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**PECULIARITIES OF REMOTE MONITORING OF BANKS' ACTIVITIES
IN MODERN CONDITIONS****ОСОБЛИВОСТІ ЗДІЙСНЕННЯ ДИСТАНЦІЙНОГО КОНТРОЛЮ ЗА ДІЯЛЬНІСТЮ
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Abstract. *In the article examines the theoretical essence, goals and main tasks of the regulator's remote supervision of the activities of domestic banks. The directions for strengthening the central bank's supervision of the financial market have been determined, which are aimed at improving risk-oriented supervision and maintaining the stability of the banking system during the period of martial law. The economic regulations of 2023, which are mandatory for all banks, and the list and requirements for systemically important banks operating on the territory of Ukraine were studied.*

Key words: *remote control, remote monitoring, bank supervision, central bank, regulator, economic regulations, systemically important bank.*

Introduction. The activities of banks in most countries of the world are controlled by state authorities much more carefully compared to other financial intermediaries. The main reason is the desire to ensure the stable and smooth operation of both individual banks and the banking sector as a whole in order to guarantee the banks' provision of quality services to depositors and borrowers, protect their interests and improve the efficiency of the financial system as a whole. All this determines the importance and necessity of effective bank monitoring in accordance with the requirements of the Central Bank. The Central Bank clearly defines the methods and tools by which the financial and economic stability of the banking system, the stable functioning of banks and the development of the country's economy as a whole should be achieved.

The transformation of the global banking sector, the consequences of the fight against the pandemic, the active phase of the war with the Russian Federation put new demands on the banking system of Ukraine regarding financial stability and efficiency, which requires the improvement of the banking monitoring system.

The works of domestic and foreign scientists are devoted to the study of the theoretical and practical features of the regulator's non-residential supervision of the activities of banks, among which we highlight the works of Vishnevskiy A., Gudzia T., Yepifanova A., Kovalenko V., Latkovska T., Pasichnyk V., Polyakovo V. and many others. However, we note that the requirements for compliance with the regulator's regulations, as well as the features of the NBU's on-site monitoring of banks' activities in the modern realities of the functioning of the banking sector, require constant analysis and improvement. Timely detection, assessment, control and overcoming of crisis situations in the activity of banks are key tasks of maintaining



the stability of the country's banking system, which determines the relevance of the chosen research topic.

Results. The terms "banking regulation" and "banking supervision" are defined both in the economic and legal literature and are fixed by law. According to Article 1 of the Law of Ukraine "On the National Bank of Ukraine" [1], banking regulation is one of the functions of the NBU, which consists in creating a system of norms that regulate the activities of banks, determine the general principles of banking activity, the procedure for carrying out banking supervision, responsibility for Violation of banking legislation is a system of measures against Ukraine's mandatory economic standards, which serve as a guideline for effective banking regulation and supervision [2, p. 60].

Effective functioning of the banking system is a necessary condition for the development of market relations in Ukraine, which objectively determines the key role of the central bank in regulating banking activities. Article 55 of the Law "On the National Bank of Ukraine" states that the main purpose of banking regulation and supervision is the safety and financial stability of the banking system, protection of the interests of depositors and creditors [1, art. 55]. The National Bank of Ukraine carries out bank supervision in the form of inspections and on-site supervision.

On-site supervision enables banks to comply with all established requirements, it is a kind of early warning system that allows supervisory bodies to respond in a timely manner to violations in the activities of the supervised entity, apply preventive measures, and take all necessary measures before the situation escalates. This form of supervision is based on the analysis of reporting, which should be submitted to the banking supervision authorities in a timely manner, and makes it possible to always have up-to-date information on the financial condition of the subject of supervision. The NBU has the right to demand in writing from the bank copies of documents, as well as written explanations on issues of its activities, within the limits of on-site supervision. The bank is obliged to provide relevant information and copies of documents at the written request of the National Bank of Ukraine.

