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 STABILITY OF THE BANKING SECTOR UNDER THE INFLUENCE OF THE STRUCTURE OF OWN FINANCES, MACROECONOMIC FACTORS AND ACTIVE OPERATIONS

submitted by the applicant of higher education

Li Xiaoting

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

No 4 dated «25» November 2024

Head of Department
Doctor of Economics, Professor

_____Galina AZARENKOVA

Scientific advisor
PhD in Economics, Nadia VIADROVA

Kharkiv 2024

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APPROVED
Head of department of
Banking Business and Financial Technologies
Doctor of Economics, Professor
_____Galina AZARENKOVA
ASSIGNMENT
«25» September 2024.

INDIVISUAL ASSIGNMENT

Assigned to applicant Li Xiaoting , full-time study mode, for further preparation of qualified master thesis, the topic is: " Financial stability of the banking sector under the influence of the structure of own finances, macroeconomic factors and active operations "

The topic was approved by order dated "17" September 2024 y. No.4601-3к/1025.

The qualifying master's thesis is based on the following materials: Qualified master's theses are based on extensive and reliable academic literature, empirical studies, statistical data, interviews, experimental results, legal documents, books, Internet resources, and your own research. Together, these materials form the theoretical framework and support for the thesis, ensuring the credibility and depth of the research.

Plan of qualifying master's work

Chapter1
AN OVERVIEW OF THE FINANCIAL STABILITY.
Chapter2
THE INTERACTION OF FACTORS AFFECTING STABILITY
Chapter3
CHALLENGES AND OPPORTUNITIES FACING FINANCIAL STABILITY

The object of research: This paper deeply discusses the relationship between macroeconomic policies, the financial structure of banks, and the proactive operations of enterprises forms the relevance of the master's thesis theme on financial stability. Through the research tasks of literature review, theoretical framework construction, current situation investigation and model analysis, this paper conducts in the development of securities companies reflects the impact of macroeconomic policies, also influenced by the financial industry's banking structure and specific policies, as well as having rich research on the operations of important domestic enterprises.

The purpose of the qualifying master's work: Research and systematize existing macroeconomic policy, bank financial structure and business strategy, promote analysis of financial environment and improve stability; from macro to intermediate strategy to micro strategic analysis.

Specific assignment that a higher education applicant must complete to achieve the goal:

In chapter1: This paper focuses on market research, industry analysis and other aspects. Interns will participate in writing research reports, tracking market dynamics, analyzing macroeconomic situation and other work, to provide strong support for the companys investment decisions.

In chapter2: Through literature analysis, theoretical analysis and SWTO model analysis, this paper focus on asset management, portfolio construction and other aspects, the fund managers in asset allocation and risk assessment to learn how to create good investment returns for clients. This chapter will enable to gain insight into the operational mechanisms and investment strategies of asset management.

In chapter3: This paper summarizes the research results, experience in China Galaxy Securities focuses on cultivating comprehensive quality and professional ability, and provides rich training resources and promotion opportunities.

CALENDAR PLAN

NO	Name of work stages	Deadline set dates from	Note
1	Selection of the topic		
2	Approval of the plan and tasks of thesis		
3	Submission of the thesis to the supervisor		
4	Supervisor must sign the thesis		
5	Norm controller must sign the thesis		
6	Admission by the head of the department to the defense of the thesis		
7	Defence of thesis		

5. Date of assignment issuance "25" September 2024

Student		Li Xiaoting
Scientific advisor		Nadiia Viadrova

ABSTRACT
ON QUALIFICATION MASTER’S WORK
« FINANCIAL STABILITY OF THE BANKING SECTOR UNDER THE INFLUENCE OF THE STRUCTURE OF OWN FINANCES, MACROECONOMIC FACTORS AND ACTIVE OPERATIONS

Total papers contains 108 pages, 49 references, 1 tables, 4 trend analysis chart，1 Schematic drawing.

