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Kremenchuk Mykhailo Ostrohradskyi National University***FINANCIAL RECOVERY OF BANKS IN THE TERMS OF UNFAVOURABLE CONDITIONS**

The article deals with financial recovery of the banking institutions in statutory and regulatory aspects. The author defined phases and features of determination of problems in bank, standards of financial insolvency and analyzed the dynamic ratios and liquidity of the banking system of Ukraine. It was established that the banking system of Ukraine is affected by the negative impact of external economic factors therefore requires immediate introduction of preventive stabilization measures, and in some cases, financial recovery of banks to prevent the collapse of the banking system of Ukraine as basis of financial security. It is proposed to improve the identification of financial recovery of the bank and addition new term "potentially troubled bank" into the scientific and legal branches.

Keywords: financial recovery, banking institutions, unfavorable environment.

Петченко М.В. ФІНАНСОВЕ ОЗДОРОВЛЕННЯ БАНКІВ В УМОВАХ НЕСПРИЯТЛИВОГО СЕРЕДОВИЩА

У статті розглянуто фінансове оздоровлення банківських установ у нормативно-правовому аспекті. Автор виділив етапи і ознаки встановлення «проблемності» банку, фінансові критерії неплатоспроможності банку та проаналізував динаміку нормативів капіталу й ліквідності банківської системи України. Встановлено, що банківська система України зазнає негативного впливу з боку зовнішніх економічних факторів, тому потребує негайного впровадження системи превентивних стабілізаційних заходів, а в окремих випадках і фінансового оздоровлення банківських установ з метою попередження руйнування банківської системи України як основи фінансової безпеки держави. Пропонується вдосконалити визначення фінансового оздоровлення банку і введення до наукового та законодавчого обігу терміну «потенційно проблемний банк».

Ключові слова: фінансове оздоровлення, банківські установи, несприятливе середовище.

Петченко М.В. ФИНАНСОВОЕ ОЗДОРОВЛЕНИЕ БАНКОВ В УСЛОВИЯХ НЕБЛАГОПРИЯТНОЙ СРЕДЫ

В статье рассмотрено финансовое оздоровление банковских учреждений в нормативно-правовом аспекте. Автор выделил этапы и признаки установления «проблемности» банка, финансовые критерии неплатежеспособности банка и проанализировал динамику нормативов капитала и ликвидности банковской системы Украины. Установлено, что банковская система Украины подвергается негативному воздействию со стороны внешних экономических факторов, поэтому требует немедленного внедрения системы превентивных стабилизационных мероприятий, а в отдельных случаях и финансового оздоровления банковских учреждений с целью предупреждения разрушения банковской системы Украины как основы финансовой безопасности государства. Предлагается усовершенствовать определение финансового оздоровления банка и введение в научный и законодательный оборот термина «потенциально проблемный банк».

Ключевые слова: финансовое оздоровление, банковские учреждения, неблагоприятная среда.

Problem statement. During the first six months of the year 2014 the state of banking system of Ukraine undergoes negative influence on the part of external economic factors. So, as for September 1, 2014: the funds of the National Bank of Ukraine reduced significantly (from UAH 47 222 million as for January 1, 2014 to UAH 28 148 million), the share of overdue loans in the total sum of loans increased from 7.7% to 11.2%, adequacy of regulatory capital (H2) made 15.21% as compared with 18.26% as for January 1, 2014, the result of the activity of banks acquired a negative value (-UAH 5 334 million.) [1]. Such changes require immediate introduction of the system of preventive stabilizing measures, and in separate cases – also financial invigoration of banking institutions with the aim of prevention of destruction of the banking system of Ukraine, as the basis of financial security of the state.

Analysis of recent research and papers. Legislation pays sufficient attention to financial invigoration of banking institutions, but there is no single regulating document – different directions of financial invigoration are covered by a number of laws and decrees. So, the law of Ukraine “About banks and banking activity” defines the notion of financial invigoration of a bank, as “resumption of a bank solvency and bringing the financial indices of its activity to conformity with the requirements of the National Bank of Ukraine” [2]. The same document stipulates the criteria of attribution of the bank to the category of problematic and insolvent ones, but it does not cover measures of introduction of financial invigoration procedures.