Studying remote supervision as a system, one should note the key role of the target subsystem, the availability and clarity of which depends on the effectiveness of not only remote supervision, but also banking supervision as a whole. In the modern conditions of the implementation of risk-oriented banking supervision, the main goal of remote supervision is to identify and prevent problems in the development of banks and the banking system as a whole, and to prevent the destabilizing influence of banks on a general economic scale. In other words, the target orientation of on-site supervision has a prudential nature and is based on early diagnosis of real and potential destabilizing factors of the stable functioning of the national banking system. The realization of the formulated goal is reflected in the tasks performed by on-site supervision and the principles on the basis of which it is conducted [3, p. 90].

The main tasks of on-site banking supervision in the context of the implementation of risk-oriented supervision should include:

- accumulation, systematization and analysis of information reflecting the financial condition, risk profile and quality of bank management as prerequisites for the stability of the banking system;



- control of the bank's implementation of prudential norms and restrictions;
- assessment of the bank's development prospects, including identification of potential threats (factors) to stable functioning;
- planning and implementation of further management actions by supervisory authorities, including with the aim of promoting effective inspections as the next stage of banking supervision [3].

In April 2023, during military operations aimed at strengthening supervision of the financial market, the National Bank made changes to the organizational structure aimed at further improving risk-oriented supervision. Thus, a decision was made to reorganize the Department of Banking Supervision and create within the structure of the NBU the Department of Integrated Supervision of Banks and the Department of Monitoring of Persons Associated with Banks, which will have expanded powers and limits of responsibility. This body will not only continue to perform all the functions of the Department of Banking Supervision, but will also perform separate functions regarding the supervision of payment service providers in order to ensure their compliance with the requirements of the Law "On Payment Services" (except for the norms provided for in the second part of Article 82 of this law) and relevant regulations of the National Bank [4].

Among the last pre-war adaptive changes to modern realities in Ukraine, one can include the NBU's introduction of a remote approach to inspection checks of banks in quarantine conditions, which should ensure the continuity of banking supervision in quarantine conditions and reduce risks to the health of bank employees and the National Bank [5].

Since remote supervision is a specific form of implementation of banking supervision, the principles of effective banking supervision are basic for remote supervision and those that determine the standards of prudential supervision and regulation of banking activity. This concerns, first of all, the principle of legality (the presence of an appropriate legal framework for the implementation of the supervisory process); independence (clear establishment of the rights and duties of the supervisory body); objectivity and competence of supervisory bodies in order to properly understand the operations covered by the supervisory process; publicity/clarity both for the supervisory body (publication of the main regulatory and legal acts) and for the audited entity (publication of financial statements of banks), planning and permanence (continuity) of supervision [3].

It is important to note that the National Bank, as a regulator, took and is taking the necessary measures to maintain the stability of the banking system for the period of martial law in Ukraine after February 24, 2022 among which [6]: approved the Rules of Banks in connection with the introduction of Ukraine is under martial law, in particular, the specifics of the application of the requirements of the Regulation on determination by banks of Ukraine of the amount of credit risk for active banking operations. ; the specifics of the assessment of the stability of banks in 2022 have been determined (the assessment is planned only for the first and second stages); it was decided not to apply measures of influence for violations by banks of economic regulations, limits of open currency positions and deadlines for submitting statistical reports, if such violations occurred from February 24, 2022 and were caused by the



negative impact of the military aggression of the Russian Federation against Ukraine).

The position of the National Bank of Ukraine regarding the monitoring of banks' activities is focused on risk assessment. Banks with increased risk or areas of activity with increased risk parameters require closer attention from banking supervision authorities. The regulator aims to provide quality supervision aimed at identifying serious existing or potentially possible problems in individual banks or the banking system as a whole, as well as ensuring the proper resolution of such problems [7].

To present the results of the monitoring of banks' activity, the NBU uses a peculiar division of banks into separate groups. The following criteria have been defined for certain groups of banks in 2022 [8]:

1) banks with a state share - banks in which the state sector directly or indirectly owns more than 75 percent of the authorized capital of the bank (4 banks);

2) banks of foreign banking groups - banks whose controlling stakes belong to foreign banks or foreign financial and banking groups (18 banks);

3) banks with private capital - banks in which one or more private investors, who directly and/or indirectly own at least 50% of the authorized capital of the bank, are among the ultimate owners of a significant participation (49 banks).

