

**MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
V.N. KARAZIN KHARKIV NATIONAL UNIVERSITY**

Karazin Banking Institute

Department: **Banking Business and Financial Technologies**
Specialty: **072 Finance, Banking, Insurance and Stock Market**
Educational
program: **Financial Technologies and Banking Management**
Group: **AF-23M full-time mode of study**

QUALIFYING MASTER'S THESIS

on the topic:

**FINANCIAL SECURITY OF THE BANKING SYSTEM IN
CRISIS CONDITIONS**

higher education student **Lou Shikun**

The qualifying master's thesis was accepted for
defense by the decision of the Department of
Banking Business and Financial Technologies

Protocol No. 5 dated December 6, 2024

Head of Department

Doctor of Economics, Professor

_____ **Galyna Azarenkova**

Scientific Adviser

PhD in Law, Associate Professor

_____ **Roman Galych**

MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE

V.N. Karazin Kharkiv National University

Faculty **Karazin Banking Institute**

Department **Banking Business and Financial Technologies**

Level of higher education **Second (master's) level**

Specialty **072 Finance, Banking, Insurance and Stock Market**

Educational program **Financial Technologies and Banking Management**

APPROVED

Head of the Department
of Banking Business and Financial Technologies

Doctor of Economics, Professor

Galyna Azarenkova

« 25 » September 2024

**TASK
FOR THE QUALIFYING MASTER'S THESIS**

of Lou Shikun

1. Topic of the work "FINANCIAL SECURITY OF THE BANKING SYSTEM IN CRISIS CONDITIONS".

Scientific adviser PhD in Law, Associate Professor Roman Galych

(surname, first name, patronymic, academic degree, academic title)

Approved by order of the university dated September 17, 2024 No. 4601-5/1025.

2. Deadline for the student to submit the work November 18, 2024

3. List of issues to be developed:

In Chapter 1: to determine the essence of financial security of the banking system; to investigate the organizational and legal principles of security of the banking system.

In Chapter 2: to provide the technical and economic characteristics of JSC CB "Privatbank"; to investigate indicators of the financial condition of the banking sector; to analyze the state of JSC CB "Privatbank".

In Chapter 3: to determine the impact on the banking system in modern realities; to study foreign experience in the field of ensuring the security of the banking system; to propose directions for ensuring the financial security of the banking system.

4. Work plan

No.	Name of work stages
1	The choice of the topic of the qualifying master's thesis
2	Approval of the plan and tasks of the qualifying master's thesis
3	Completion of a qualifying master's thesis
4	Submission of a qualifying master's thesis to the department to check for borrowings from other documents
5	Admission by the head of the department to the defense of a qualifying master's thesis
6	Defense of a qualifying master's thesis

5. Date of the task issue September 25, 2024

Student

_____ signature

Lou Shikun

initials, surname

Scientific Adviser

_____ signature

Roman Galych

initials, surname

ABSTRACT
ON THE QUALIFYING MASTER'S THESIS
"FINANCIAL SECURITY OF THE BANKING SYSTEM IN CRISIS
CONDITIONS"
of Lou Shikun

The qualifying master's thesis comprises 65 pages, 10 tables, 3 figures, and a list of 48 references.

The **object of research** is the process of ensuring the security of banking activities.

The **subject of research** is the theoretical and practical principles of ensuring the financial security of the banking system in crisis conditions.

The **purpose of the qualifying master's thesis** is to deepen the theoretical foundations of the financial security of the banking system, analyze financial banking activities in crisis conditions, and determine possible directions for ensuring the financial security of the banking system in such conditions.

The **tasks** of the qualifying master's thesis are as follows:

- to determine the essence of the financial security of the banking system;
- to investigate the organizational and legal principles of banking system security;
- to provide the technical and economic characteristics of JSC CB "PrivatBank";
- to investigate indicators of the financial condition of the banking sector;
- to analyze the state of JSC CB "PrivatBank";
- to determine the impact of current realities on the banking system;
- to investigate foreign experience in ensuring the security of the banking system;
- to propose directions for ensuring the financial security of the banking system.

According to **the results of the research**, theoretical and practical provisions are formulated, which lead to concrete proposals for improving the provision of financial security for banking institutions and the banking system in general.

The obtained results can be used to develop methodological and practical measures aimed at improving the system for ensuring the financial security of the banking system in crisis conditions.

KEYWORDS: Financial Security of the Bank, Security of the Banking System, Financial Condition, Ensuring Security

CONTENT

INTRODUCTION.....	7
CHAPTER 1 THEORETICAL PRINCIPLES OF FINANCIAL SECURITY OF THE BANKING SYSTEM.....	11
1.1. The concept of financial security.....	11
1.2. The main components of the system of ensuring the financial security of banks.....	19
1.3. State of regulatory and legal provision of financial security.....	21
CHAPTER 2 ANALYSIS OF FINANCIAL SECURITY OF THE BANKING SYSTEM.....	25
2.1. Technical and economic characteristics of JSC CB "Privatbank"...	25
2.2. The state of financial security of JSC CB "Privatbank".....	28
2.3. Analysis of indicators of the banking system.....	31
CHAPTER 3 DIRECTIONS OF ENSURING THE FINANCIAL SECURITY OF THE BANKING SYSTEM.....	39
3.1. PCorporate responsibility in the bank as a basis for ensuring its financial security.....	39
3.2. Foreign experience in the field of supervision and control of banking activities.....	46
3.3. The main areas of ensuring the bank's financial security.....	52
CONCLUSIONS.....	57
REFERENCES.....	61

INTRODUCTION

The banking system in Ukraine has experienced a wide range of transformations since the country gained independence. These transformations were neither accidental nor isolated from broader societal changes. From the early days of independence, all spheres of life in Ukraine, including the economy, politics, and social fabric, underwent significant transitions. The banking system, as a fundamental component of the nation's economic framework, was no exception. The need to adapt to new realities and align with the demands of a changing environment led to a profound and prolonged period of reformation in the banking industry. This period was marked by challenges, breakthroughs, and the need for innovative solutions to sustain growth and stability.

The reforms in the banking sector were largely driven by the necessity to reorganize its structure and operations to meet contemporary requirements. The collapse of the Soviet Union left Ukraine with an inherited economic system that was ill-suited to the needs of a market economy. The banking system, in particular, faced significant challenges in transitioning from a centralized model to one capable of functioning in a competitive and open-market environment. This shift required not only structural changes but also a complete rethinking of the role and responsibilities of banks within the economy.

A key factor influencing the state of the banking system has been the broader economic situation in the country. Economic conditions in Ukraine have often been shaped by political factors, creating a cyclical relationship between political instability and economic challenges. For instance, periods of political upheaval have frequently led to economic uncertainty, which in turn has placed additional strain on the banking system. Conversely, issues within the banking sector have occasionally contributed to broader economic instability, highlighting the interconnectedness of these spheres.

Throughout Ukraine's history of independence, the banking sector has mirrored the challenges and opportunities faced by the nation as a whole. During periods of economic growth, the banking sector expanded, facilitated investments, and supported the development of various industries. However, during times of economic downturn or

crisis, the sector often became a focal point of vulnerabilities. This dual role—as both a consequence and a cause of economic challenges—has underscored the critical importance of creating a safe and stable environment for the banking system to thrive.

The necessity for a secure and stable banking environment has become increasingly evident over time. Without such conditions, the continued existence and development of the sector are jeopardized, limiting its ability to contribute to the broader economy. A safe banking environment is not merely a goal in itself but a prerequisite for the stability of the national economy. By providing reliable financial services, facilitating credit, and mobilizing resources, the banking sector serves as a backbone of economic activity. Its stability, therefore, becomes a guarantee of stability for the economy as a whole.

The reforms undertaken in the banking sector have been closely linked to the broader trajectory of Ukraine's European integration. This path, which is characterized by the adoption of European standards, principles, and practices, has profoundly influenced the direction of reforms across various sectors, including banking. Aligning with European norms has required significant changes in regulatory frameworks, governance structures, and operational practices within the banking system. These changes were not only necessary to meet external requirements but also critical for addressing internal challenges and ensuring the long-term sustainability of the sector. One of the most significant implications of Ukraine's European integration has been the emphasis on creating conditions of safety within the banking industry. This includes strengthening regulatory oversight, enhancing risk management practices, and improving transparency and accountability. These measures are designed to protect the interests of depositors, investors, and other stakeholders while also promoting confidence in the banking system. The alignment with European standards has also facilitated access to international markets and resources, providing new opportunities for growth and development.

At the heart of these reforms is the recognition of the inseparable link between banking and finance. As a sector directly connected to financial flows, the stability of the banking system is inherently tied to the broader goal of ensuring financial security.

Financial security, in turn, is a cornerstone of national economic security, providing the foundation for sustainable development and resilience against external shocks. Ensuring financial security within the banking sector involves not only addressing immediate challenges but also building a framework that can anticipate and mitigate future risks.

The role of financial security in the banking sector has taken on added importance in recent years, given the increasing complexity and interconnectedness of global financial systems. The emergence of new risks, such as cybersecurity threats, technological disruptions, and the impact of global economic trends, has underscored the need for a proactive and adaptive approach to banking regulation and supervision. In Ukraine, this has translated into efforts to modernize the banking sector, improve its resilience, and align it with international best practices.

The path of reform has not been without its difficulties. Resistance to change, resource constraints, and the challenges of implementation have posed significant obstacles. However, the progress achieved thus far demonstrates the potential for meaningful transformation. For example, efforts to recapitalize banks, resolve non-performing loans, and strengthen regulatory oversight have yielded tangible results, enhancing the stability and credibility of the banking system. These achievements provide a foundation for further reforms and signal a commitment to creating a modern, efficient, and secure banking sector.

The importance of timely and well-targeted reforms cannot be overstated. The dynamic nature of the banking sector, coupled with the rapid pace of change in the global financial environment, necessitates a continuous process of adaptation and innovation. Reform efforts must not only address existing weaknesses but also anticipate future challenges and opportunities. This requires a forward-looking approach that combines strategic planning with operational flexibility, ensuring that the banking sector remains responsive to the needs of the economy and society.

Financial security of a person, citizen, institution, industry, state - all those issues that are on the agenda today. And that is why our attention cannot remain aside, given the urgency of the problems. In addition, it is necessary to note the newly discovered challenges and problems in the world, in Ukraine, related to the pandemic, which

directly affects the state of the banking system. In particular, this and the other determine the need to conduct research that will relate to the financial security of banks, in particular, within the framework of a qualifying master's thesis, on the chosen topic.

The object of research is the process of providing banking activity.

The subject of the study is the theoretical and organizational principles of ensuring the financial security of the banking system in crisis conditions.

The purpose of the qualifying master's thesis is to deepen the theoretical foundations of the financial security of the banking system, analyze the financial banking activity in crisis conditions and determine possible directions for ensuring the financial security of the banking system in crisis conditions.

Tasks of the qualifying master's thesis:

- determine the essence of financial security of the banking system;
- to investigate the organizational and legal principles of security of the banking system;
- to state the technical and economic characteristics of JSC CB "Privatbank";
- to investigate indicators of the financial condition of the banking sector;
- to analyze the state of JSC CB "Privatbank";
- determine the impact on the banking system in modern realities;
- to study foreign experience in the field of ensuring the banking system security;
- to propose directions for ensuring the financial security of the banking system.

Based on the results of the research, theoretical and practical provisions were formulated, which were brought to concrete proposals for improving the financial security of the bank. The obtained results can be used to develop methodological and practical foundations for improving the system of ensuring the financial security of the banking system. The work was based, among other things, on the basis of significant preliminary research, including financial security, among others: H. Azarenkova, O. Baranovskyi, N. Pogorelenko, R. Galych, O. Vovchak, I. Krupka, M. Khuthorna, L. Yevtukh. In addition, legislative acts regulating the security of the banking system, journalistic and statistical sources were analyzed.

CHAPTER 1

THEORETICAL PRINCIPLES OF FINANCIAL SECURITY OF THE BANKING SYSTEM

1.1 The concept of financial security

The financial component of security undeniably occupies a central role in ensuring the economic stability of any industry, institution, and ultimately, the nation as a whole. It serves as the backbone of broader economic security frameworks, directly influencing the capacity of a state to protect its national interests and maintain sustainable development. The interdependence between financial security and national security underscores the importance of developing robust financial systems that can withstand both internal and external pressures.