Object of research the relationship between macroeconomic policies, the financial structure of banks, and the proactive operations of enterprises forms the relevance of the master's thesis theme on financial stability.

Subject of research Chinese banking sector

Purpose of qualification master's work: research and systematize existing macroeconomic policy, bank financial structure and business strategy, promote analysis of financial environment and improve stability; from macro to intermediate strategy to micro strategic analysis. This paper analyzes the background of the dynamic competition of the banking industry in the financial market, its importance in the current financial environment, its role in improving the innovation ability of the bank, and the development direction of the banking industry in the future.

This article describes the trends in modern banking and identifies key directions such as digital transformation, customer experience optimization, and cross-industry collaboration to provide readers with a comprehensive understanding.

Explain the data source of the research paper, establish the logical relationship between the model and the data, and ensure the science, effectiveness and credibility of the research.

The tasks of qualification master's work are

- Analyze and explain the main influencing factors in the study subjects;

-Describe the characteristics of the banks own financial structure and system;

-Systematize and analyze banking strategy improvement and environmental changes;

-Actively explore the impact of changes in the scientific and technological environment on financial stability

-Always be alert to the political and geopolitical risks under force majeure factors and to the financial analysis of the climate

According to the research results, defined the key role of capital adequacy ratio and asset-liability structure in maintaining financial stability as an important indicator to measure the relationship between bank capital and risk-weighted assets, capital adequacy ratio directly affects the risk-taking behavior and risk-resisting ability of banks.

The results obtained can be used sequential analysis of basic concepts and elements, which reflect the content of banks' activities in the context of the direction of the complex measures to ensure its stable

development and financial stability in market conditions of business.

KEY WORDS: MACROECONOMIC POLICY, THE BANKS OWN FINANCIAL STRUCTURE, BUSINESS STRATEGY, FINANCIAL STABILITY.

CONTENTS

INTRODUCTION

At present, domestic and foreign academic papers on financial stability mainly focus on the uncertainty of global economic policies, the frequent mobility of capital at home and abroad, the complexity of international geopolitical relations, and the information barrier of international technology interdisciplinary research, and further strengthen China's financial instability by affecting the operation of China's real economy, increasing the uncertainty of China's economic policies and weakening the confidence of China securities investors. Followed by short-term international capital, the intermediary effect of investor confidence is the smallest. The research results can provide useful theoretical basis and empirical evidence for financial risk monitoring and macroeconomic regulation and control. Under the background of financial stability research at home and abroad, the banking industry is an important carrier in the financial stability structure. In the global financial system, the financial structure of the banking industry has a far-reaching impact on financial stability. Financial stability is not only related to the healthy operation of a single financial institution, but also to the stability and development of the whole economic system. Historically, the global financial crisis in 2008 and other events have highlighted the serious threat of the imbalance of bank financial structure to financial stability. In the financial crisis, many

banks suffered from credit crunch due to insufficient capital, deteriorating asset quality and exhausted liquidity, which led to economic recession.

Therefore, an in-depth analysis of the impact of banking financial structure on financial stability is of great significance for formulating effective regulatory policies and optimizing banking financial structure. Secondly, it studies the influence of a country's economic policies on financial stability under the international background. Finally, it studies the active business strategies of a country's important enterprises, including human resources, finance, business strategy analysis and other strategies to analyze financial stability. For example, the Basel Accord aims to improve the ability of banks to resist risks by formulating capital adequacy standards, thus maintaining the stability of the financial system. In addition, through international comparative study, we can find that banks in different countries have significant differences in capital structure and asset-liability management strategies, which explains to some extent why banking systems in some countries are more stable in the face of global shocks. Macro-economic policy determines the macro-exploration of a country's financial stability analysis through the analysis of GDP of different countries and the relevant models of investment choice that affect international capital. Therefore, this study will discuss all aspects of international financial structure, including the definition of international capital structure, the strategy of enterprise capital structure, and the

composition of banking financial structure, and analyze the factors affecting the stability of the whole financial system.

