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WAYS OF IMPROVEMENT OF THE FINANCIAL MONITORING SYSTEM OF BANKING ACTIVITY

In the process of the development of the modern market environment, the competition in the internal and external markets is intensifying, which results in the emergence of factors affecting efficiency of banking activity. Under these conditions, the issues of increasing efficiency of risk management in the banking sector remain urgent.

The globalization of financial markets and the change in the system of financial and economic relations with all the corresponding positive and negative consequences for the subjects of this system is a characteristic feature of modern economic processes. Under such conditions, the increase in banking operations occurs at a qualitatively new level, through the implementation of international standards of banking and resource support for the implementation of active transactions. As a negative consequence, the system of banking risks has also changed, especially under the influence of the growth of economic forms exceeding the officially recognized social norm in the context of money laundering. Banking activity is considered as one of the key instruments for the legalization of proceeds from crime, which gives rise to the probability of financial losses under the influence of a money laundering risk. Thus, at the macro and micro level, solving this problem is an extremely topical issue.

Such outstanding scientists as V. Bobyl, O. Burbelo, L. Chunikhina, L. Bondarenko, L. Kryvonos, O. Krykliy, O. Omelchenko, L. Prymostka, [1–7] and many others have paid considerable attention to studying the problems of management of banking risk of money laundering and terrorist financing. However, despite the significant scientific results obtained by the above mentioned and other scientists, measures to reduce banking risks in the field of money laundering remain insufficiently studied.

The aim of the work is to study the essence and specifics of risks in the banking system, in particular those related to money laundering, and the formation of recommendations for mitigating such types of risks by monitoring tools.

Risk is inherent in all types of business activity and it cannot be avoided when making decisions about placing money in a bank, buying shares and other securities, investing in new production, etc. In most cases it is impossible to make an absolutely accurate forecast for a whole range of characteristics of economic objects, projects, processes that are being analyzed (inflation rates, market conditions, etc.). The use of innovative ideas and new technologies is always accompanied by risk, but attempts to avoid innovation can stop the progress of society/

The carried out analysis of the definitions of the concept "banking risk" presented in literary sources indicates that most of them are similar, and the differences lie mainly in the chosen approach to understanding the essence of risk in general. In interpretations of the concept "banking risk", as a rule, attention is focused on its financial nature, which manifests itself in the form of possible consequences of a risk situation.

Thus, an overwhelming majority of researchers distinguish the financial component of banking risks and tend to think that banking risks are financial risks that result in losses. This conclusion is confirmed by the fact that when considering individual banking risks researchers once again emphasize, first of all, the financial component.

Banking risk can be considered as probability of deviation of the volume, spatial, and temporal parameters of a bank's cash flows from the expected ones, ability of a credit organization to experience losses or deterioration in liquidity, threat of loss of its resources, uncertainty of the result of its activity, risk of loss, event which can cause losses expressed in monetary terms, and characteristics which reflect its uncertainty.

Banking business is inherently related to risks which are generated by numerous factors (external environment, structure of assets and liabilities, other financial and functional factors) affecting their level and, consequently, the way of their analysis and methods for their measurement and mitigation. Understanding the nature of these risks, their correct evaluation and management allows to avoid or significantly reduce possible losses for banking institution, especially as a result of the impact of the current global financial crisis, the depth and duration of which turned out to be much stronger than expected. The importance of banks in the functioning market system, as well as the current crisis phenomena, necessitate an adequate evaluation of risks, their analysis and reflection in managerial information to ensure conscious management and control. The risk management process is continuous in nature, its stages alternating with each other. Mechanisms for protecting banks against risks consist of current risk management and methods for risk minimization.

Most definitions of the concept "financial monitoring", which have been proposed in recent years in works of domestic and foreign economists, comprise the following main components: presence of a complex of actions, determination of funds and goals.

Financial monitoring is a persistent and continuous process that includes observation, analysis, evaluation, and forecast of financial transactions which reveal signs of laundering of criminal proceeds or terrorist financing. Only after that appropriate measures are taken regarding the assets and participants in the financial transactions they carry out.

A bank which has separate divisions can create an intra-bank system for preventing the legalization of criminal proceeds and financing of terrorism, in accordance with which certain powers to maintain the register of financial transactions, make decisions on reporting to the State Financial Monitoring Service of Ukraine on financial operations in a certain region will be exercised by authorized by the bank separate divisions and their responsible officers.

Among financial transactions that fall under the criteria of financial monitoring, there are the following:

transfer of funds in cash to an account with their subsequent transferring to another person on the same business day;

transfer of funds to or their withdrawal from the current account of a legal entity or a sole proprietor if the operations on the specified account have not been carried out since the day of its opening;

transfer of funds abroad in the absence of a foreign economic agreement (contract);

transfer of funds to the current account of a legal entity whose period of activity does not exceed three months from the date of registration;

withdrawal of funds from the current account of a legal entity whose period of activity does not exceed three months from the date of registration.

After the economic crises, the banking system of Ukraine demonstrates stable trends, functioning under conditions of tighter regulation by the state. In 2017–2018, with the aim of ensuring financial stability, the NBU continued to improve its approaches to banking regulation and the relevant regulatory framework.

The fundamental changes in the field of banking regulation are as follows:

1. Change in the procedure for evaluating credit risks, which makes it possible to qualitatively update the processes of formation of reserves and identify the imbalances in their evaluation.

2. Change in approaches to measuring the size of bank capital based on stress testing, which in the future will facilitate the capitalization of banks.

3. Transformation of the standard regulating the restrictions on insider transactions by introducing new criteria to define insiders and increasing the transparency of the ownership structure and the identification of final beneficiaries.

4. Change in the method for identifying non-performing assets, which allows to more objectively determine the quality indicators of banks.

5. Preparation for introducing and testing the new prudential standards, in particular, the indicator LCR – a new tool for regulating bank liquidity, the new requirements for the structure of bank capital, etc.

6. Systematic conduct of stress testing, which makes it possible to identify the vulnerability of banks to economic shocks.

Thus, the NBU constantly monitors and conducts a comprehensive analysis of risks in the banking sector, as well as informs about them all market participants. In our opinion, further improvement of the system of financial monitoring of banking activity should include the following:

constant use of a risk-based approach to analyze financial transactions of banking institutions;

gradual achievement of objectives of the macroprudential policy, in particular: preventing excessive lending growth; preventing liquidity shortages; restricting risk concentration; limiting the effects of distorted incentives; increasing stability of financial infrastructure; lowering the dollarization level in the banking sector;

improvement of organizational support for managing banking risks at both micro and macro levels;

perfection of the systems for assessing the resilience of banks and the banking system to the volatility and unpredictability of the external environment;

improvement of assessing quality of internal control and corporate governance.

Thus, the effective use of the tools for regulating financial risks of the domestic banking system will prevent their accumulation, as well as increase the resilience of banks to possible crises.

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