Financial security in the modern globalized world exerts a profound impact on the economic stability, potential, and resilience of a state. The term itself is multifaceted, often challenging to define precisely without a deep understanding of its essence and underlying components. Financial security encompasses not only the ability to safeguard financial resources but also the capacity to effectively manage risks, ensure the proper functioning of financial institutions, and maintain public trust in the financial system. Its criticality is underscored by the fact that financial insecurity can trigger systemic crises, leading to widespread economic and social instability.

The formation and maintenance of financial security are inherently influenced by a combination of internal and external factors. Internal factors include the state of a country's economy, the efficiency of its financial institutions, and the robustness of its regulatory frameworks. On the other hand, external factors encompass global economic trends, geopolitical dynamics, and the interconnected nature of financial markets. In the case of Ukraine, these factors are particularly pronounced due to the country's transitional economy, ongoing reforms, and geopolitical challenges. The interplay between these factors creates a complex environment that demands proactive and

adaptive strategies to safeguard financial security.

Economic security, of which financial security is a fundamental subsystem, is a multidimensional and multi-vector concept. It encompasses strategic priorities, goals, and benchmarks for ensuring the stable economic development of a nation. Economic security serves as the foundation of national security, ensuring that a state possesses the resilience to address and mitigate threats to its core interests. Without economic security, a state's capacity to perform essential functions—such as protecting its population, maintaining sovereignty, and pursuing development objectives—is severely compromised.

In this context, financial security emerges as a critical determinant of economic security. It encompasses the stability of financial institutions, the reliability of monetary and fiscal policies, and the capacity to mobilize and allocate resources efficiently. Financial security ensures the proper functioning of infrastructural institutions that support economic activity, such as banking systems, investment mechanisms, and credit markets. These institutions play a pivotal role in the distribution of financial and investment resources, which are essential for sustaining industrial growth, technological advancement, and social welfare.

The interrelationship between financial security and economic security is symbiotic. Financial security acts as a foundational pillar of economic security, providing the stability and resources needed to achieve broader economic objectives. Conversely, economic security creates an enabling environment for financial security, ensuring that financial systems operate within a stable and predictable macroeconomic framework. This dynamic underscores the importance of addressing financial security not in isolation but as an integral component of a comprehensive economic security strategy.

In Ukraine, the challenges to financial security are particularly acute due to the country's transitional economy and ongoing structural reforms. The financial system faces significant internal challenges, including limited access to capital, a high level of non-performing loans, and underdeveloped financial markets. External challenges, such as global economic volatility, geopolitical tensions, and the impact of international

sanctions, further exacerbate these vulnerabilities. Addressing these challenges requires a coordinated effort involving government authorities, financial institutions, and international partners.

A critical aspect of financial security is the ability to withstand and recover from financial crises. Crises can arise from various sources, including economic mismanagement, external shocks, and systemic risks within the financial sector. The global financial crisis of 2008 and the more recent economic disruptions caused by the COVID-19 pandemic highlight the importance of resilience in financial systems. Resilience involves not only the ability to absorb shocks but also the capacity to adapt and recover, ensuring the continued functioning of financial institutions and markets.

To achieve financial security, a state must prioritize the development of robust regulatory frameworks and governance structures. Effective regulation ensures that financial institutions operate transparently and accountably, mitigating risks and fostering public trust. In addition, strong governance structures enhance decision-making processes, enabling financial institutions to respond effectively to emerging challenges. In Ukraine, efforts to strengthen financial regulation and governance have been instrumental in stabilizing the banking sector and fostering greater resilience.

Another key aspect of financial security is the mobilization and efficient allocation of resources. This involves not only securing adequate financial resources but also ensuring that they are directed toward productive investments. Investment in infrastructure, technology, and human capital is essential for sustaining long-term economic growth and competitiveness. Financial security facilitates this process by providing the stability and confidence needed for investment activity.

Furthermore, financial security must address the needs of all stakeholders, including businesses, households, and the government. For businesses, financial security provides access to credit and capital, enabling them to expand operations, invest in innovation, and create jobs. For households, financial security ensures access to essential financial services, such as savings, credit, and insurance, which are critical for managing risks and improving living standards. For the government, financial

security ensures the availability of resources for public spending, enabling it to meet its obligations and pursue development objectives.

The role of external factors in shaping financial security cannot be overlooked. In an increasingly interconnected world, global economic trends and geopolitical dynamics have a profound impact on domestic financial systems. External shocks, such as fluctuations in commodity prices, changes in interest rates, and shifts in investor sentiment, can significantly influence financial stability. In Ukraine, the integration of the national economy into global markets has created both opportunities and challenges, underscoring the need for robust mechanisms to manage external risks.

Financial security occupies a central place in the broader framework of economic and national security. It is a multidimensional concept that encompasses the stability of financial institutions, the efficiency of resource allocation, and the resilience of the financial system to internal and external shocks. In Ukraine, the interplay between internal and external factors creates a complex environment that demands proactive strategies and coordinated efforts. By prioritizing financial security, the state can lay the foundation for sustainable economic development, enhance its resilience to crises, and strengthen its capacity to achieve national security objectives. The symbiotic relationship between financial and economic security highlights the need for an integrated approach, ensuring that the two components work in tandem to promote stability and prosperity.

Financial security of Ukraine is increasingly facing new threats that have not been studied before, as it is still being formed at the same time as the economy is transforming and undergoing changes.

The definition of "financial security" does not have a single accepted interpretation. There are numerous approaches by many authors. Some of them are presented in Table 1.1.

Table 1.1.

Scientists' approaches to determining the essence of financial security

Author	Approach
G. Kalach	Financial security of the state is a specific type of socio-economic relations that arise between the state and subjects of socio-economic relations in order to ensure the optimal state of the state's financial system and protect its national interests in the conditions of the functioning of the global financial system
V. Helmet I. Binko	Financial security is the state of the financial, monetary, currency, banking, budgetary, tax systems, which is characterized by balance, resistance to internal and external negative influences, the ability to ensure the effective functioning of the national economic system and economic growth
M. Ermoshenko	Financial security - the state of the financial and credit sphere, which is characterized by balance, resistance to internal and external negative influences, the ability of this sphere to ensure the effective functioning of the national economic system and economic growth
T. Yefimenko	Financial security should be understood as the stable development of the country's financial system and its resistance to the potentially negative impact of external and internal shocks

Source: developed based on materials [1]

This list of definitions is not complete. Currently, the understanding of the concept of financial security is being developed, but at the same time, it can be seen from this that financial security is not a permanent institution, clearly formed. The same situation exists with financial security in the banking sector. Here, O. Baranovsky authoritatively cites relevant approaches, such as the fact that the financial security of a commercial bank is: a set of conditions under which potentially dangerous actions or circumstances for the financial condition of a commercial bank are prevented or

reduced. And it is important to note that they are reduced to such a level that they are not able to interfere with the established order of operation of the bank, the preservation and reproduction of its property and infrastructure, and prevent the bank from achieving its statutory goals [2].

Other scientists were also not aloof in researching the bank's financial security. Bolgar T. , Epifanov A. express their position, namely, that the state of the institution is characterized by balance and resistance to the influence of external and internal threats. The authors focus their attention on the ability to achieve the set goals, create the appropriate amount of resources for its sustainable development [3]. Dmytrov S., Fadeev D. provide a more concise definition of the bank's financial security: the protection of the bank's financial interests, the bank's financial stability and the environment in which it operates [4]. In our opinion, although the definitions may differ, the approaches and the essence of the concept should be a unified phenomenon. For the first time, it will be possible to study derivative definitions, to single out the important components of such a concept. This, in turn, will make it possible to more effectively analyze the object and solve the problems that arise - this will create a safe environment in the industry. We believe that a stable concept of financial security of the banking system should take into account the positions of all scientists, be considered from different points of view, but be systematized, understandable and comprehensive. We are convinced that this will contribute to the real provision of financial security of an individual bank, the banking system and the economy in general.

The formation of the concept of financial security, as already noted, continues to evolve. This process requires careful study in order to detail all components of financial security. Analyzing scientific and literature of a different nature, we increasingly stop at the works of the scientist who probably made the greatest contribution to the development of this problem. O.I. Baranovsky in his work of the same name actually recreated the philosophy of security, which directly exposes the essence of the financial security of banks. At the same time, the study of theoretical and methodological foundations creates a thorough basis for a practical solution problems - ensuring the

financial security of banks. Thus, the author defines the types of financial security, gives specific qualifying features [5]:

- 1) State of the banking sector (pre-crisis, crisis and post-crisis; ordinary and extraordinary);
- 2) Purpose (strategic or tactical);
- 3) The method and means of maintenance (violent and non-violent, revolutionary or evolutionary);
- 4) The degree of strength, in turn - quite strong, strong or vice versa - weakened, unstable, undermined and explosive);

In addition, it leads

5) Social consequences (Socially positive or neutral, socially negative or antisocial);

6) By degree of completeness (absolute, integral, comprehensive, complete, partial);

And what is also especially important,

7) According to the state of security (actual, expected, potential);

and, for

8) Nature of distribution (local, global, national, regional, interstate, international);

9) Among other things, it is rightly indicated that the forms of manifestation are internal and external.

10) Stability - Stable (continuous, periodically renewed), unstable (episodic, temporary);

11) Duration of the period of action - Current, prospective (medium and long-term);

12) Motivation - forced, coercive, unintentional, proactive;

13) Economic content - Deposit. Credit. Investment. Currency, inflation, debt;

14) Level of financing - Security of bank loans, direct investments through the capital market mechanism;

15) Level of sufficiency- Sufficient, insufficient, acceptable, necessary, marginal (threshold), excessive;

16) Coverage - Macroeconomic, microeconomic;

17) Reality - Real, imaginary;

18) Degree of provision - Secured, unsecured.

It is on the basis of the above that it becomes possible, depending on various situations, economic and political circumstances, scenarios in the work of individual banks, to accurately forecast, influence the various course of events, warn of threats and, in the end, ensure financial security.

In addition, the already mentioned author provides important components for a full-fledged description of the financial security of banks. And in this direction, we unequivocally agree with the scientist, among other things, that financial security is determined by the level of maintaining liquidity, implementing financial innovations, protecting information, preserving assets, ensuring profitability. Also, with the above factors that affect it, these are - economic standards in banking activity and their justification, the system of calculations; organizational and legal structure of the institution; payment of labor; trust; and the competitive environment and how it is built [6].

Therefore, we believe that the study of the concept of financial security should be approached comprehensively, taking into account all its components. At the same time, the institution of financial security should be understandable to specialists, detailed and systematized. The key components together with the definition will be contained in legislative acts. Therefore, we are convinced that the object we are investigating must meet these principles, especially as it relates to banking. This and other things should be considered in the following subsections of the master's thesis.

1.2 The main components of the system of ensuring the financial security of banks

Ensuring financial security is a long and complex process. And, as already mentioned, it must take into account numerous components that create a single system. We believe that the following should be included among them:

1) purpose;

Second,

2) task of ensuring financial security;

Necessarily

3) forms of security organization;

4) compliance with the criteria;

5) performance of indicators;

And of course,

6) stages of provision.

So, this is exactly how we propose to approach the analysis of the main components of ensuring financial security. The complex of these components of the characteristics of financial security will fully enable both the definition of financial security and the direct provision of financial security as a process. It would be logical to present the purpose of ensuring security in banking activity schematically in Figure 1.1, taking into account other categories to highlight this issue.

In turn, the task of ensuring the bank's financial security is reflected in a number of important theses, which can be presented as follows.

This presentation of the forms of security organization of a banking institution once again proves the multifacetedness and at the same time the complexity of the problem raised.

In order to fulfill the criteria and observe the indicators of financial security of banks, it is important to present them as follows.

This vision of ensuring the financial security of banks presented in the previous figure is connected with the approaches of their analysis from the point of view of the economic component.

Regarding the stages of provision, in our opinion, they will consist of seven points:

- 1) study and analysis of existing and potential problems;
- 2) drawing up measures to prevent and counteract existing and potential problems;
- 3) study and research of threats that have already arisen and affect the security of the bank;
- 4) their elimination;
- 5) minimization of consequences;
- 6) return of the state of the institution to its initial state - before the impact of negative actions;
- 7) development of ways to ensure financial security, taking into account the experience of the impact of newly discovered threats.