The quantitative analysis and empirical research in the study are mainly used for model data analysis such as money demand theory, data analysis research, ARDL model modification and empirical test, and balance of payments data table analysis.

CHAPTER1 AN OVERVIEW OF THE FINANCIAL STABILITY

1.1 Overview of bank financial structure analysis

When analyzing the impact of banks financial structure, macro economy and commercial strategy on financial stability, we first need to understand the basic composition and business model of banking business. As a financial intermediary institution, the main function of banks is to absorb public deposits and convert them into loans and investments in order to obtain profits. The financial structure of banks usually includes the capital adequacy ratio, asset quality, liquidity and profitability. These factors not only affect the stable operation of the banks themselves, but also have a profound impact on the stability of the entire financial system.

Macroeconomic environment is an important external factor affecting banking business and financial stability. Macroeconomic indicators such as economic growth, inflation, interest rate level and exchange rate changes will directly or indirectly affect the asset quality, profitability and risk management of banks. For example, economic growth often leads to increased corporate profits and personal income, which reduces loan defaults and improves asset quality for banks. Conversely, a recession could lead to an increase in bad loans and affect the financial health of banks.

Commercial strategy is a series of decision-making and action plans made by

banks to adapt to market changes and macroeconomic environment and achieve long-term and stable development. Effective business strategies can help banks to optimize asset allocation, control costs, improve efficiency and improve market competitiveness. For example, banks can diversify risks; improve service quality and risk management capabilities through technology investment; and capture global market opportunities through international layout. In general, the financial structure, macroeconomic environment and business strategy of the banking industry jointly promote the stability of financial sector. A stable financial structure, a stable macroeconomic environment and a forward-looking business strategy are the key to ensure the stable operation of the banking and financial system. Therefore, regulators, bank regulators and market participants should pay close attention to the changes in these factors, and take timely measures to prevent and solve financial risks, and maintain the stability of the financial market.

Financial stability is the cornerstone of the healthy operation of the modern economic system. It is not only related to the stable development of the banking industry itself, but also has a profound impact on the stability of the national economy and even the global economy. Financial stability means that the financial market can effectively give full play to its basic functions such as resource allocation, payment and settlement, and risk management to provide stable financial services and support for the real economy. In a stable financial environment, businesses and individuals can obtain the necessary financing to promote economic growth and employment. At the same time, financial stability

also helps to maintain investor confidence, promote the healthy development of the capital market, and enhance the ability of the economy to withstand risks.

However, financial stability is not static, and it is influenced and challenged by many factors. For example, fluctuations in global financial markets, uncertainty in international capital flows and the fragility of the financial systems of emerging market countries may all pose a threat to financial stability. In addition, with the rapid development of financial technology, new financial products and services continue to appear. These innovations could pose new risks and regulatory challenges, as well as reinvigorate financial markets.

Therefore, in order to maintain financial stability, governments, regulators, financial institutions and market participants need to work together. Governments need to develop and implement effective macroeconomic policies to maintain steady economic growth; regulators need to strengthen financial supervision and improve transparency and standardization of financial markets; financial institutions need to strengthen internal management and improve risk control ability; and market participants need to increase risk awareness and invest investment. Through these measures, we can build a more stable financial environment and provide a solid foundation for sustained and sound economic development.

In the global financial system, the financial structure of the banking industry has a profound impact on financial stability. Financial stability is not only related to the healthy operation of a single financial institution,

but also related to the stability and development of the entire economic system. Historically, the global financial crisis in 2008 have highlighted the serious threat posed by the imbalance in the financial structure of banks to financial stability. During the financial crisis, many banks suffered a credit crunch due to insufficient capital, deteriorating asset quality and liquidity depletion, leading to a recession. Therefore, it is of great significance to deeply analyze the impact of bank financial structure on financial stability for the formulation of effective regulatory policies and the optimization of bank financial structure. The Basel Accord, for example, aims to maintain the stability of the financial system by setting capital adequacy standards to improve banks ability to withstand risk. In addition, through international comparative studies, we can find that the capital structure and asset liability management strategies are significantly different in different countries, which to some extent explains why the banking systems of some countries are more stable in the face of global shocks. Therefore, this study will explore various aspects of the financial structure of banks, including the definition and composition of the capital structure, the characteristics of the balance sheet structure, and how these factors affect the risk-taking and liquidity of banks Risk, which affects the stability of the entire financial system difine in Tabl 1.1 Galaxy Securities financial analysis.