The law of Ukraine “About first-priority measures as for prevention of negative consequences of the financial crisis and about alterations in some legislative acts in Ukraine”, that came into force in 2008 during the world financial crisis and is actual at present, regulates the procedure of provision of financial assistance to banks during their financial invigoration [3].

Provision “About regulation of banks liquidity by the National Bank of Ukraine” regulates the following: refinancing transactions (constantly acting refinancing line overnight for provision of credits for banks, refinancing credits); repo transactions (direct repo transactions, reverse repo transactions); transactions with own promissory notes (overnight and up to 90 days deposit certificates); transactions with government bonds of Ukraine [4].

Another legal act, the law of Ukraine “About resumption of the solvency of the debtor or declaration of its bankruptcy” [5] defines the categories of insolvency and bankruptcy, without separation of banking institution into a specific sector of debtors, having special conditions for carrying out sanitation procedures.

Ukrainian scientists actively investigate the problem of banks financial invigoration. Papers by Baranovskyi O.I., Yepifanov A.O., Dobryn S.V., Kliusko L.A., Kostohryz V., Mishchenko V. [6-10] et al. are devoted to provision of financial stability and solvency of banks, introduction of the system of anti-recessionary banking management. Along with this, there are no sufficient investigations concerning theoretical and methodical grounds of banks financial invigoration.

Formulation of the purpose of the paper. The aim of the paper consists in formation of theoretical and methodological grounds of the system of banks financial invigoration.

Basic material of the research. Concept of the scientific research of the problem of banks financial invigoration consists in sequential generalization of the following basic moments: what is the ground for the bank financial invigoration? what kind of bank is considered insolvent? according to which criteria is the solvency of a bank estimated? what measures of financial invigoration are stipulated by the law?

According to the law of Ukraine "About resumption of the solvency of the debtor or declaration of its bankruptcy" [5] the state of insolvency (loss of the ability to meet obligations) and bankruptcy (loss of the ability to resume solvency) are separated. At the same time, clause 75 of the law of Ukraine "About banks and banking activity" defines the state of problem banks according to the following features:

1) during the financial month the bank allowed reduction by five and more percent of the daily amount of regulatory capital below the minimum value of the regulatory capital determined by the statutory legal acts of the National Bank of Ukraine – five and more times and/or the value of the norm of the adequacy of the regulatory capital below the norm determined by the statutory legal acts of the National Bank of Ukraine – two and more times;

2) the bank failed to meet an investor's or another creditor's requirement, the period of which expired five and more working days ago, and/or the facts of unrecording clients' documents in the accounting, which were not fulfilled because of the fault of the bank, were found out;

3) systematic break by the bank of the law, regulatory issues of prevention of and resistance to legalization (laundering) of the income obtained by illegal ways or financing terrorism;

4) during the financial month the bank allowed reduction by five and more percent of the value of at least one liquidity norm below the minimum norm values, determined by the statutory legal acts of the National Bank of Ukraine, calculated according to: daily calculations – five and more times; every ten days – two and more times;

4-1) the volume of negatively classified assets of the bank (apart from the sanation one) makes 40 percent and more of the total sum of the assets, according to which the risk is to be estimated and the reserve is to be formed in accordance with the statutory legal acts of the National Bank of Ukraine;

5) systematic failure to provide the efficiency of functioning and/or adequacy of the system of risk management, threatening the interests of the investors or other creditors of the bank [2].

If during 180 days the problem bank did not bring its activity to conformity with the requirements of the law, a decision about assigning the bank to the category of the insolvent ones may be taken. So, financial invigoration procedures may be used already at the stage of defining the bank as a problem one.