Therefore, the study of the key components in the issue of ensuring the financial security of banks provides an even more comprehensive understanding and insight into the solution of the tasks that we set in our study. Therefore, further study of the theoretical foundations provides an opportunity to work on the practical component of ensuring the financial security of the banking system, taking into account modern challenges and problems. And as already mentioned, it is necessary to pay attention to the regulatory and legal bases in the researched area. The next section of the qualifying master's thesis will be devoted to this.

1.3 State of regulatory and legal provision of financial security

In recent years, legal support of the financial sector has been one of the main directions of the state's work. Law-making transformations in the banking sector also occupy a significant place here. Such processes take place unequivocally for the purpose of development and security of monetary and banking systems. Currently, this is happening with the gradual integration of the financial sector to the West. And therefore, studying foreign experience in the field of legislation is not superfluous.

As noted, the current situation in the regulation of banking in Ukraine shows that there are serious problems that significantly complicate the enforcement of legal entities in the banking system. The discrepancy between the current legal framework and the socio-economic realities today reduces the level of protection of customers of banking services and the banks themselves, as well as reduces the attractiveness of investments in Ukraine[7]. To date, it can be stated that the legislation in the domestic banking sector is quite confusing and does not correspond to the logic of its own structure. In particular, the legislation that regulates the activity of banks is chaotically growing in a rather large number of normative legal acts, which greatly hinders their implementation in practice, and sometimes even prevents its implementation.

The field under study in the USA, Poland, and Germany is characterized by stability, high organization, and at the same time has differences in each of these countries [8]. The study of legal support in the USA shows that they are trying to preserve decentralization in the banking system. Here, a long process of building an effective supervisory system, the influence of the regulator at all levels of the state has been going on for many years. The US Federal Government has the power to sanction banking under the National Currency Act of 1863 and the National Banking Act of 1864. These special permits are called the banking charter system, and it allows banks to provide extensive banking services and increase the competitiveness of the banking system. If banks have established clear guarantees of return of involved depositors, where they receive a charter, that is, that they are unable to carry out banking activities [9]. Germany, in turn, is the locomotive of the banking sector. And precisely because

of high-quality legislation, this state is a certain benchmark in banking. At the same time, it is appropriate to say that the vast majority of normative legal acts in the state were issued relatively recently (for a country with such historical roots) - the last 30-50 years. Thus, in 2002, the law "On integrated financial supervision" was adopted regarding: recognition of the status of a supervisory body, conducting inspections, carrying out bank operations, etc. In Poland, the banking system also has its own peculiarities and successes, in particular. It is important to note that here the sector regulation system is quite similar to the Ukrainian one, although it has its own specific features [10].

Therefore, there is no uniformity between the system and their regulation in different countries, although there are quite a few features that take place in these matters. The long-standing traditions of established legal systems, the construction of banks, the different role of the state in these matters - all that leaves its mark. Transformations of the domestic sector are taking place in the conditions of close international cooperation and in the conditions of the Euro integration path of Ukraine. And such processes, including those defined by relevant road maps. But from the above it becomes clear that the implementation of the legislation of other states must be approached in a balanced way.

As part of these processes, legislation in banking activity has recently undergone changes in Ukraine. For example, amendments were made to the Law of Ukraine "On Banks and Banking Activities" regarding: authorized capital, rules of corporate governance, changes aimed at transparency of owners; and regarding independence in bank control[11].

Also, the Law of Ukraine "On Consumer Lending", aimed at defining the mechanism of consumer lending, will protect the rights and interests of the parties. Such changes are in line with international standards and create appropriate conditions in the financial services market. In the future, this will clearly affect the financial security of institutions.

It should also be added that the National Bank of Ukraine cooperates with the EBRD, the IMF and other financial institutions on appropriate legal and regulatory support.

Legal regulation directly related to the financial security of the banking system has been significantly strengthened at the level of by-laws, and in particular the acts of the regulator - the National Bank of Ukraine, including the following:

- "Regulations on the organization of internal control in banks of Ukraine" - , regarding the organization of work of banking institutions;
- "Regulations on identification of persons connected with the bank" - regarding implementation of transparency in banking activity;
- "Regulations on the procedure for submitting information on the bank's ownership structure" - continuation of the approval of the principles of openness and transparency in the banking system;
- "Regulations on determination of credit risk by banks of Ukraine on active banking operations" is another document to ensure the financial security of banks.

Based on the analysis of the state of regulatory and legal support, several significant conclusions can be drawn. First of all, the complex of acts in this area can be united in a single institute of the field of law, science and educational discipline - banking law. But, unfortunately, there is a fundamental problem that still remains, related to the lack of a systematized legal act that will serve the banking industry in a qualitative and effective manner, will create an appropriate logically structured basis, and in the end will ensure its financial security. It is also right that this should be done as a result of the implementation of the Strategy for the Development of the Financial Sector of Ukraine until 2025 after properly implemented reforms, which largely concern the banking system [12]. And in this process, we would like to emphasize the consideration of exclusively the best practices of international experience. Here, the implementation of the provisions of the regulatory legal acts of foreign countries should take place only in the proven part of the effectiveness in national conditions.

Regarding the future systematized act, the document should provide a clear interpretation of the concept of financial security, and the definition of criteria, indicators and, accordingly, the process of ensuring the financial security of banks or the banking system.

CHAPTER 2

ANALYSIS OF FINANCIAL SECURITY OF THE BANKING SYSTEM

2.1. Technical and economic characteristics of JSC CB "Privatbank"

JSC CB "Privatbank" is a state interregional universal and systemic bank, focused on serving private individuals and corporate clients of all forms of ownership, has one of the largest amounts of capital and net assets. Founded in 1992, "Privatbank" is the leader of the country's banking market.

The only shareholder of the Bank, which owns 100% of the Bank's shares, is the state represented by the Cabinet of Ministers of Ukraine. There are already more than 20 million of those who have used PrivatBank services at least once in their lives - half of all users of banking services in Ukraine, from private individuals to companies and entrepreneurs. Almost 18 million Ukrainians regularly use PrivatBank's services, and 13.5 million customers of Privat24 digital bank currently have.

The authorized capital of the bank is 206,059,743,960.00 hryvnias (two hundred six billion fifty-nine million seven hundred forty-three thousand nine hundred sixty hryvnias 00 kopecks) and divided by 735,927,657 (seven hundred thirty-five million nine hundred twenty-seven thousand six hundred and fifty-seven) ordinary registered shares at nominal value worth 280 (two hundred and eighty) hryvnias each.

Effective and profitable. PrivatBank proves that a state-owned company can and should be profitable and efficient. The net profit of PrivatBank in 2020 is UAH 24.3 billion. This is 61.2% of the profit of all Ukrainian banks for the year. In general, after nationalization, the bank paid UAH 55.4 billion in dividends to the budget. Innovation is the heart of PrivatBank.

The PrivatBank team does everything to make service at the bank convenient and safe for customers. We offer more than 176 digital services and remote service.

It is convenient for PrivatBank customers to use payment cards, but during the COVID-19 pandemic, we have ensured complete contactlessness thanks to virtual cards

that can be issued instantly through the Privat24 application on a smartphone. Code of conduct. Corporate behavior in PrivatBank is built on the principles of legality, transparency, competence, on compliance with the rights and interests of customers, bank creditors, shareholders and employees and is aimed at increasing the efficiency of the bank's activities, maintaining its financial stability and profitability.

Observance of norms of behavior. The Bank aims to encourage and support honest and ethical behaviour. Employees, clients, creditors and other persons who have legal relations with the bank may make appropriate notifications regarding potential or actual violations of the law and this Code.

Relations with the shareholder. In relations with the shareholder, the bank intends to pursue a transparent policy and strictly adhere to the following principles: respect and ensure the shareholder's rights, strictly adhere to his interests, disclose information in a timely manner, conduct an active communication policy, increase the visibility and availability of information by improving the quality of reporting and accounting.

Relations with state bodies. The Bank adheres to the principle of neutrality in relation to business groups, political parties and associations and carries out its activities in the interests of depositors, customers, creditors and shareholders. Bank employees must conduct business with state bodies without personal interest, without resorting to illegal methods of influencing decision-making. Customer relations. The bank strives for the highest standards of customer service, protects the interests of each customer. The bank develops new operations, products and directions, adhering to the principle of reasonable conservatism. The Bank strives for transparency in relations with clients and providing them with reliable information about its services. The bank is interested in establishing long-term relationships with clients. Relationships with suppliers. The bank reserves the right not to cooperate with suppliers who violate the requirements of the legislation of Ukraine and the countries in which the bank operates, including regarding the provision of workers' rights, occupational health and safety, environmental protection, as well as suppliers who do not share values and principles, rules of ethics and business conduct of the bank, which are set forth in the Code.

Relations with personnel. The bank's staff is the key to its successful operation. The Bank actively and consistently recruits employees regardless of age, race, gender, religion, belief or nationality and rewards them for their success. The bank respects human dignity and personality and believes in the importance of an atmosphere of trust and cooperation. PrivatBank adheres to such values and principles.

Honesty. The Bank complies with laws, ethical norms and rules of honest business conduct, fulfills its obligations and values its reputation.

Quality. Quality of service and level of service are essential factors for success. The Bank is interested in proper compliance with labor legislation.

Income. The bank's profitability is guaranteed by client orientation and profitable banking operations.

Making decisions. The bank is convinced that in order to achieve high indicators, constant growth is necessary, which is achieved with the help of the correct calculation of the risk of operations. Managers and employees, when making decisions, are guided by internal provisions, policies and regulatory acts of risk appetite, risk limits. PrivatBank does not allow retaliation, discrimination, disciplinary sanctions and other negative consequences for those who report unacceptable behavior in the bank.

The State exercises its rights as the owner of the Bank, and the Bank's management bodies act in accordance with the best global practices of corporate governance, in particular, the Principles of the Organization for Economic Development and Cooperation on Corporate Governance for State-Owned Enterprises (OECD Guidelines on Corporate Governance of State-Owned Enterprises), Principles corporate governance for banks Corporate governance principles for banks by Basel Committee on Banking Supervision [13], Guidelines on Internal Governance by European Banking Authority [14], which are applied to the extent not contradicts mandatory norms of the current legislation of Ukraine. Risk management (Appendix A). The Bank creates a comprehensive and adequate risk management system, which must take into account the specifics of the Bank's work and the requirements for risk management established by the National Bank of Ukraine. The risk management system should ensure detection, identification, assessment, monitoring and control of all types of risks at all

organizational levels and assessment of the adequacy of the Bank's capital to cover all types of risks [15].

2.2. The state of financial security of JSC CB "Privatbank"

Today, the state of the banking system is mostly unstable, which is visible in the fluctuations of financial indicators. Each bank is trying to stabilize its position, but not all of them are able to maintain it, as can be seen from the tendency to reduce the number of banks.

The development of the banking sector has a significant impact on the functioning of the country's economy. However, this development is slowed down by the influence of socio-economic, political, and institutional factors.

The state of the banking system is completely connected with all branches of the economy, since all are participants of the market economy, integrated into each other. And, of course, the vanguard here is the banking system, which is designed to attract funds from both legal entities and individuals. Of course, we will not analyze the situation in each of the branches of the economy of Ukraine, but to achieve the goal, it is enough to look at the state of affairs in the banking system. This will make it possible to single out the most important for our study of the problems of ensuring financial security. In general, our work is based on the data obtained during the research of JSC CB "Privatbank". On the example of its analysis, we will try to draw our own conclusions.

According to data provided by the NBU, as of September 8, the top five most profitable banks of Ukraine included: PrivatBank, Oschadbank, Raiffeisen Bank Aval, FUIB, Universal Bank.

PrivatBank remains the largest bank in Ukraine. 20 million people have used the services of this bank at least once, which is half of all users of banking services, from private individuals to companies and entrepreneurs. The net profit of Privatbank is UAH 16.39 billion.

The bank shows a high level of involvement in innovation, thanks to remote service and digital services, which are relevant at any time, and especially now, during the pandemic.

