substantiation of its role in ensuring the financial security of the banking system became the subject of the study of such well-known domestic and foreign scientists as L. Antonyuk, O. Baranovsky, O. Dzyublyuk, I. Dyakonov, F. Engler, V. Kovalenko, O. Kirichenko, I. Krupka, I. Lyuty, V. V. Mishchenko, V. Moroz, and others. However, despite a significant amount of theoretical and practical developments of scientists that are a significant contribution to the development of modern theoretical concepts regarding the content and role of state regulation in ensuring financial security of the banking sector, it should be noted that this issue remains relevant and requires further research.

**Target setting.** The purpose of the article is to deepen scientific views on the development of the banking regulation and supervision system, with the outline of the directions of its modernization in modern conditions.

**The statement of basic materials.** In a broad sense, state regulation of the banking system is implemented in all types of social relations that arise in banking activities. The state regulation of the banking system in the narrow sense manifests itself as a set of normative legal acts, as well as the coordination of financial processes, directions, methods of interaction of state administration and control over the activities of banking system entities in the implementation of antimonopoly, tax legislation, solvency and financial stability. The main strategic directions of the state regulation of the banking system are: - Supervision of the subjects of the banking system; - counteracting the monopoly in the banking system and unfair competition; - control over the financial activities of the entities of the banking system; - public participation of the state in the formation and development of protection of interests of participants of the banking market. In accordance with Article 61 of the Law of Ukraine "On the National Bank of Ukraine" [4], the state regulation of the activities of banks is carried out by the National Bank of Ukraine, and banking regulation is the function of the NBU, which provides for "the creation of norms governing the activities of banks and defining the general principles of banking activity And the procedure for carrying out banking supervision and responsibility for violation of banking legislation". We consider it necessary to draw attention to the fact that most Ukrainian scholars are inclined to think that "banking regulation" and "banking supervision" are two independent but interconnected scientific concepts. The Western scientific world, in the main, does not distinguish between these concepts, combining them with the term "banking supervision". The latter is evidenced, including the name of the main international body in the sphere of banking cooperation of the "Basel Committee on Banking Supervision". It is possible to meet and the term "banking regulation", which is defined as a state intervention in the banking sector [9, p.21-22], [10, p.314] As rightly noted by a group of researchers [5, p.42] the need and features of the regime Regulation of the safe development of banking activities is conditioned by the following conditions and factors: - banks are the agent of the implementation of monetary policy and the formation of money supply, ie perform important economic functions; - the presence of asymmetric information in the banking markets, which increases the risk of making false decisions; - inability of depositors to control banks; - a significant social price of bankruptcy of banks; - Risk of activity and potential instability of banking business; - banking business is especially attractive to fraudsters and light-income seekers; - tendency to monopolize the banking sector; - transition of banks to the international financial reporting system; - international character and globalization of banking activity. In this, there are three main types of regulation: state, supranational (international) and associative [1, p.84]. For the pre-crisis period, the regulator's focus was on supporting the solvency and sustainability of individual banks - the so-called "micro-prudential supervision". The application of this approach did not allow for taking into account the systemic interconnections between banks and other participants in the financial market, which subsequently led to the spread of crisis trends in the market [8]. In the context of ensuring the security of the development of the banking system, macroprudential regulation becomes of particular importance. As Kovalenko V. [6] points out, macroprudential regulation is a permanent process within which the systemic risk scale...
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In the context of ensuring the security of the development of the banking system, macroprudential regulation becomes of particular importance. According to Kovalenko V. [6], macroprudential regulation is a permanent process within which the systemic risk scale is minimized, caused by the onset of macro- and micro-risks affecting the banking system and the real economy, which is achieved through coherence in actions, Adopted by the regulator, by reducing the procyclicality of the financial system and tracing the interconnections between financial institutions. The approach to the development of state regulation of the banking sector should, in the first place, include a regulatory component implemented through public authorities acting on behalf of the state and which are the main subjects of regulation. The second component is a constituent, which has a regulatory influence, consisting of participants in the banking sector and a direct regulatory mechanism. We consider it necessary to present a system of regulation and supervision of the banking sector from the point of view of ensuring its financial security (Fig. 1.), the complex action of which is aimed at: - identification and assessment of threats to the internal and external environment; - Forecasting possible crisis situations in the financial and credit sector - Developing and applying preventive measures that exclude or reduce risk; - development and implementation of mechanisms for effective response. The action of the banking sector regulation and supervision system should be aimed at the safe development of the banking sector of economic relations, achievement of the established targets in the framework of the upward economic development. In this regard, the banking sector regulation and supervision system should be integrated into the country's financial system's security management system. The importance, multi-factor and complexity of the problem of financial security of the banking sector, requires the creation of an independent responsible body for its provision. We propose the following powers of the said structural unit to ensure the financial security of the banking sector:
- develops an action plan for securing financial security of the banking sector, organizes and coordinates among regulatory entities;
- monitors the threats to the external and internal environment that have a destructive effect on the banking sector;
- identifies sources of threats to the financial security of the banking sector and their distribution channels;
- develops a list of indicators of financial security monitoring of the banking sector;
- performs collection, processing and generalization of information on changes in the state of external and internal banking sector;
- develop models and forecasts of losses in case of realization of destructive influence of threats;
Fig. 1. Theoretical construction of the system of state regulation and supervision of the banking sector