Clause 76 of the same Law stipulates the criteria of assigning the bank to the category of the insolvent ones:

1) failure of the bank to bring its activity to conformity with the requirements of the law, including the statutory legal acts of the National Bank of Ukraine, after assigning it to the category of the insolvent ones, but not later than within 180 days after admitting it to be a problem one;

2) reduction of the amount of the regulatory capital or the norm of the bank capital up to one third of the minimum level, determined by the law and/or the statutory legal acts of the National Bank of Ukraine;

3) failure of the bank to meet 10 or more percent of its obligations to the investors or other creditors during 10 successive working days;

4) one-time gross or systematic violation by the bank of the law in the sphere of cash turnover, prevention of and resistance to legalization (laundering) of the income obtained by illegal ways or financing terrorism, which threatens the interests of the investors or other creditors of the bank [2].

Thus, financial criteria of insolvency of a bank include:

capital norms: minimum amount of regulatory capital (H1 – UAH 120 million), regulatory capital adequacy/solvency (H2 – no less than 10%), relation of the regulatory capital to total assets (H3 – no less than 9%);

liquidity norms: instantaneous (H4 – no less than 20%), current (H5 – no less than 40%), short-term liquidity (H6 – no less than 60%);

amount of the negatively classified assets of the bank – part of the bank assets that do not meet the criteria of standard indebtedness. Different requirements (classification factors) may be applied to different types of assets, for instance: the state of the contractor and the state of debt service for credit transactions; chronological factor for receivables, etc. Such assets include substandard, doubtful and loss credits; receivables assigned for those classification categories for which reserves are created; accrued income overdue more than 31 days; balances on correspondent accounts assigned for those classification categories for which reserves are created.

It is believed that transference of a bank to the condition of financial invigoration is only possible when the above mentioned grounds occur, but observing the negative dynamics of the norms, forecasting the state of the bank on the basis of influence of external political and financial-economic factors, the administration of the bank is to apply preventive invigorative measures. I.e., in our opinion, financial invigoration is to be applied not only under the conditions of a problematic situation or insolvency of the bank, but also when the conditions of its functioning are complicated. For example, stabilization loans given for financial invigoration require meeting the condition of provision of a pledge by highly liquid assets of commercial bank or a guarantee or bail of other financially stable banks, which is not always possible for banks in the state in insolvency. Another condition stipulated by the law consists in financial stability of the bank, which contradicts to the definition of insolvent banks. Thus, it is proposed to improve the definition of bank financial invigoration, which is to be directed not only to resumption of the bank solvency and bringing the financial indices of its activity to correspondence with the requirements of the National Bank of Ukraine, but also to preventive measures averting occurrence of insolvency during negative tendency of NBU norms. In this connection it is necessary to introduce into scientific and legal usage the term "potentially problematic bank", whose functioning is characterized by stably negative dynamics of capital norms and liquidity during three months.

Observing the dynamics of the norms of capital and liquidity of the banking system of Ukraine, it is possible to admit, that most banks, though did not reach

the minimum level of the norms, are approaching the border of problematic ones (Table 1, Fig. 1-2). In the last months of the year 2014 almost all the economic norms of banking activity tend to reduction, and the norm of adequacy of the regulatory capital (H2) and the coefficient of relation of the regulatory capital to the total assets (H3) considerably approached the critical value.

Such a tendency makes it possible to define Ukrainian banks as potentially problematic ones. Introduction of financial invigoration regime at this stage of negative decrease of norms of capital and liquidity will enable them not to pass to the state of problematic ones, the way out of which is more difficult under the conditions of changing political and financial-economic factors.

The basic purpose of financial invigoration of a bank consists in achievement of the long-term financial stability, adequacy of the capital, solvency and profitability.

When the necessity of application of financial invigoration procedures has been determined, their form is to be defined. The legislation stipulates the following:

1) in accordance with the law of Ukraine "About first-priority measures as for prevention of negative consequences of the financial crisis and about alterations in some legislative acts in Ukraine" increase of the authorized capital of the bank (capitalization): purchase of primary emission stocks (shares in the authorized capital); purchase of additional emission stocks (for additional investments) of banks in exchange for

government bonds of Ukraine; purchase of the mentioned stocks at the expense of the state budget of Ukraine;

2) transfer of the assets of an insolvent bank to a sanative bank;

3) introduction of a temporary administration into the bank;

4) providing stabilization loans. Stabilization loan is a loan given by the NBU to a commercial bank for a period determined by the Administration of the National Bank of Ukraine for efficient provision of its solvency and liquidity and support of carrying out the measures of financial sanation;

5) refinancing (constantly acting line of refinancing for providing banks with overnight credits, refinancing credits);

6) repo transactions (direct repo transactions, inverse repo transactions);

7) transactions with own promissory notes (deposit certificates overnight and up to 90 days);

8) transactions with government bonds of Ukraine.