For a detailed study of PrivatBank's activities, let's examine the main indicators, which can be attributed to:

- dynamics of asset structure;
- structure of liabilities and equity;
- dynamics of loan portfolio development indicators;
- analysis of bank income.

Table 2.1

Income assets of JSC CB "PrivatBank", in comparison of 2019 and 2020

	31.12.2019	31.12.2020
Cash and cash equivalents and mandatory reserves	45,894 million hryvnias	49,411 million hryvnias
Investment securities	152,157 million hryvnias	221,661 million hryvnias
Financial assets	9,231 million hryvnias	16,002 million hryvnias
Credits	86,662 million hryvnias	80,080 million hryvnias
<i>In total</i>	293,944 million hryvnias	351,152 million hryvnias

Table 2.2

Non-revenue assets of JSC CB "PrivatBank" in 2019/2020

	31.12.2019	31.12.2020
Fixed assets and intangible assets	4,764 million hryvnias	5,894 million hryvnias
Commodity values	10,160 million hryvnias	10,529 million hryvnias
<i>In total</i>	14,924 million hryvnias	16,423 million hryvnias

Comparing the assets of PrivatBank in 2019 and 2020, it can be concluded that the income assets in the bank's arsenal are more, on average, by 306,874.5 million hryvnias, which indicates that the bank uses free funds to increase capital by increasing the loan portfolio and improving existing products, advertising, etc.

2) Liabilities and equity of PrivatBank can be considered with the help of a diagram, using data for 2020 (Fig. 2.3).

Liabilities of PrivatBank for 2020 increased primarily due to debts between banks and other financial organizations and increase in the amount of reserves [17].

There have been minor changes in the capital structure, as can be seen from the difference in the figures for 2019 and 2020, which is 1,704 million hryvnias.

Table 2.3

Loans to clients of JSC CB "PrivatBank" for 2019 and 2020

	31.12.2019	31.12.2020
Loans under financial leasing, which managed as a separate portfolio	210,579 million hryvnias	164,332 million hryvnias
Loans to legal entities	6,250 million hryvnias	5,509 million hryvnias
Loans to individuals - credit cards	51,890 million hryvnias	40,609 million hryvnias
Loans to individuals - mortgage loans	11,467 million hryvnias	9,566 million hryvnias
Loans to individuals - consumer loans	4,148 million hryvnias	3,500 million hryvnias
Loans to individuals - loans for the purchase of a car	250 million hryvnias	35 million hryvnias
Loans to individuals - other loans	498 million hryvnias	129 million hryvnias
<i>In total</i>	285,082 million hryvnias	223,680 million hryvnias

The largest percentage of loans provided by PrivatBank is loans under financial leasing, the share of which decreased in 2020 by UAH 46,247 million. Financial leasing

is a type of legal relationship under which the lessor undertakes, in accordance with the financial leasing agreement, to transfer the possession and use of the object of financial leasing to the lessee for a period and for a fee determined by such an agreement [18].

Credit card lending services are also popular, but due to the pandemic, the number of funds borrowed for this type of service has decreased due to the inability of individuals to meet all their obligations to the bank.

The bank's net interest income in 2021 increased by UAH 5,154 million compared to 2020, which indicates an increase in the client base and development of the bank's product line.

Therefore, JSC CB "Privatbank" has a significant level of assets, the dynamics of income is positive, the bank steadily attracts funds from all business entities, citizens and increases capital, while increasing the loan portfolio; continues to successfully improve its products, makes excellent use of marketing technologies. A significant place in lending is occupied by the financial leasing model. The basis for consumer lending by credit cards is currently open on the market again. The dynamics of the indicators indicate the end of the results of 2021 of JSC CB "Privatbank" as a leading and profitable bank. On the basis of the above, taking into account the imperfection of the system of ensuring financial security, it is possible to note a high level of financial security of JSC CB "Privatbank", with some cautions for the future. And mostly it will concern work with the bank's staff - personnel security as a part of financial security (which requires a separate study).

2.3. Analysis of indicators of the banking system

One of the most important sectors of the national economy is banking. Its role is significant due to a number of functions performed by it. Among them, the following are distinguished: mobilization of temporarily free capital, effective distribution of accumulated capital among end users, formation of market prices for individual

financial instruments, determination of the most effective directions of financial flows from the position of ensuring a high level of profitability, implementation of operations on behalf of depositors, placement of attracted deposit resources in the form credit, etc. Considering all the functions, the banking sector is extremely sensitive to changes in the country's economic environment. In order to perform the aforementioned and other functions in a timely and adequate manner, banking performance must meet high standards of reliability and financial stability.

Currently, the economy of our country, like other economies of the world, is in a state of crisis. The reason for this is the constant stressful situations caused by the pandemic. However, the Ukrainian banking sector is able to withstand the blows of the external environment. The reason for the successful functioning lies in the recent changes. In 2014-2015 the banking system of Ukraine had such problems as the accumulation of large losses by banking institutions, the deterioration of the quality of the banks' credit portfolio, the fall in capitalization and the fall in profitability, the growth of currency risks due to the strong dollarization of the economy, the fall in the liquidity and solvency of the banking system, the reduction of the resource base as a result of a significant outflow of deposits, massive liquidation of banks, etc. All this contributed to the fact that in 2014 33 banks were recognized as insolvent. Therefore, it is now important to constantly monitor the state of the banking system of Ukraine and conduct an analysis of the current state of affairs of the banking system of Ukraine.

Given that the chosen topic is important and relevant, scientists consider the importance of the development of banks for the economy as a whole and investigate the specifics of the development of the banking system of Ukraine. Thus, even at the beginning of the development of the banking sector, the position was expressed about the positive influence of banks on the level and rate of growth of national income, which is based on the influence not so much on the rate of savings as on the process of distribution of savings. This was due to the fact that development and well-being are built if funds are directed to the implementation of the most effective projects.

Among Ukrainian scientists, it is worth noting L.H. Batrakov, who examines the issue of the use of own and borrowed funds of banks, the effectiveness of various types

of operations, etc. [19]. Z.I. Shchybyvolok studied the main aspects of the effective operation of banks, paying considerable attention to the analysis of assets and liabilities, liquidity, income, expenses and profitability of the bank's capital [20]. D.L. Tsyganyuk analyzed the financial condition of the banking sector in recent years [21].

It is necessary to conduct an own analysis to understand the situation and determine the state of the banking system. In recent years, the banking sector of Ukraine has undergone important changes that led to the "cleaning" of the market, namely the reduction of the number of banking organizations. It is appropriate to display the data in the following form (Table 2.4).

Table 2.4

<u>Dynamics of the number of operating banks for the period 2012-2021.</u>	
<u>Period</u>	<u>Number of operating banks</u>
01.01.2012	176
01.01.2013	176
01.01.2014	180
01.01.2015	163
01.01.2016	117
01.01.2017	96
01.01.2018	82
01.01.2019	77
01.01.2020	75
01.01.2021	74

With the political crisis, hostilities and related economic condition, which in the end contributed to the number of banks. Yes, the maximum number of banks was in 2014, when the crisis of the banking sector was observed, because most banks were not able to fully meet their own obligations and did not meet the criteria. Under the influence of the devaluation of the hryvnia and the decline in the economy, as well as political instability in the country, a significant number of banks faced problems, many of them, according to the NBU's decision, began the liquidation procedure. This became a reason, including for reforming the industry. That is why the cleaning of the banking sector began, and the next year the number of banking institutions was reduced to 163. In the future, an annual reduction was observed, and already at the beginning of 2021, 74 banks were registered. Compared to 2014, the reduction occurred by almost 60%.

Such a situation, although faced with criticism from society, nevertheless had positive consequences for the banking sector as a whole, because institutions that meet the established criteria, were solvent and more reliable remained market participants. Currently, 74 banks are operating in Ukraine with varying degrees of success - this is more than half the number of 10 years ago. By now, the cleansing process has ended and the situation has returned to a state of new equilibrium.

It is also important to analyze the number of banks with domestic and foreign capital, the data is presented in the following figure. The change in the number of banks is also graphically displayed in the figure.

During the entire period, the share of banks with domestic capital prevailed over the share of banks with foreign capital, and was about 60-70%. One of the most important indicators of the performance of the banking sector is the profitability indicators presented in the table. 2.5

Table 2.5

Dynamics of profitability indicators of Ukrainian banks for the period 2012-2021.

Period	Revenues, billion UAH	Interest, billion UAH	Commissions, billion UAH	Net financial result, bln. UAH
01.01.2012	142.8	113.3	18.5	-7.7
01.01.2013	150.5	117.5	21.2	4.9
01.01.2014	168.9	129.9	24.9	1.4
01.01.2015	210.2	151.3	28.3	-53
01.01.2016	199.1	135.1	28.4	-66.7
01.01.2017	190.7	135.8	31.4	-159.3
01.01.2018	178.1	124.0	37.1	-26.4
01.01.2019	204.5	140.8	50.9	22.3
01.01.2020	243.1	152.9	62.1	58.4
01.01.2021	250.2	147.7	70.6	39.7

Source: based on [22]

So, the worst situation in terms of the net financial result was in 2017, when the biggest loss was recorded in the amount of 159.3 billion. UAH Instead, the situation continued to improve and already in 2020 a maximum of 58.4 billion was reached. UAH 2021 began with a value of 39.7 billion. UAH Since the beginning of 2019, the

banking sector has been setting historical records for profitability. The net financial result as of January 1, 2019 was UAH 22.3 billion. This was facilitated not only by the strict monetary policy of the NBU and high interest rates, but also by the more balanced credit policy of the banks themselves. A significant increase in the profitability of the banking system became possible due to the reduction of deductions to reserves with a stable growth of interest and commission income. Regarding the analysis of interest and commission income, commission income always prevails and was 60-80%. The maximum income level was as of January 1, 2021.

In addition, it is also worth considering the change in the values of economic standards for the banking system of Ukraine for 2021.

Table 2.6

Value of economic standards for the banking system of Ukraine for 2016-2021.

	01.01.2016	01.01.2017	01.01.2018	01.01.2019	01.01.2020	01.01.2021
H 1 Normative minimum size of regulatory capital (thousand UAH)	99,305.4	138,526.0	112,154.5	121,742.1	147,073.2	181,880.5
H 2 Norm of adequacy of regulatory capital/solvency (at least 10%)	8.92	13.34	15.35	15.52	18.72	21.63
H 4 Instant liquidity standard (at least 20%)	72.25	59.30	45.61	61.76	...	
H 5 Current liquidity standard (at least 40%)	78.76	87.40	106.67	104.72	...	
H 6 Short-term liquidity standard (at least 60%)	88.82	91.01	96.52	94.17	94.40	88.55

H 7	The norm of the maximum amount of credit risk per counterparty (no more than 25%)	23,13	21.37	20.61	20.43	17.32	19.85
H 8	Norm of large credit risks (no more than 8 times the amount of regulatory capital)	551.47	321.28	232.12	173.88	120.54	84.60

Source: [22]

7 norms were chosen for the analysis, namely norms of the minimum size of regulatory capital, adequacy of regulatory capital/solvency, instant liquidity, current liquidity, short-term liquidity, maximum size of credit risk per counterparty and large credit risks. It is worth noting that during the period of 2016, some indicators did not meet the normative values, so the regulatory capital/solvency adequacy indicator did not reach 9% (the normative value is more than 10%), later the situation improved significantly, all values correspond to the normative values, which indicates positive changes in this sector.

In addition, it is worth focusing attention on the rating of the Ministry of Finance of Ukraine regarding the financial stability of the bank. Latest information (as of Q1 and Q2 2021).

Table 2.7

Bank stability rating for the 2nd quarter of 2021

Rating number	Name of the bank	Total score
1	Raiffeisen Bank	4.50
2	OTP Bank	4.13
3	Ukrsibbank	4.01
4	Credit Agricole Bank	4.01
5	Credobank	3.99
6	Alfa Bank	3.81
7	PUMB	3.73
8	ProcreditBank	3.63
9	Pravex Bank	3.54
10	PrivatBank	3.52

Source: [23]

Thus, during the entire period, the undisputed leader is Raiffeisen Bank, which only strengthens its position and has a significant margin. OTP Bank weakened its position, moving from 2nd to 5th place, lowering its rating score from 4.13 to 4.00. Ukrsibbank is consistently in 3rd place, despite the fact that the rating point increased by 0.15. Kredobank also improved its condition and is currently on the 4th step. The last among the TOP-10 banks of Ukraine is Privatbank, currently it has weakened its position compared to the previous year, but still remains one of the key and most popular banks among the population, with a rating score of 3.59 [24].