Tabl 1.1

Analysis of China Galaxy Securities main business financial analysis statement

project	2020	2021	2022	2023	2024
Roey	9.84	12.29	8.21	7.52	3.63
Total liabilities (1 billion)	3637.22	4611.57	5226.01	5327.11	6323.48
Operating income (1 billion)	237.5	359.8	336.4	336.4	170.9
Net profit of the parent company (one billion yuan)	72.44	104.3	77.68	78.79	43.88
earnings per share	0.71	0.97	0.7	0.67	0.35

This paper evaluates the source of human resource background analysis of China Galaxy Securities Co., Ltd., and proposes the method of improving the enterprise market index. The source of human resource background analysis of China Galaxy Securities Co., Ltd. mainly involves the following aspects:

Education background: the educational composition of employees, including the distribution of undergraduate, masters and doctoral degrees.

Work experience: Employees with working years in the securities industry or related field, specific work experience.

Professional skills: professional skills and qualifications mastered by employees, such as securities qualification, CFA, certified public accountant, etc.

Age structure: the age distribution of the employees, to understand the HR age

level of the company.

Sex ratio: the gender composition of the employees, and analyze the gender balance of the companys human resources.

Regional distribution: the geographical origin of employees, understand the companys talent attraction and regional diversity.

International comparison of bank financial structure:

（1）Comparative study on the capital structure of Banks in different countries.

The capital structure of the banking industry is one of the important factors to ensure the financial stability in the global financial system. The capital structure of different national banking systems varies significantly. These differences not only reflect the different financial regulatory environments in different countries, but also affect the risk-taking behavior of banks and the overall financial stability. For example, after the 2008 financial crisis, the U. S. banking system strengthened its capital and liquidity requirements through the Dodd-Frank Act, significantly increasing the capital adequacy ratio of banks. The average capital adequacy ratio of large U. S. banks has risen from 11.5% in 2009 to around 14.5% in 2019, according to the Bank for International Settlements. The capital structure of the European banks is even more complex. Due to the banking union and the single regulatory mechanism within the EU, European banks generally have high capital ratios, but in their balance sheet structure, non-bank financial business account for a large proportion, which increases the vulnerability of the financial system to some extent. For example, De Will Bank, No. After the financial crisis, it underwent a

massive asset restructuring and capital restructuring to meet stricter regulatory requirements. By comparing the capital structure of banks in different countries, we can find that the increase of the capital adequacy ratio helps banks to resist risks, but at the same time, we also need to pay attention to the optimization of the asset and liability structure to ensure the long-term development of the financial systemstabilize. As Nobel Prize-winning economist Robert Schiller said, financial stability depends not only on the capital adequacy of banks, but also on the health of the entire financial system

（2）Asset and liability management strategies for multinational banks.

When managing assets and liabilities, the formulation and implementation of multinational bank strategy has a profound impact on financial stability. These banks often have complex global networks, and their balance sheets are influenced by multiple currencies, economic cycles, and regulatory environments in different countries. For example, for large multinational banks such as Citigroup and jpmorgan Chase, their balance liability management strategies need to not only consider regulatory indicators such as capital adequacy and liquidity coverage, but also focus on how to diversify risk by diversifying asset allocation. During the global financial crisis in 2008, some multinational banks suffered a liquidity crisis due to the mismatch of assets and liabilities, highlighting the importance of asset and liability management strategy. Therefore, when formulating asset and liability management strategies, multinational banks should adopt advanced risk assessment models, such as risk and risk models, to predict potential risk exposure, and

evaluate the risk tolerance under extreme market conditions through stress tests. In addition, multinational banks should also follow the guiding principles of Basel Accord to ensure the stability of their capital structure, while improving their adaptability to market fluctuations by optimizing their balance sheets, such as adjusting the maturity structure of assets and liabilities