Shareholders (participants) of the bank, temporary administrators, the Cabinet of Ministers of Ukraine, the National Bank of Ukraine, the Committees of the Supreme Council of Ukraine, dealing with the problems of financing and banking activity and the issues of budget, the Ministry of Finance of Ukraine are subjects of banks financial invigoration. Ukrainian banks in a problematic, potentially problematic state and insolvent banks are objects of financial invigoration. Capital of the bank, its

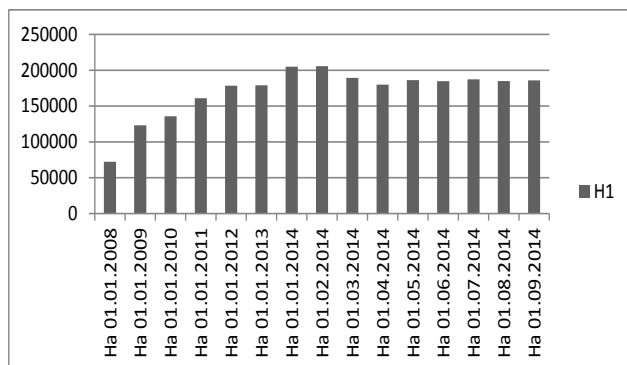


Fig. 1. Dynamics of the regulatory capital of banks

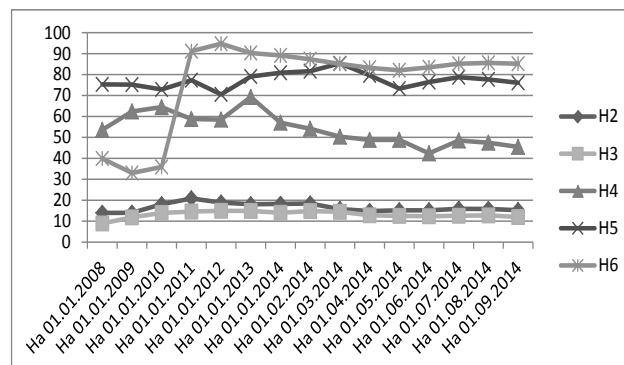


Fig. 2. Dynamics of the norms of the capital and liquidity

Table 1

Values of economic norms in the system of the banks of Ukraine (according to data [1])

Norm	Normative value	For 01.01.2008	For 01.01.2009	For 01.01.2010	For 01.01.2011	For 01.01.2012	For 01.01.2013	For 01.01.2014	For 01.02.2014	For 01.03.2014	For 01.04.2014	For 01.05.2014	For 01.06.2014	For 01.07.2014	For 01.08.2014	For 01.09.2014
H1	120 mln. UAH	72264,704	123065,598	135802,128	160896,945	178454	178908,9	204975,9	205765,0	189263,03	179976,41	186206,4	184639,8	187343,6	184983,6	185884,3
H2	no less than 10%	13,92	14,01	18,08	20,83	18,90	18,06	18,26	18,43	15,76	14,8	15,17	15,18	15,87	15,82	15,21
H3	no less than 9%	8,91	11,82	13,91	14,57	14,96	14,89	13,98	14,84	14,45	12,84	12,52	12,36	12,56	12,77	12,01
H4	no less than 20%	53,60	62,38	64,45	58,80	58,48	69,26	56,99	54,15	50,33	48,81	48,82	42,40	48,50	47,43	45,47
H5	40%	75,31	75,16	72,90	77,33	70,53	79,09	80,86	81,63	85,34	79,63	73,29	76,44	78,71	77,69	76,07
H6	no less than 60%	39,93	32,99	35,88	91,19	94,73	90,28	89,11	87,26	85,10	83,23	82,02	83,46	85,16	85,57	85,18

liquidity and financial stability are the matter of financial invigoration.