Thus, on the basis of the conducted research, it can be concluded that external factors have a significant influence on the banking system. The most significant changes began in 2014-2015, namely during the beginning of the Russian-Ukrainian war. However, along with the negative consequences, there were also positive changes, such as the "cleaning" of the banking sector and the improvement of bank performance indicators. At the same time, the number of institutions in the banking sector has been reduced by almost half, and those institutions that have improved their activities and

currently have high financial stability and solvency. To date, there are 74 solvent and financially stable banks operating in Ukraine. According to the data of the Ministry of Finance of Ukraine, Raiffeisen Bank has the best indicators, which has a rating score of 4.54. So, after analyzing the activity of banks, it is possible to assert the gradual successful development of the banking sector in Ukraine. As for Privatbank JSC CB, certain tendencies towards the deterioration of the leading positions, which the bank occupied along with others, can be seen.

CHAPTER 3

DIRECTIONS OF ENSURING THE FINANCIAL SECURITY OF THE BANKING SYSTEM

3.1 Corporate responsibility in the bank as a basis for ensuring its financial security

In general, the direction of the proposed case is becoming more and more relevant in modern business conditions - social responsibility of business as a component of its competitiveness.

It is known that social responsibility is the case when a business entity works for the purpose of obtaining profit in accordance with its statutory goals, and at the same time its activity is significantly directed, so to speak, to help society, which benefits it in that other direction of life. In this case, the business must share values and actually be a part of society, and sometimes generate something new and useful for it. Currently, there are many socially responsible enterprises in Ukraine, such as: Avon, Alfa-Bank, Nova Poshta, FUIB, McDonald's and the Ronald McDonald House Foundation, Credit Agricole Bank and many others. Hence the need to consider this issue in terms of competitiveness. At first glance, it may seem that each of these companies works primarily for profit, but this is not really the case if you look at it from another angle. Each of these companies holds high places in the profitability rating only due to the fact that the conduct of socially responsible business is embedded in the policy of each company.

For a more detailed consideration, let's compare three banking institutions, namely: Alfa-Bank, Bank "PUMB" and Credit Agricole Bank.

In order to analyze these banks on the subject of socially responsible business, we will consider the rating of public trust in Ukrainian banks. After all, it is the trust rating that is the fundamental indicator that shows which of the banks works in terms of conducting socially responsible business. We will consider this rating in terms of

deposit funds, because it is the people's invested funds that illustrate how much the population trusts the bank.

Table 3.1

Reliability rating of banks of Ukraine among the population in terms of deposit deposits of individuals

N	Banks	Deposit funds of individuals, thousand UAH
1	PrivatBank	213 750 443
2	Savings Bank	124 058 822
3	Alfa Bank	42,717,319
4	Raiffeisen Bank Aval	32 130 181
5	Credit Agricole Bank	30,218,296
6	Ukreximbank	28 109 446
7	PUMB	25,995,207
8	UkrSibbank	24,245,992
9	Universal Bank	19,526,656
10	OTP Bank	18,247,870

Source: based on [22]

Analysis of deposit funds from individuals, because the sustainable development of our country's economy is ensured by companies, therefore, for a more detailed analysis of public trust in banks, it is necessary to consider deposit deposits, but in the context of deposits from legal entities [25].

Table 2

Reliability rating of banks of Ukraine among the population in terms of deposit deposits of legal entities

N	Banks	Deposit funds of individuals, thousand UAH
0		
1	Alfa Bank	108,312,973
2	PrivatBank	70,446,043
3	Ukreximbank	60,992,565
4	OshchadBank	58,566,989
5	Raiffeisen Bank Aval	53,097,387
6	Ukreximbank	33,928,460
7	PUMB	32,238,857
8	OTP Bank	31,319,822
9	Credit Agricole Bank	25,790,847
10	CityBank	25,581,535

Source: based on [22]

Having analyzed the level of public trust in banks in terms of deposit deposits, both individuals and legal entities, we can come to the conclusion that banks almost do not meet the sufficient level of conducting socially responsible business. This is evidenced by the low positions of "PUMB" and Credit Agricole Bank. Yes, the question arises. And as for Alfa-Bank, it is in the first place in the rating of deposit funds of legal entities. The answer to this question lies in the numbers. Deposits of legal entities to Alfa-Bank are half as much as deposits of individuals to PrivatBank. This situation has a very unimpressive character, because it is legal entities at this stage of the economic development of our country that occupy the leading positions.

The next step for understanding the situation of conducting socially responsible business in terms of banks will be to identify the reason for the public's distrust of banks. And no, it will not be the usual stereotypes that banks have lost public trust since

2008, when the crisis began and most of the population lost their funds. It is necessary to analyze the main provisions of the formation of social responsibility of banking institutions in the system of ensuring competitiveness. Therefore, all areas of work are important in the banking sector, including charity events, which primarily shape the views and imagination of citizens towards one or another problem, involving a large number of outsiders; in addition, we can talk about the obligation to make contributions for such cases; so-called corporate social marketing aimed at protecting environmental rights and safety; philanthropy; volunteer work, in particular, in the direction of educational projects; other investment projects. [26]. Now the question arises whether banks comply with these provisions. It is actually quite difficult to give an answer to this question, because on the one hand, banks are almost not engaged in charitable activities, and on the other hand, each bank provides preferential terms for service for charitable organizations. If the bank sets the goal of socially responsible work, for society, in our opinion, this will create a vision of an efficient, reliable, high-trust entity, which will definitely increase the level of trust in everyone else.

With the growth of public demands on banking institutions, in order to achieve a certain level of competitiveness, it is necessary to take into account the moral, ethical, religious values and peculiarities of the cultural development of the region in which they operate. In other words, it is vital for banks to start changing and start doing more charitable activities directly, and not through the mechanisms of service of charitable organizations.

The bottom line for banks is that if they want to increase their profits, they need to regain the trust of the public and generally develop in step with the times. They need to engage more in activities that will primarily benefit society, and only then profit. In our opinion, the first bank that will start more intensively engaging in social responsibility during the introduction of business will take the lead among all Ukrainian banks in terms of indicators for a long time.

However, the issue of implementing social responsibility of business, or corporate social responsibility, is considered not only from the point of view of the problems of the social sphere of society and the need to ensure social guarantees of the

working population, but also from the position of using social responsibility of business to create competitive advantages for an individual enterprise, not only banks, establishing relations with the public and central and local authorities, maintaining a positive image of the company. Entrepreneurs who implement programs of corporate social responsibility receive competitive advantages in various areas of their activity. It is emphasized that the set of advantages does not manifest immediately, and they, as positive aspects of the company's activities, will only later provide an advantage over competitors [27]. But in our opinion, we think it's worth it.

Competitive advantages are a criterion of competitiveness of any enterprise, their presence and implementation provide an economic advantage over competitors. Therefore, the question arises about how to maintain responsibility at an appropriate level until the moment when they begin to manifest. There is a need to conduct a socially responsible business for a long time, but for this, human resources are needed, which for a rather large period of time will be devoted to 100% of work and "live" the issue of socially responsible business, because as practice shows, the company's profit at the time of intense conducting a socially responsible business is significantly lower than when conducting activities with the aim of maximizing profit. However, not everyone agrees to fully meet the criteria of socially responsible business, therefore the problem of conducting socially responsible business depends not only on the enterprise, its director, the state, but also on the psychologically outdated non-market system. Unfortunately, at this stage of the development of our country, there is an insignificant share of citizens who are ready to work for a long period of time for the benefit of socially responsible business. This is evidenced by Maslow's pyramid, which consistently represents all human needs, from the most basic to the highest. It reflects one of the most widespread motivational concepts - the theory of the hierarchy of needs developed by the American psychologist Abraham Maslow. This is no longer a problem of people working at the enterprise, but a problem of managers and company leaders who are unable to provide favorable working conditions and a sufficient level of motivation for employees of socially responsible businesses.

So, until the moment when the managers do not take care of their workers and do not make appropriate conditions for work, as dictated by the International Labor Organization, no changes are expected for the socially responsible enterprise.

In order to create favorable conditions for personnel, it is not enough to simply detect the level of use of socio-psychological methods, it is necessary to develop the correct approach in which these methods will be used for personnel management. This means that it is important for management to be able to identify and solve: specific personnel problems, understand the causes of certain phenomena that are possible when the enterprise is mismanaged, and also be able to apply tools to solve problems today and in the future. All this, in turn, will make it possible to create a good social and psychological climate. One of the ways to improve the working conditions of employees and increase the level of motivation is to create a certain "anti-stress" room. In this room, employees will be able to relieve the tension that arises during the work process with the help of so-called "toys", for example: lollipops, bubble wrap, spinners and others. In these rooms, the staff will have the opportunity to listen to relaxing music, look at some pleasant pictures, perhaps drawn by the employees themselves, or even look at something eternal, such as a fireplace, or at how fish swim. This room will work as a rest room, so to speak, in which you can regain your strength after heavy psychological stress. This room will be aimed at: restoring the psychological state; distraction from the manager's reprimands; reflections on problems that may arise as a result of a difficult working day; tension relief; creation of a positive mood, thanks to which new forces for new effective labor activity will appear.

The main feature of this room will be the opportunity to put on protective equipment, pick up a hammer or a club and break a standing mannequin, in this way you can release all the anger that has accumulated on the manager, for example, for unheard requests or suggestions. Another way to be heard and have the opportunity to convey your problems and suggestions to the manager is to allocate one wall in the enterprise as a bridgehead for drawing. Each employee will be able to draw anything, of course within reason, the purpose of these drawings should be a constant reminder to managers that their staff is not satisfied with something. At the end of each week, this

wall will be completely washed by the technical staff, and therefore the analysis of the work of the managers will be carried out. If there are noticeable changes for the better for employees, then it is concluded that the manager is worried about the working condition and motivation of his subordinates. Otherwise, the manager risks being left without his team, because it is unlikely that people will work in conditions that are not convenient for them, of course excluding emergency situations. But the issue of stimulation in the form of wages remains unresolved. Many employees complain that they work too much, reworking their plan, and there is no initiative on the part of the manager. If this continues, the company risks being left without its best specialists, so we suggest introducing the so-called "motivation chain". Everyone understands that if the company is going through not the best times, then you can't count on permanent bonuses, but we are sure that no matter what the situation is, the company is able to allocate some additional motivation in a few months. That is, we propose to award the best employees, but not based on the results of one month, but based on the results of, for example, two or three working months. At the end of these months, you will have to identify the best employee, first of all, congratulate him in your social networks, then you can hang his photo with the inscription of the best employee of the month directly at the company, and the main prize can be, for example, a double bonus or a vacation trip at the expense of the enterprise. And finally, make an announcement that the better the company works, the more it is able to allocate such vouchers.

In this way, the staff will begin to work more actively for the sake of obtaining free vacation tickets, thus the efficiency of the entire enterprise will increase, that is, it will gain momentum. Another method can be receiving "penalty money". This means that it is possible to introduce, so to speak, a "punishment basket", in which each employee who uses obscene language during the work process will deposit a certain amount of money, and at the end of the month, the worker who did not put anything into it will be able to take the entire basket for himself. In this way, the company will be able to "kill two birds with one stone", that is, reduce the level of obscene expressions and introduce additional stimulation. If the winner is not found at the end of the month,

that is, everyone will put their money into this basket, then the accumulated amount can be spent on a collective vacation or on the purchase of something necessary.

So, after analyzing the issue of competitiveness while running a socially responsible bank, we can come to the conclusion that changes are necessary to increase the level of competitiveness. In banking institutions, these are changes that will completely change people's thinking about banks and their activities, that is, radical changes in activities, namely an increase in social activities, such as charity. In our opinion, social responsibility in the bank in various forms will significantly affect one of the key aspects of ensuring the financial security of the banking system of Ukraine - the level of trust of the population, business, and partners. In addition, it is extremely important to change the management and methods of controlling and motivating employees. After all, the management methods that exist now are not always effective in order to meet the requirements of the time.