Optimization strategy of bank financial structure:

(1)、Strategy to increase capital adequacy ratios. When analyzing the influence of bank financial structure on financial stability, improving the capital adequacy ratio is one of the key strategies. As an important index to measure the relationship between bank capital and risk-weighted assets, the capital adequacy ratio is directly related to the hedge ability of banks. The Basel Accord set by the Bank for International Settlements (BIS) sets a standard for the capital adequacy ratio of the global banking sector, requiring banks to maintain a percentage of their capital to cover potential credit losses. For example, Basel III requires banks to have a capital adequacy ratio of no less than 8%, with a core Tier 1 capital adequacy ratio of no less than 4.5%. Banks in different countries and regions have adopted different strategies to improve the capital adequacy ratio in practice. Such as increasing Tier 1 capital by issuing stocks or bonds, or reducing the size of risk-weighted assets by stripping away non-core assets. Take Chinas banking industry as an example. In recent years, the China Banking Regulatory Commission has promoted the optimization of the capital structure of Chinas banking industry through the implementation of stricter capital supervision requirements. According to the China Banking Regulatory Commission, the average capital adequacy ratio of Chinas commercial banks will reach 14.7 percent by the end of 2020, higher than

the international average, indicating the soundness of Chinese banks in capital management.

However, increasing capital adequacy ratios is not without cost. The capital increase could dilute existing shareholders and increase bank financing costs. Therefore, banks need to find a balance between capital adequacy ratio, profitability and costs. In this process, using appropriate financial models, such as value-at-risk models (VaR) and stress testing, can help banks assess risk exposure at different capital levels and develop appropriate risk management strategies. As Nobel Prize winner Paul Krugman, puts it, " Risk management is the cornerstone of financial stability."By increasing capital adequacy ratios, banks not only enhance their own stability, but also guarantee the stability of the entire financial system.

(2)、Strategy to optimize the asset-liability structure. When discussing the impact of bank financial structure on financial stability, it is particularly important to optimize the structure of assets and liabilities. Optimizing the structure of assets and liabilities is not only related to the profitability and risk control of banks, but also the focus of regulators. For example, by introducing a risk-weighted asset calculation method in the Basel Accord, banks can measure their capital adequacy ratios more accurately, thus adjusting their asset portfolio, reducing the proportion of high-risk assets and increasing the allocation of low-risk assets. In addition, banks can also use the Asset and liability management (ALM) model to optimize the term structure of assets and liabilities, thus reducing the risk of interest rate changes. In fact, some banks issue long-term bonds to match long-term assets, thus reducing interest rate risk. At the same time, through diversified asset allocation, banks can diversify risks and improve the stability of the overall financial structure. As Nobel laureate Robert Schiller said: "financial innovation is an important force to promote economic development, but it also need careful management risk ly."

therefore, the bank when optimizing the structure of assets and liabilities, should be combined with their own risk appetite and market environment, formulate reasonable strategy, to ensure the stability and sustainability of the financial system.

1.2 Macroeconomic overview

The relationship between macroeconomic factors and financial stability is one of the core issues of modern economic theory and policy making. Macroeconomic factors such as domestic growth rate, inflation rate, interest rate and monetary policy not only affect the health of the national economy, but also play a decisive role in the stability of the financial market. For example, the economic growth rate is directly related to the employment level and profitability of enterprises, which further affects the quality of bank credit and the confidence of the financial market. Historically, for example, during the 2008 global financial crisis, the bursting of the US property market bubble led to a credit crunch, which in turn triggered global financial market turmoil, highlighting the importance of macroeconomic factors to financial stability. Moreover, macroeconomic policies, especially monetary and fiscal policies, have had a profound impact on the stability of financial markets by affecting interest rates and government debt levels. Therefore, it is very important to deeply understand the interaction between macroeconomic factors and financial stability to formulate effective macroeconomic policies and maintain the

stability of the financial market.