So, the system of financial invigoration of Ukrainian banks under the conditions of instability of external environment can be presented in the following way (Fig. 3).

Conclusions. Taking into consideration the political and financial and economic changes in the country, that negatively affect the activity of Ukrainian banking institutions, the necessity of extension of the notion of banks financial invigoration has been proved; it is proposed to understand it not only as resumption.

In this connection it is proposed to introduce into the scientific and legal use the term “potentially problematic bank” and its functioning will be characterized by stably negative dynamics of the norms of capital and liquidity during three months. The proposed measures will make it possible to exclude global problems in the activity of Ukrainian banking system under the influence of unfavorable conditions.

The prospect of the further research consists in the development of an actual mechanism of banks financial invigoration.

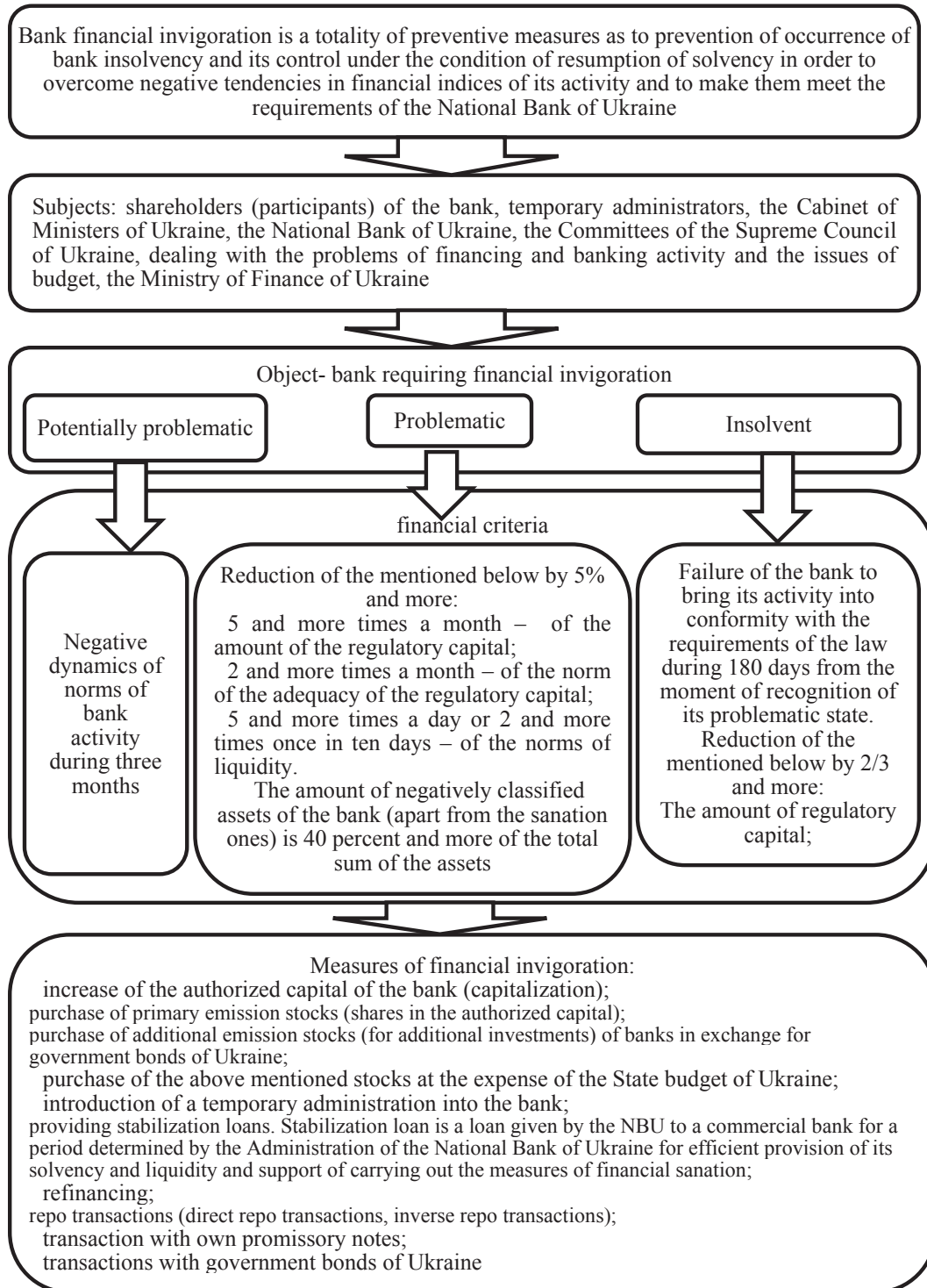


Fig. 3. A system of banks financial invigoration (created by the author), resumption of solvency and also management of potentially problematic banks

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ФІНАНСОВА БЕЗПЕКА – СКЛАДОВА ЕКОНОМІЧНОЇ БЕЗПЕКИ УКРАЇНИ

У статті надана характеристика сутності економічної безпеки, визначена стратегія здійснення та її реалізації. Проаналізована фінансова безпека та її складові. Розглянуто окремі індикатори стану фінансової безпеки. Виявлено можливі загрози фінансової безпеки держави та визначено основні напрями її зміцнення.

Ключові слова: економічна безпека, фінансова безпека, банківська безпека, безпека небанківського фінансового сектора, боргова безпека, бюджетна безпека, індикатори фінансової безпеки.

Сергиенко Л.К. ФИНАНСОВАЯ БЕЗОПАСНОСТЬ – СОСТАВЛЯЮЩАЯ ЭКОНОМИЧЕСКОЙ БЕЗОПАСНОСТИ УКРАИНЫ

В статье дана характеристика сущности экономической безопасности, определена стратегия осуществления и её реализации. Проанализированы финансовая безопасность и её составляющие. Рассмотрены отдельные индикаторы состояния финансовой безопасности страны. Установлены возможные угрозы финансовой безопасности государства и определены основные направления её укрепления.