The NBU's on-site monitoring standards are indicators established by the central bank of Ukraine for the purpose of regulating banking activities based on on-site supervision to monitor the activities of individual banks and the banking system as a whole. In accordance with the Law of Ukraine "On the National Bank of Ukraine" and the Law of Ukraine "On Banks and Banking Activities", the Central Bank established the following economic standards [9] from January 1, 2023 which, as a reminder, are mandatory for all banks:

1. Capital norms:

- the minimum amount of regulatory capital H1 (200 million UAH as of January 1, 2023);
- adequacy (adequacy) of regulatory capital - H2 (at least 10%);
- adequacy of fixed capital H3 (at least 7%).

2. Liquidity standards:

- short-term liquidity - H6 (at least 60%);
- long-term NSFR liquidity (entered into force on April 1, 2021) - 100% - from April 1, 2022 [10].

3. Credit risk standards:

- the maximum amount of credit risk per counterparty – H7 (no more than 25%);
- large credit risks - H8 (no more than 8 times the amount of regulatory capital);
- standard of the maximum amount of credit risk for transactions with persons related to the bank - H9 (no more than 25%).

4. Investment regulations:

- investment in securities separately for each institution - H11 (no more than 15%);
- from the total amount of investments - H12 (no more than 60%).



The National Bank annually revises the list of systemically important banks. Thus, the number of banks at the beginning of March 2023 compared to 2021 increased by 1 institution and amounted to 15 institutions, the list of which included: A-BANK; ALFA-BANK; KREDOBANK; OTP BANK; Oschadbank; Pivdenny; PrivatBank; PUMB; Raiffeisen Bank; Taskombank; UKRGASBANK; Ukreximbank; UKRSIBBANK; Universal Bank; CREDIT AGRICOLE BANK[11].

For systemically important banks, increased requirements are established to ensure greater stability. In addition to the normative value of capital adequacy, a so-called systemic importance buffer is provided for them, which depends on the level of systemic importance of financial and credit organizations.

Also, system banks must adhere to the established strengthened standard of the maximum amount of credit risk per counterparty (H7) - no more than 20% (for banks that are not systemically important, it is set at the level of 25 percent). After losing the status of systemic importance, the bank must fulfill the increased requirements for another year [9].

Conclusions.

On-site monitoring of the activities of banking institutions is the constant monitoring of processes taking place in the banking sector at all stages of the life cycle of banks with the aim of remote monitoring of banks' compliance with current legislation, economic standards of activity and other requirements of the regulator, as well as the application of appropriate measures to overcome the problematic situation at the initial stages stages to support the stability of the banking business and the financial system of the country as a whole. The Ukrainian financial system is bank-centric, the market is dominated by banks, the main purpose of which is to accumulate financial resources for the development of the economy, as well as to ensure a favorable macroeconomic climate. The transformation of the global banking sector, the consequences of the fight against the pandemic and the beginning of the active phase of the war with Russia put new demands on the banking system of Ukraine in terms of financial stability and efficiency, which requires the improvement of the banking control system. For the third year in a row, banking institutions of Ukraine have been working under conditions of crisis, connected first with the global pandemic, and then with the full-scale Russian-Ukrainian war, but they are trying to perform their functions decently. At the beginning of the war, banks entered without significant imbalances, sufficiently capitalized and highly liquid. The work of the central regulator to clean up and increase the stability of the banking sector, starting in 2015, gave the expected positive result. During the development of the Ukrainian banking system during the coronavirus crisis and a full-scale war, banks did not become a factor in increasing the economic imbalance for the first time.

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Анотація. В статті розглянуто теоретичну сутність, цілі та основні завдання дистанційного нагляду регулятора за діяльністю вітчизняних банків. Визначено напрями посилення нагляду центробанку за фінансовим ринком, які спрямовані на вдосконалення ризик-орієнтованого нагляду та підтримку стабільності банківської системи на період дії воєнного стану. Досліджено економічні нормативи 2023 року, які є обов'язковими до виконання для всіх банків, перелік та вимоги до системно важливих банків, що діють на території України.

Ключові слова: дистанційний контроль, безвізний моніторинг, банківський нагляд, центральний банк, регулятор, економічні нормативи, системно важливий банк.

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