Macroeconomic indicators, a key tool for measuring the health of a countrys economy, providing policymakers, investors and market analysts with quantitative information on economic activity. For example, the growth rate of gross domestic product (GDP) is a common measure of economic growth and reflects changes in the size of the economy. When GDP growth continues to fall below potential growth rates, it may indicate a risk of a recession, which in turn affects the stability of financial markets. Historically, the slowdown in US GDP growth before the 2008 global financial crisis was considered a precursor to a recession. In addition, the inflation rate is also one of the important macroeconomic indicators to measure the change of monetary purchasing power. High inflation rates may lead to a decline in the value of financial assets, resulting in a debt burden and thus a threat to financial stability. For example, during stagflation in the 1970s, high inflation rates in the United States severely weakened confidence in financial markets. As the main tool of central b, in order to adjust the economy, the adjustment of interest rate has a direct impact on financial stability. During the 2008 financial crisis, for example, the Federal Reserve cut interest rates to near zero to stimulate the economy and stabilize financial markets. The coordinated use of monetary and fiscal policies is very important for maintaining financial stability. Fiscal policy is adjusted through government spending and taxationTo affect economic

activity, while monetary policy is achieved by controlling the money supply and interest rates. The two countries must cooperate with each other to avoid market volatility caused by policy conflicts. Changes in international trade, as another important indicator of the macro economy, will also affect financial stability.

Financial stability refers to that the financial system can maintain its normal function and avoid systemic risks in the face of various internal and external shocks, so as to ensure the healthy and sustainable development of the economy. This concept includes not only the stability of financial institutions, but also the liquidity of financial markets and the stability of financial asset prices. For example, during the global financial crisis in 2008, the collapse of the US subprime mortgage market led to a credit crunch, which in turn triggered turmoil in global financial markets and highlighted the importance of financial stability. In this regard, international financial institutions such as the International Monetary Fund (IMF) and the World Bank have begun to pay more attention to financial stability and use macro-prudential policy tools to prevent and mitigate potential financial risks. Macroprudential policy tools include counter-cyclical capital buffers and leverage limits, aiming to reduce risk exposure to the entire financial system by adjusting the capital and liquidity needs of financial institutions. As Robert Hiller, winning the Nobel Prize in economics, he said that financial stability is the core of economic health, "

so ensuring financial stability is very important to maintain macroeconomic stability

Financial stability is a key indicator of macroeconomic health. It is not only the smooth operation of the national economy, but also the cornerstone of ensuring the safety of people wealth and promoting sustainable economic development. As the International Monetary Fund (IMF) stresses, financial stability is a prerequisite for economic growth and job creation. During the global financial crisis in 2008, financial markets in many countries suffered severe losses, leading to credit crunch and tumbling asset prices, which in turn led to the real economy. For example, US unemployment peaked at 10 percent in October 2009, highlighting the huge economic and social impact of financial instability. Therefore, maintaining financial stability is crucial to avoiding economic crises, protecting the interests of consumers, and promoting long-term long-term economic growth. Effective macro-prudential policies, such as the capital adequacy ratio requirements, the liquidity coverage rate and the leverage ratio restrictions, can enhance the flexibility of the financial system and reduce the occurrence of systemic risks.

Among the macroeconomic factors, the fluctuation of interest rate has a direct and far-reaching impact on the deposit and loan business of the banking industry. As the cost of capital, the change of interest rate directly affects the profit model of banks and the lending behavior of customers.