Ключевые слова: экономическая безопасность, финансовая безопасность, банковская безопасность, безопасность небанковского финансового сектора, долговая безопасность, бюджетная безопасность, индикаторы финансовой безопасности.

Seriyenko L.K. FINANCIAL SECURITY – COMPONENT OF ECONOMIC SECURITY OF UKRAINE

The characteristic of the essence of economic security is given in the article, implementation strategy and its realization is defined. Financial security and its components are analyzed. Some indicators of the financial security are reviewed. Possible threats of financial security are found and the basic directions of strengthening it are defined.

Keywords: economic security, financial security, banking security, security of non-banking financial sector, debt security, budget security, indicators of financial security.

Постановка проблеми. Після проголошення державної незалежності України значно зросла економічна небезпека за багатьма параметрами розвитку національної економіки, що вимагає ґрунтованого комплексного вивчення механізму забезпечення економічної безпеки країни та її складової – фінансової безпеки. Можна сказати, що саме фінансова безпека є кардинально значущою складовою фінансової політики держави. Тому створення системи фінансової безпеки держави на усіх рівнях дасть можливість стабілізувати стан національної економіки, захистити фінансову сферу країни, забезпечити стійкість до внутрішніх і зовнішніх загроз та ефективно взаємодіяти з міжнародними економічними та фінансовими структурами.

Аналіз останніх публікацій. Основні аспекти визначення сутності поняття економічної безпеки, її складових, індикаторів, а також системи критеріїв і параметрів досліджено у наукових працях вітчизняних науковців: О.І. Барановського [1], яким надано визначення поняття «фінансової безпеки, як ступеню захищеності фінансових інтересів на усіх рівнях фінансових відносин»; Б.В. Губського [2], який визначає, що «під фінансовою безпекою слід розуміти стан фінансової, грошово-кредитної, валютної, банківської, бюджетної, податкової системи, який характеризується спроможністю держави забезпечити ефективне функціонування національної економічної системи, її структурну збалансованість, стійкість до внутрішніх і зовнішніх негативних впливів».