3.2 Foreign experience in the field of supervision and control of banking activities

Foreign experience in the field of supervision and control of banking activities offers a valuable reservoir of practices, principles, and models that can serve as benchmarks for refining domestic regulatory frameworks. Banking regulation and supervision across the globe are critical for ensuring financial stability, mitigating systemic risks, and fostering sustainable economic development. Countries adopt diverse approaches to banking supervision, reflective of their unique historical, economic, and cultural contexts. These approaches can be categorized into three primary models: the "two peaks" model, the sectoral model, and the unified supervision model.

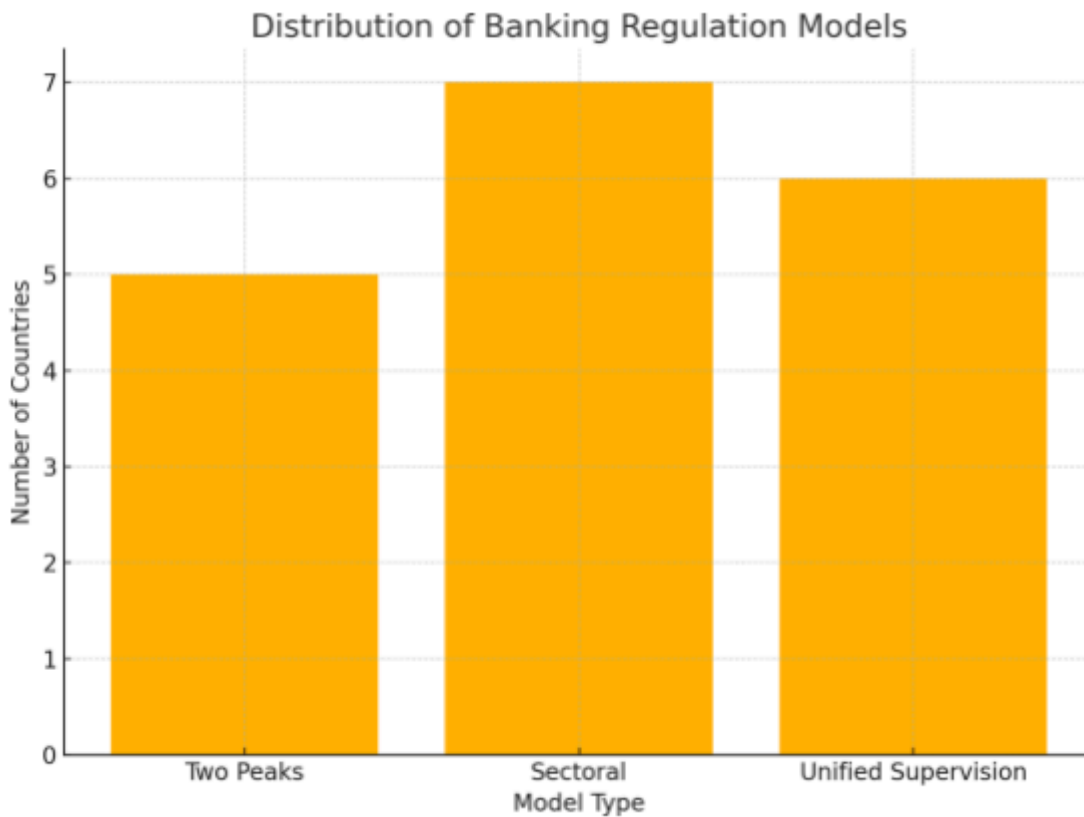


Fig. 3.1. Distribution of Banking Regulation Models

The "two peaks" model represents a dual approach where regulatory and supervisory functions are shared between the central bank of the state and an additional government body. This model is widely implemented in countries such as France, Italy, Germany, the United States, and Japan. It ensures a balance of oversight responsibilities, often dividing prudential regulation and market conduct regulation between two distinct entities. For instance, in the United States, the Federal Reserve and other federal agencies, such as the Office of the Comptroller of the Currency (OCC), collaboratively oversee banking activities, offering a layered and comprehensive regulatory framework. This approach aims to reduce regulatory blind spots by assigning specific responsibilities to specialized entities.

The sectoral model, prevalent in countries such as Ukraine, the United Kingdom, Greece, Spain, Portugal, and Switzerland, places regulatory and supervisory responsibilities solely with the central bank of the state. This model centralizes authority, which can lead to streamlined decision-making and enhanced coordination.

However, it also requires the central bank to possess extensive resources and expertise across a broad spectrum of financial operations. For example, in Ukraine, the National Bank of Ukraine (NBU) plays a pivotal role in overseeing the stability and efficiency of the banking sector. By centralizing supervision, the NBU can rapidly respond to emerging challenges, ensuring cohesive regulatory actions across the sector.

The unified supervision model takes a different approach by establishing a mega-regulator or an independent supervisory body separate from the central bank. This model is observed in countries such as Poland, Austria, Denmark, Canada, and Norway. The mega-regulator is responsible for overseeing the entire financial system, encompassing banking, insurance, and securities markets. This comprehensive approach aims to address systemic risks that transcend individual sectors, providing a holistic view of the financial landscape. Poland exemplifies this model through the operations of the Banking Supervision Commission, which integrates diverse expertise to enforce consistent regulatory standards across the banking industry.

A notable development in the European Union underscores the region's commitment to financial integration and systemic stability. In late 2012, the heads of state and government of the 27 EU member states agreed to establish the European Banking Union, a significant step toward deepening European financial integration. This initiative represented a revolutionary change in the architecture of the European banking system, aiming to enhance resilience through the creation of a single supervisory mechanism. By transferring key supervisory responsibilities to the European Central Bank (ECB), the Banking Union seeks to provide unified oversight of significant financial institutions across the EU, addressing cross-border risks and ensuring consistent regulatory enforcement.

In the United States, banking regulation and supervision exhibit unique characteristics shaped by the federal structure of governance. The dual banking system divides supervisory authority between federal and state governments, as outlined in key legislative acts such as the Federal Reserve Act and the Banking Act. At the federal level, multiple agencies, including the Federal Reserve System, the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency,

oversee various aspects of banking operations. These bodies perform specialized functions, such as regulating bank holding companies, insuring deposits, and conducting audits. State-level bank controllers add another layer of supervision, ensuring compliance with local laws and regulations.

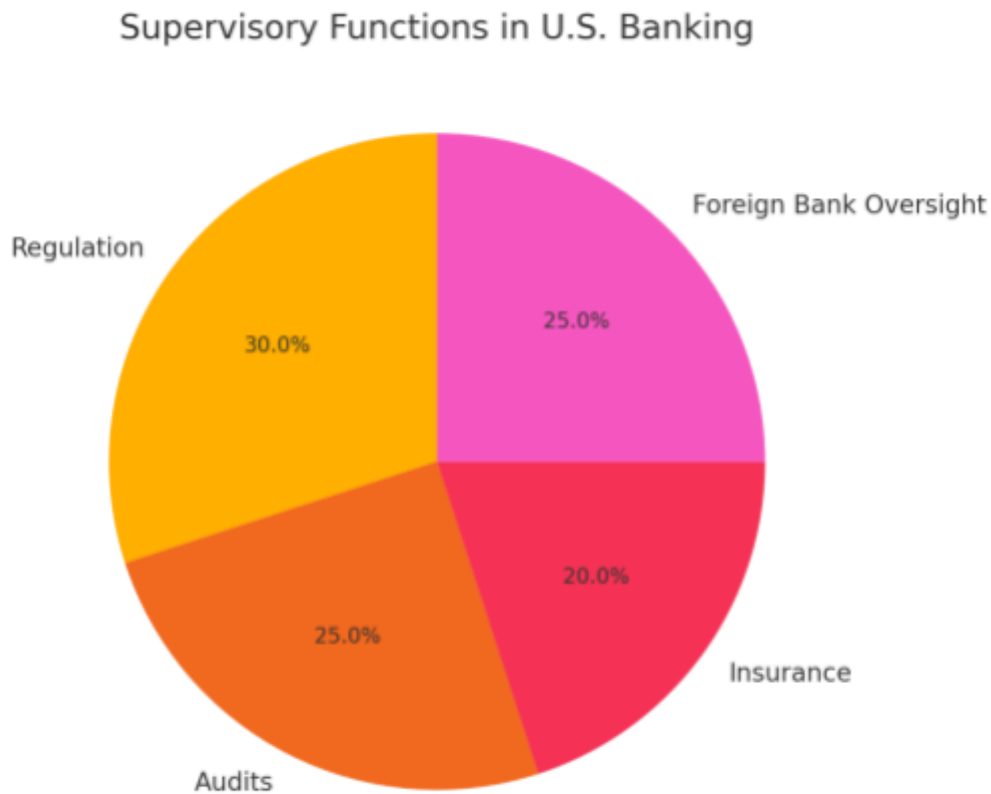


Fig. 3.2. Supervisory Functions in U.S. Banking

An essential feature of the U.S. system is the periodic inspection of banks by supervisory agencies. These inspections are carried out by qualified examiners who assess a bank's compliance with regulatory requirements, risk management practices, and financial stability. The Federal Reserve Board of Directors also establishes guidelines for foreign banks operating in the United States, ensuring that their activities align with domestic financial policies. This multi-tiered approach reflects the country's emphasis on robust oversight to safeguard public trust and maintain economic stability. Japan's approach to banking supervision is deeply influenced by its cultural and historical context. The homogeneity and insularity of Japanese society, shaped by a

prolonged period of self-isolation until the mid-19th century, have informed the nation's emphasis on systemic safety and conservatism in banking practices. The Japanese banking system comprises various institutions, including the Ministry of Finance, the Bank of Japan, commercial banks, specialized long-term credit banks, and financial institutions serving agriculture, forestry, and fisheries. Each of these entities operates within a tightly regulated framework designed to ensure financial stability and address the unique needs of different economic sectors.

In the European Union, supervision extends beyond national borders to accommodate the interconnected nature of the regional economy. Non-resident supervision is particularly important, allowing regulators to oversee the activities of foreign banks operating within their jurisdictions. On-site inspections are often delegated to certified external auditors, who conduct audits under the guidance of national supervisory bodies. These bodies define the scope, methodology, and content of the audits, ensuring consistency and reliability. For example, in Italy, the Interministerial Committee, alongside the Central Bank of Italy, oversees compliance with banking regulations and safeguards the interests of savings banks, as outlined in the 1993 Law "On Banks."



Fig. 3.3. Responsibilities in Poland's Banking Supervision

Poland's model of banking supervision offers another illustrative example. The Banking Supervision Commission, established under the laws "On Banks" and "National Bank of Poland," embodies a collaborative approach. It comprises representatives from various sectors, including the National Bank of Poland, the Ministry of Finance, the President's Office, and the Securities and Exchange Commission. The Commission's functions include enforcing regulatory standards, evaluating the financial condition of banks, and ensuring the safety of client funds. By incorporating diverse perspectives, the Commission enhances the effectiveness of banking supervision, addressing both macroeconomic and microeconomic dimensions. A critical takeaway from the analysis of foreign experiences is the importance of tailoring regulatory frameworks to the specific needs and characteristics of each country. While global best practices provide valuable insights, their effectiveness depends on careful adaptation to local contexts. For instance, the delegation of audit responsibilities to external auditors in some European countries may not be directly applicable in jurisdictions where such practices are uncommon or where regulatory capacity is limited. Similarly, the establishment of a mega-regulator, as seen in countries like Poland, requires a robust institutional framework and a high degree of coordination among stakeholders.

In conclusion, foreign experience in banking supervision highlights the diversity of approaches and the shared commitment to ensuring financial stability. The "two peaks" model, sectoral model, and unified supervision model each offer distinct advantages and challenges, reflecting the unique contexts in which they are implemented. By learning from these experiences, countries can enhance their regulatory frameworks, ensuring that their banking systems remain resilient, efficient, and capable of supporting economic growth. The integration of international best practices, coupled with local adaptations, provides a pathway to achieving robust and sustainable financial systems in an increasingly interconnected world.