For example, if the central bank raises interest rates, the loan interest rates of commercial banks will usually rise, which will increase the borrowing costs of enterprises and individuals and may lead to a decline in loan demand. At the same time, the increase of deposit interest rate will attract more depositors to deposit their funds in banks, which will increase the deposit base of banks, but at the same time, it will also increase the interest expenses of banks. On the other hand, when interest rates fall, the demand for loans may increase, because the cost of borrowing decreases and the attractiveness of deposits decreases, which may lead to a decrease in the amount of deposits.

Take the Federal Reserve system in the United States as an example. After the financial crisis in 2008, China's quantitative easing policy led to a sharp drop in long-term interest rates, which stimulated the demand for short-term loans, especially housing mortgage loans and corporate loans, thus supporting economic recovery. However, the long-term low interest rate environment has also reduced the net interest margin of banks, that is, the difference between the loan interest rate and the deposit interest rate, which is one of the main sources of profits for banks. Therefore, in order to obtain higher returns, banks have to seek other sources of income, such as raising service fees or investing in assets with higher risks.

The famous Fisher effect points out that there is a positive correlation between nominal interest rate and expected inflation rate, which can be

used for reference when analyzing the model. In other words, if the market expects the inflation rate to rise in the future, the nominal interest rate will also rise accordingly, so as to make up for the losses suffered by depositors due to the decline in the value of money. It is very important to understand the impact of interest rate fluctuations on banking business, especially in the period of changing inflation expectations.

Most importantly, the fluctuation of interest rate not only affects the deposit and loan business of the banking industry, but also has an important impact on the stability of the entire financial market. In order to ensure the stable operation and profitability of banks in different macroeconomic environments, banks must meet the challenges brought by interest rate fluctuations through refined risk management and business strategy adjustment.

1.3 The key role of active management in maintaining financial stability

As a forward-looking business strategy, the core of active management is to actively identify, evaluate and manage risks in order to realize the long-term sustainable development of enterprises. In the field of financial stability, the definition of active management emphasizes that financial institutions should not only pay attention to short-term profit

targets, but also pay attention to long-term capital conservatism and risk control in their daily business activities. For example, according to the report of the International Monetary Fund (IMF), banks that can maintain their capital adequacy ratio and liquidity level during the financial crisis are often better able to resist market turmoil and maintain the stability of the financial system. In addition, active management also requires financial institutions to take active measures in product design, market strategy and customer relationship management to adapt to the changing market environment and regulatory requirements. By actively operating, financial institutions can better predict and respond to potential financial risks, thus playing a key role in maintaining financial stability.

There are significant differences between active management and traditional management in maintaining financial stability. Traditional business methods often focus on maximizing short-term profits, while ignoring long-term sustainability and systemic risks. For example, before the global financial crisis in 2008, many financial institutions adopted high-leverage and high-risk investment strategies, which led to excessive fluctuations in financial markets and the accumulation of systemic risks. In contrast, active management emphasizes the pursuit of profits while paying attention to risk management and maintaining capital adequacy ratio to ensure the stable operation of the financial system. Active management of practical cases, such as some domestic banks effectively identify and

control credit risks by establishing a comprehensive risk management system, not only improves their own stability, but also contributes to the stability of financial markets. Internationally, some large financial institutions such as JPMorgan Chase have successfully resisted the impact of many financial crises through active risk management strategies. These cases show that active management plays a key role in maintaining financial stability, which promotes the long-term healthy development of financial markets by strengthening risk awareness and capital management.

Risk management undoubtedly occupies the core position when discussing the influence mechanism of active management on financial stability. Financial stability is not only related to the stable operation of financial institutions themselves, but also to the healthy and sustainable development of the entire economic system. By strengthening risk management, active management can effectively prevent and reduce the accumulation and spread of financial risks, thus maintaining the stability of financial markets. For example, through stress testing and value at risk (VaR) model, financial institutions can evaluate potential risks and formulate corresponding mitigation measures. Historically, during the global financial crisis in 2008, many financial institutions suffered heavy losses due to their failure to effectively identify and manage risks, which highlighted the importance of risk management in maintaining financial

stability. Active management requires financial institutions not only to pay attention to short-term profits, but also to develop steadily in the long run. As Buffett said, "Only when the tide is low can you know who is swimming naked." This sentence emphasizes that in the period of financial stability, the importance of risk management is often ignored, but when the crisis comes, its value is undoubtedly outstanding.