Source: constructed by the author
develops a plan of measures to neutralize the negative impact as a result of the transformation of threats to the financial security of the banking sector;
- prepares expert opinions on banking sector regulation projects, in terms of their impact on the financial security of the banking sector;
- within its authority, takes part in the development of the financial policy of the state, as well as documents aimed at its implementation.

Modernization of regulation and supervision of the banking sector provides for improvement of the regulatory framework for its functioning, and implemented through such instruments as laws, codes, norms, methodological tools (Fig. 2). It should be noted that the use of various means of influence by the state on the functioning of the banking sector are algorithmic. The criterion for assessing the effectiveness of the use of direct and indirect methods of regulating banking activities can be the level of financial security of the banking sector. Effectiveness and effectiveness of regulators can be presented using a multi-factor model:

\[ E = f(X, Y, Z, ..., N), \]

where \( E \) - effectiveness of government regulation of the banking sector, \( X, Y, Z, ..., N \) - regulators.

**Fig. 2. Components of the mechanism of state regulation of the banking sector in the context of ensuring its financial security**
However, the effectiveness of government regulation is assessed through a set of indicators. Accordingly, the assessment of regulators should be carried out in relation to the established criterion. At the same time, the effectiveness of any regulator depends on the nature of the primary information, as well as on the further information received after its influence. The institutional platform for the regulation and supervision of the financial security of the banking sector is the establishment of “rules of the game” for all its participants.

An important component of the system of regulatory influence on the banking sector by the state in the context of financial security of its development is monitoring, presented by a comprehensive system of diagnostics of threats to financial security of the banking sector, sources of their occurrence and forecast of the consequences of the realized risks. According to the monitoring results, it is possible to anticipate the transformation of negative influences and choose a strategy for the development of the banking sector, taking into account a set of measures aimed at reducing the impact of destructive factors on the financial security of the banking sector.

The problem of estimating and forecasting the financial security of the banking sector lies in the complicated quantitative expression of the most qualitative characteristics of the socio-economic system or the external environment. The interpretation of the data depends on the reliability of the valuation results in the retrospective, reporting or future period, and therefore the choice of effective methods and tools for managing the financial security of the banking sector is complicated.

When substantiating the choice of forms and methods of regulatory influence, the following tasks are addressed:
- identification and assessment of the destructive impact on the financial security of the banking sector;
- modeling the transformation of identified and evaluated negative impacts;
- modeling and estimating financial losses of the banking sector;
- selection of methods and tools for risk neutralization based on the balance of possible losses and resources of the banking sector.

The choice of a set of methods, regulatory instruments are determined by specific negative influences or their aggregate. Therefore, the development of any unified set of methods is, on the one hand, an important scientific task, and on the other hand, as a function of the system of financial security of the banking sector.

Conclusions. The results of scientific research suggest that the optimal system of regulation and supervision of the banking sector, which is an important element in ensuring the financial security of the banking system and the financial system of the country as a whole. Ukraine needs an effective model of state regulation of the banking sector, based on the specifics of national economic conditions and focused on world trends. The priority direction of improvement of state supervision over the banking sector is its reorientation from the establishment of negative trends and the development of crisis situations to prevent them.

References

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Received for publication 10.05.2017

Бібліографічний опис для цитування :