3.3 The main areas of ensuring the bank's financial security

The financial security of the banking system is a cornerstone of national economic stability. It encompasses measures designed to protect financial institutions from potential threats, ensure their resilience in times of crisis, and facilitate recovery in the aftermath of adverse events. The ability of banks to maintain financial stability is critical not only to their survival but also to the broader economic system. Banks act as intermediaries for funds, provide credit for businesses and individuals, and are integral to the functioning of both domestic and international markets. Consequently, the financial security of banks extends beyond individual institutions, influencing national economic stability and growth.

Current research into the financial security of banking systems underscores the importance of addressing modern challenges and threats effectively. These challenges include political and economic instability, the emergence of global health crises such as the COVID-19 pandemic, and the rapidly changing nature of financial markets due to technological advancements and globalization. By examining these challenges, it becomes possible to identify weaknesses in existing frameworks and propose comprehensive strategies for strengthening the banking sector. These strategies must be both adaptive and forward-looking, capable of responding to an unpredictable and dynamic environment.

Ukraine's banking system, like those of many other countries, has faced numerous challenges over the decades. Since the country's independence, the financial sector has undergone significant transformations, driven by political changes, economic reform, and the integration of international practices. Each stage of the banking system's development has presented unique obstacles. For example, during the post-Soviet transition, the sector grappled with issues such as insufficient regulation, weak governance structures, and limited public trust. Subsequent periods were marked by crises, including the global financial crisis of 2008, which tested the sector's resilience. More recently, the COVID-19 pandemic introduced unprecedented challenges,

highlighting vulnerabilities in liquidity management, credit risk assessment, and operational resilience.

The COVID-19 pandemic serves as a stark reminder of the need for adaptability in ensuring financial security. The sudden and widespread economic disruptions caused by the pandemic exposed weaknesses in existing frameworks. Many banks struggled to manage liquidity, maintain solvency, and support customers facing financial hardship. The crisis also accelerated the adoption of digital banking services, creating new opportunities but also introducing additional risks, such as cybersecurity threats and operational challenges associated with rapid digital transformation.

One of the fundamental principles of financial security is its multidimensional nature. It involves a combination of organizational, financial, legal, and informational measures designed to create a resilient and stable banking system. These measures must address both the internal operations of financial institutions and their external environment, including market conditions, regulatory requirements, and customer behavior. Achieving this requires a coordinated effort involving various stakeholders, including government authorities, financial institutions, academic researchers, and international experts.

Collaboration among stakeholders is essential for ensuring the effectiveness of financial security measures. Educational and research institutions play a crucial role by conducting studies that inform policy and practice. For instance, universities and think tanks can analyze global trends, assess the impact of regulatory changes, and propose innovative solutions to emerging challenges. Government authorities, including the National Bank of Ukraine, provide oversight and regulatory guidance, ensuring that financial institutions operate within a stable and predictable framework. International experts bring valuable perspectives and experiences, helping to integrate global best practices into the national context.

Establishing platforms for collaboration, such as advisory councils or working groups, can facilitate these efforts. These platforms can serve as forums for dialogue, enabling stakeholders to share insights, coordinate actions, and develop comprehensive strategies. For example, an advisory council on financial security led by the National

Bank of Ukraine could bring together representatives from government agencies, financial institutions, and academia to address pressing issues and develop long-term plans.

The legislative framework governing the banking system is another critical component of financial security. Effective laws and regulations provide the foundation for a stable and predictable operating environment. They set clear rules for financial institutions, establish mechanisms for oversight and enforcement, and protect the interests of customers and other stakeholders. However, the legislative framework must also be flexible enough to adapt to changing circumstances. This requires a balance between stability and adaptability, ensuring that laws and regulations remain relevant and effective in the face of evolving challenges.

One of the key areas for legislative improvement is the adoption of best practices from other countries. While it is important to learn from international experiences, these practices must be carefully adapted to the specific context of Ukraine. This involves evaluating their relevance, feasibility, and potential impact, as well as considering the unique characteristics of the national economy and financial system. For example, regulatory approaches that have been successful in advanced economies may need to be modified to address the challenges faced by emerging markets, such as limited access to capital, lower levels of financial literacy, and weaker institutional capacity.

Continuous monitoring and evaluation are essential for ensuring the effectiveness of financial security measures. Regular assessments of financial institutions and the overall banking system help identify vulnerabilities and prevent problems from escalating. This requires the analysis of key financial indicators, such as liquidity, solvency, profitability, and risk exposure. By maintaining a comprehensive understanding of the system's health, policymakers and regulators can take timely and effective measures to address emerging threats. This proactive approach can significantly enhance the resilience of the banking system, reducing the likelihood of crises and mitigating their impact when they occur.

The example of JSC CB "PrivatBank" illustrates the importance of proactive and comprehensive approaches to financial security. As one of Ukraine's largest banks,

PrivatBank has faced significant challenges, including its nationalization and subsequent restructuring. Despite these difficulties, the bank has made notable progress in improving its financial stability and operational efficiency. However, challenges remain, particularly in areas such as personnel management and corporate social responsibility. Addressing these issues is essential for ensuring the bank's long-term success and its contribution to the stability of the broader financial system.

Corporate social responsibility (CSR) represents an important but often overlooked dimension of financial security. CSR initiatives can help build public trust, enhance the reputation of financial institutions, and strengthen their resilience during times of crisis. For example, during the COVID-19 pandemic, many banks extended support to vulnerable customers, such as offering loan deferrals, waiving fees, and providing financial education. These initiatives not only helped customers navigate the crisis but also reinforced the role of banks as trusted partners in the community.

The integration of digital technologies is another critical factor in ensuring financial security. Digital transformation has created new opportunities for financial institutions, including improved efficiency, enhanced customer experience, and expanded access to financial services. However, it has also introduced additional risks, such as cybersecurity threats, data privacy concerns, and operational challenges associated with the rapid adoption of new technologies. Addressing these risks requires a comprehensive approach that combines technological innovation with robust risk management practices.

In conclusion, ensuring the financial security of Ukraine's banking system is a complex and dynamic process that requires a multidimensional and collaborative approach. By integrating organizational, financial, legal, and informational strategies, the sector can build resilience against current and future challenges. The involvement of diverse stakeholders, continuous monitoring and evaluation, and the adoption of innovative practices are key to achieving this goal. Furthermore, the integration of social responsibility into financial security strategies underscores the importance of trust and reputation in building a stable and sustainable banking system. Through these

efforts, Ukraine's financial sector can become a pillar of national economic stability, contributing to the prosperity and well-being of the country as a whole.

CONCLUSIONS

Conducted research on the theoretical foundations of financial security, in particular, the concept of financial security, definition of the essence of financial security of the banking system; organizational and legal foundations of the security of the banking system and the technical and economic characteristics of JSC CB "Privatbank" - allows making a number of theoretical conclusions.

The study of indicators, financial condition of the banking sector, analysis of features, rating and financial condition of JSC CB "Privatbank" made it possible to identify important scientific and practical problems regarding the influence of financial and other factors on the banking system in modern realities.

The study of foreign experience in the field of ensuring the security of the banking system made it possible to see the positive and negative side of the implementation of such experience in the domestic system. The position of focusing also on the institution of social responsibility in the banking business has become essential. The logic of the research made it possible in the end to propose the main directions of ensuring the financial security of the banking system and, in general, to solve the task and achieve the goal of the qualifying master's thesis "Ensuring the financial security of the banking system: modern challenges and problems".

Thus, the institution of financial security should be understandable to specialists, detailed and systematized. The key components together with the definition will be contained in legislative acts. The stages of ensuring financial security will consist of seven points:

- 1) study and analysis of existing and potential problems;
- 2) drawing up measures to prevent and counteract existing and potential problems;
- 3) study and research of threats that have already arisen and affect the security of the bank;
- 4) their elimination;

- 5) minimization of consequences;
- 6) return of the state of the institution to its initial state - before the impact of negative actions;
- 7) development of ways to ensure financial security, taking into account the experience of the influence of newly discovered threats.

And the definition itself is presented as follows. Ensuring the financial security of the banking system is a process of developing a set of measures of an organizational, financial, legal and informational nature with the aim of maintaining a state in which the position of the system or institution does not undergo negative changes due to the influence of threats, or can quickly return to a primary state in which threats and in general did not advance.

Based on the analysis of the state of regulatory and legal support, several significant conclusions can be drawn. First of all, the complex of acts in this area can be united in a single institute of the field of law, science and educational discipline - banking law.

But, unfortunately, there is a fundamental problem that still remains, related to the lack of a systematized legal act that will serve the banking industry in a qualitative and effective manner, will create an appropriate logically structured basis, and in the end will ensure its financial security. It is also right that this should be done as a result of the implementation of the Strategy for the Development of the Financial Sector of Ukraine until 2025 after properly implemented reforms, which largely concern the banking system [12].

And in this process, we would like to emphasize the consideration of exclusively the best practices of international experience. Here, the implementation of the provisions of the regulatory legal acts of foreign countries should take place only in the proven part of the effectiveness in national conditions. Regarding the future systematized act, the document should provide a clear interpretation of the concept of financial security, and the definition of criteria, indicators and, accordingly, the process of ensuring the financial security of banks or the banking system.

Regarding a specific bank. JSC CB "Privatbank" has a significant level of assets, the dynamics of income is positive, the bank steadily attracts funds from all business entities, citizens and increases capital, while increasing the loan portfolio; continues to successfully improve its products, makes excellent use of marketing technologies.

A significant place in lending is occupied by the financial leasing model. At the moment, the basis for consumer lending by credit cards is open again on the market. The dynamics of indicators indicate the end of the results of 2021 of JSC CB "Privatbank" as a leading and profitable bank.

On the basis of the above, taking into account the imperfection of the financial security system, it is possible to note a high level of financial security of JSC CB "Privatbank", with some caveats for the future. And mostly it will concern work with the bank's personnel - personnel security as a part of financial security.

External factors have a significant impact on the banking system. The most significant changes began in 2014-2015. However, along with negative consequences, there were also positive changes, such as the "cleaning" of the banking sector and the improvement of bank performance indicators. At the same time, the number of institutions in the banking sector has been reduced by almost half, and those institutions that have improved their activities and currently have high financial stability and solvency. So, after analyzing the activity of banks, it is possible to assert the gradual successful development of the banking sector in Ukraine. As for Privatbank JSC CB, certain tendencies towards the deterioration of the leading positions, which the bank occupied along with others, can be seen.

It is known that social responsibility is the case when a business entity works for the purpose of obtaining profit in accordance with its statutory goals, and at the same time its activity is significantly directed, so to speak, to help society, which benefits it in that other direction of life. In this case, the business must share values and actually be a part of society, and sometimes generate something new and useful for it.

Having analyzed the issue of competitiveness while running a socially responsible bank, we can come to the conclusion that changes are necessary to increase the level of competitiveness. In banking institutions, these are changes that will

completely change people's thinking about banks and their activities, that is, radical changes in activities, namely an increase in social activities, such as charity.

In our opinion, social responsibility in the bank in various forms will significantly affect one of the key aspects of ensuring the financial security of the banking system of Ukraine - the level of trust of the population, business, and partners. In addition, it is extremely important to change the management and methods of controlling and motivating employees. After all, the management methods that exist now are not always effective in order to meet the requirements of the time.

Regarding the development of specific practical and methodical recommendations of a strategic and tactical nature to ensure the financial security of the banking system, taking into account modern challenges, they are outlined in subsection 3.3. of the master's thesis. The main directions of ensuring the financial security of the bank.

REFERENCES

1. Nechiporuk L. V. Increasing threats to the financial security of the state in the conditions of financial globalization. Collection of scientific works of the National University of the State Tax Service of Ukraine. 2012. No. 1. P. 281–298.
2. Baranovsky O. The specifics of financial security in the banking sphere / O. Baranovsky // Bulletin of the National Bank of Ukraine (with an appendix). — Kyiv, 2014. — No. 9 (223). — S. 17-23.
3. Epifanov A.O. Financial security of enterprises and banking institutions: [monograph] / A.O. Epifanov, O.L. Plastun, V.S. Dombrovsky [and others]; in general ed. Dr. Econ. Sciences, Prof. A.O. Epifanova. — Sumy: UABS NBU, 2009. — 295 p.
4. Dmytrov S.O. Management of financial security of a commercial bank / O.S. Dmytrov // Financial space. — 2012. — No. 2 (6). — S. 11-15.
5. Baranovsky O.I. Philosophy of security: monograph [Text]: in 2 volumes/ O.I. Baranovskyi. - K. : UBS NBU, 2014.
6. Baranovsky O.I. Banking security: a measurement problem / O.I. Baranovsky // Economic forecasting. - 2006. — No. 1 — S. 7-25.
7. Berlach A.I. Banking law of Ukraine: [study manual for distance learning] / A.I. Berlach, Yu.O. Taranenko; according to general ed. A.I. Berlacha. - K. : "Ukraine" University, 2016. - 308 p.
8. Ponomarenko T.M. Some issues of the development of regulatory and legal support of banking activity/Materials of the 1st International scientific and practical conference "Modern management of organizations: concepts, digital transformations, models of innovative development" (November 25, 2021)
9. Kirilyuk D.K. On the issue of the need to develop and adopt the Banking Code in Ukraine / D.K. Kirilyuk // Legal Journal. — 2016. — No. 12. — [Electronic resource]. — Access mode:<http://www.justinian.com.ua/article.php?id=2484>.
10. Narodowy Bank Polski: official site [Electronic resource]. Access

- mode:<https://www.nbp.pl>.
11. On banks and banking activities: Law of Ukraine dated December 7, 2000 No. 2121 – III // Legislative and regulatory acts on banking activity (Supplement to the journal “Bulletin of the National Bank of Ukraine”), 2001. – No. 1. – S. 3-46.
 12. Development strategies of the financial sector of Ukraine until 2025: Decision of the National Securities and Stock Market Commission of December 27, 2019 N 797. [Electronic resource]. Access mode:<https://ips.ligazakon.net/document/k1190364>
 13. Guidelines on Corporate Governance of State-Owned Enterprises [Electronic resource]. Access mode:<https://www.oecd.org>.
 14. Guidelines on Internal Governance by the European Banking Authority [Electronic resource]. Access mode:<https://privatbank.ua>
 15. JSC KB "Privatbank": official website [Electronic resource]. Access mode:<https://privatbank.ua>
 16. Finclub: Internet portal [Electronic resource]. Access mode:<https://finclub.net/ua/news/nbu-onoviv-renking-pributkovosti-bankiv.html>.
 17. K.V. Melnyk "Analysis of working assets of PJSC "OSCHADBANK" / K.V. Melnyk.: Money, finance and credit, 2018, p. 333-337.
 18. Verkhovna Rada of Ukraine: official website [Electronic resource]. Access mode: rada.gov.ua
 19. Batrakova L. G. Economic analysis of the activity of a commercial bank [Text]: study for students of economics universities by special "Finance and Credit" and "Accounting and Audit" / L.G. Batrakova. - M. : Logos, 2005, 321 p.
 20. Tsyganyuk D.L. Analysis of the financial state of the banking sector of Ukraine / D.L. Tsyganyuk // Economics. – 2020. – No. 1. - P. 155 - 163.
 21. Shbyvolok Z. AND. Analysis of banking activity: Education. manual / Z. AND. Schybyvolok - 2nd ed., pp. - K. : Knowledge, 2007. - 311 p.
 22. Indicators of the banking system/ Official website of the National Bank of Ukraine. [Electronic resource]. – Access mode:<https://bank.gov.ua/ua/statistic/supervision-statist/data-supervision#1>

23. Bank stability rating: Internet portal [Electronic resource]. – Access mode: <https://minfin.com.ua/banks/rating/>
24. Chmutova I. Indicators of Financial Stability of the Ukrainian Banking System International Journal of Managerial Studies and Research (IJMSR) Volume 3, Issue 7, 2015, PP 95-103.
25. Kirchata I. M. Social responsibility as a tool for ensuring competitiveness. Bulletin of Kharkiv National Automobile and Road University. – 2019. – P. 46–56.
26. Hnatieva T. M. The influence of social responsibility of business on the competitiveness of agricultural sector enterprises / Vol. M. Hnatieva, O. IN. Nikoliuk – 2016. – P. 1–6.
27. Suchkov A. IN. Social responsibility of business as a component of its competitiveness - 2013. - No. 1. - S. 1–4.
28. O.P. Demyanchuk Maslow's pyramid as a methodology for explaining political participation. SCIENTIFIC NOTES of NaUKMA. Volume 134. - 2012, pp. 12-16
29. Dzyublyuk O.V. Financial stability of banks as a basis for effective functioning of the credit system: monograph / O.V. Dzyublyuk, R.V. Mykhailiuk – Ternopil, 2009. – 316 p.
30. Yatsenko V.M. The essence of the concept and methodical approaches to the assessment of financial stability and financial stability of agricultural enterprises. Bulletin of the East European University of Economics and Management. – 2016. - No. 1(20). - P.8-17.
31. Bank for International Settlements. Structural Changes in Banking After the Crisis. BIS. 2018. URL: <https://www.bis.org/publ/cgfs60.pdf>.
32. International Monetary Fund. Global Financial Stability Report: Safeguarding Financial Stability amid High Inflation and Geopolitical Risks. IMF. 2023. URL: <https://www.imf.org/en/publications/gfsr>.
33. International Monetary Fund. Global Financial Stability Report: Navigating the High-Inflation Environment. IMF. 2022. URL: <https://www.imf.org/en/Publications/GFSR/Issues/2022/10/11/global-financial-st>

- ability-report-october-2022.
34. World Bank Group. Banking Crisis. World Bank. URL: <https://www.worldbank.org/en/publication/gfdr/gfdr-2016/background/banking-crisis>.
 35. Frey R., Traxler T. Playing with Fire? A Mean Field Game Analysis of Fire Sales and Systemic Risk under Regulatory Capital Constraints. Arxiv. 2024. URL: <https://arxiv.org/abs/2406.17528>.
 36. Bank of England. Financial Stability Report. FT. 2024. URL: <https://www.ft.com/content/139a0862-1d14-44c7-87a9-fab6a860032d>.
 37. World Bank. Resolving Systemic Financial Crises: Policies and Institutions. World Bank. 2004. URL: <https://documents1.worldbank.org/curated/en/306631468780599186/pdf/wps3377.pdf>.
 38. International Monetary Fund. Countries in the IMF Financial Stability Spotlight in 2022. IMF. URL: <https://www.imf.org/en/Blogs/Articles/2022/02/03/countries-in-the-imf-financial-stability-spotlight-in-2022>.
 39. Yasynska N. I., et al. Monitoring the Financial Security of the Ukrainian Banking Sector in Conditions of Financial Instability. Business Perspectives. 2021. URL: https://www.businessperspectives.org/images/pdf/applications/publishing/templates/article/assets/14940/BBS_2021_02_Yasynska.pdf.
 40. Acharya V. V., et al. The Interplay between Regulations and Financial Stability. Springer. 2018. URL: <https://link.springer.com/article/10.1007/s10693-018-0296-7>.
 41. Reuters. UBS Capital Requirements Should Be Proportionate, Minister Says. Reuters. 2024. URL: <https://www.reuters.com/business/finance/ubs-capital-requirements-should-be-proportionate-minister-says-2024-12-01/>.
 42. The Times. Bank of England Warns of Risks from Trade War. The Times. 2024. URL:

<https://www.thetimes.co.uk/article/bank-of-england-warns-of-risks-from-trade-war-w6ds5s3rj>.

43. The Australian. Rates Buffer Held Amid Growing Loan Stress. The Australian. 2024. URL:

<https://www.theaustralian.com.au/business/financial-services/apra-holds-the-line-on-lending-laws-amid-calls-for-relaxing-borrowing-limits/news-story/e70301135ca105e5a00f833783a8f84d>.

44. Financial Times. Bank of England Warns of Risks from Non-Banks in Future Markets Crisis. FT. 2024. URL:

<https://www.ft.com/content/139a0862-1d14-44c7-87a9-fab6a860032d>.

45. The Times. Why the £30bn Car Finance Crisis Is Turning into a Pile-Up for Banks. The Times. 2024. URL:

<https://www.thetimes.co.uk/article/why-the-30bn-car-finance-crisis-is-turning-into-a-pile-up-for-banks-zxrk6r652>.

46. Reuters. Five Reasons Financial Disasters Are Hard to Avoid. Reuters. 2024. URL:

<https://www.reuters.com/breakingviews/five-reasons-financial-disasters-are-hard-avoid-2024-06-06/>.

47. Financial News London. Banks Don't Need More Regulation When the Big Risks Are Elsewhere. FNLondon. 2024. URL:

<https://www.fnlondon.com/articles/banks-dont-need-more-regulation-when-the-big-risks-are-elsewhere-9c78a9a2>.

48. Deloitte. Banking: What Questions Are Your Boards Asking Management? Deloitte. 2024. URL:

<https://deloitte.wsj.com/riskandcompliance/banking-what-questions-are-your-boards-asking-management-f330875e>.

Онлайн сервіс створення та перевірки кваліфікованого та удосконаленого електронного підпису

ПРОТОКОЛ
створення та перевірки кваліфікованого та удосконаленого електронного підпису

Дата та час: 09:14:33 15.05.2025

Назва файлу з підписом: KMP_Лоу_Шикун_galych_bank.pdf.p7s[2].p7s[1].p7s
Розмір файлу з підписом: 620.5 КБ

Назва файлу без підпису: KMP_Лоу_Шикун_galych_bank.pdf.p7s[2].p7s[1]
Розмір файлу без підпису: 567.8 КБ

Результат перевірки підпису: Підпис створено та перевірено успішно. Цілісність даних підтверджено

Підписувач - 1: ГАЛИЧ РОМАН ВОЛОДИМИРОВИЧ
П.І.Б.: ГАЛИЧ РОМАН ВОЛОДИМИРОВИЧ
Країна: Україна
РНОКПП: 3271209038
Організація (установа): ФІЗИЧНА ОСОБА
Час підпису (підтверджено кваліфікованою позначкою часу для підпису від Надавача): 19:07:29
12.12.2024
Сертифікат виданий: КНЕДП АЦСК АТ КБ "ПРИВАТБАНК"
Серійний номер: 5E984D526F82F38F0400000086D01A01A0838205
Тип носія особистого ключа: Незахищений
Алгоритм підпису: ДСТУ 4145
Тип підпису: Удосконалений
Тип контейнера: Підпис та дані в одному файлі (CAAdES enveloped)
Формат підпису: З повними даними ЦСК для перевірки (CAAdES-X Long)
Сертифікат: Кваліфікований

Підписувач - 2: АЗАРЕНКОВА ГАЛИНА МИХАЙЛІВНА
П.І.Б.: АЗАРЕНКОВА ГАЛИНА МИХАЙЛІВНА
Країна: Україна
РНОКПП: 2571514226
Організація (установа): ФІЗИЧНА ОСОБА
Час підпису (підтверджено кваліфікованою позначкою часу для підпису від Надавача): 19:34:46
12.12.2024
Сертифікат виданий: КНЕДП АЦСК АТ КБ "ПРИВАТБАНК"
Серійний номер: 5E984D526F82F38F04000000E4DA710112DF3D05
Тип носія особистого ключа: Незахищений
Алгоритм підпису: ДСТУ 4145
Тип підпису: Удосконалений
Тип контейнера: Підпис та дані в одному файлі (CAAdES enveloped)
Формат підпису: З повними даними ЦСК для перевірки (CAAdES-X Long)
Сертифікат: Кваліфікований

Підписувач - 3: Омеляненко Денис Олегович
П.І.Б.: Омеляненко Денис Олегович
Країна: Україна
РНОКПП: 3634714115
Час підпису (підтверджено кваліфікованою позначкою часу для підпису від Надавача): 17:13:49
19.12.2024
Сертифікат виданий: "Дія". Кваліфікований надавач електронних довірчих послуг
Серійний номер: 382367105294AF9704000000EF5A070009B10B03
Тип носія особистого ключа: ЗНКІ криптомодуль ІІТ Гряда-301
Серійний номер носія особистого ключа: Не визначено
Алгоритм підпису: ДСТУ 4145
Тип підпису: Кваліфікований
Тип контейнера: Підпис та дані в одному файлі (CAAdES enveloped)
Формат підпису: З повними даними ЦСК для перевірки (CAAdES-X Long)
Сертифікат: Кваліфікований

Версія від: 2025.01.15 13:00