As a key indicator to measure the relationship between capital and risk-weighted assets of financial institutions, capital adequacy ratio has a far-reaching impact on financial stability. According to Basel III, global regulators require banks to maintain a core Tier 1 capital adequacy ratio of at least 4.5% to ensure that they can withstand potential market risks and credit risks. For example, during the global financial crisis in 2008, many financial institutions were in trouble due to insufficient capital, which highlighted the importance of capital adequacy ratio in maintaining financial stability. By analyzing models such as stress testing and value-at-risk (VaR) model, financial institutions can evaluate the potential impact of capital adequacy ratio under extreme market conditions and take preventive measures. In addition, the active management strategy requires financial institutions not only to meet the minimum capital requirements, but also to optimize the capital structure through internal capital planning and risk management to support their long-term stable development. As robert shiller, the Nobel laureate in economics, said, "Financial stability is

the cornerstone of economic prosperity", so financial institutions must attach importance to the management of capital adequacy ratio to ensure the stable operation of the financial system.

When discussing the importance of active management in maintaining financial stability, the actual cases of domestic financial institutions provide us with valuable reference. Taking China Industrial and Commercial Bank as an example, the bank not only realized the steady growth of its own business through active business strategies, but also played an important role in preventing and resolving financial risks. For example, ICBC has effectively controlled the credit risk by implementing a refined risk management model, and the non-performing loan ratio has been at a low level in the industry for a long time. In addition, by optimizing the capital structure, the Bank increased its capital adequacy ratio and enhanced its ability to resist external shocks. As Robert Schiller, the Nobel laureate in economics, said, "Financial stability is the cornerstone of healthy economic development." The case of ICBC proves the key role of active management in maintaining financial stability, and also provides experience for other financial institutions.

When discussing the influence of active management on financial stability, the cases of international financial institutions provide valuable practical experience and profound insights. For example, the International Monetary Fund (IMF) pointed out in its report that a proactive business

strategy played a key role in coping with the global financial crisis and helped stabilize the financial market by strengthening the capital adequacy ratio and risk management of financial institutions. In addition, the World Bank Group actively carries out business projects in developing countries through its International Finance Corporation (IFC), which not only promotes the stability of local financial markets, but also improves their ability to resist risks. These cases show that active management can not only improve the stability of financial institutions, but also provide support for financial stability by promoting financial innovation and deepening financial markets. As robert shiller, the Nobel laureate in economics, said, "Financial stability is the cornerstone of healthy economic development", and active management plays an indispensable role in this process.

CHAPTER2: THE INTERACTION OF FACTORS AFFECTING STABILITY.

2.1. Analysis of macroeconomic factors and financial stability.

In the banking business, the capital adequacy ratio is the key index to measure the financial stability and risk resistance of banks, which is directly related to the risk management efficiency of banks. Capital adequacy ratio is defined as the ratio of a banks capital to its risk-weighted assets. The internationally recognized Basel Accord stipulates that the capital adequacy ratio of commercial banks should not be less than 8%. This ratio directly affects the ability of banks to absorb potential losses, thus affecting their stability and ability to continue operations. For example, during the global financial crisis in 2008, many banks suffered severe losses or even failures due to insufficient capital adequacy ratios, underscoring the importance of capital adequacy ratios in risk management.

The role of capital adequacy ratio in bank risk management is reflected in its role as the core tool of internal risk control and external supervision of banks. Through the calculation of capital adequacy ratio, banks can evaluate the adequacy of their own capital relative to risky assets, so as to take corresponding risk management measures. For

example, when capital ratios fall below regulatory requirements, banks may need to restore capital ratios by reducing risky assets, increasing capital, or a combination thereof, to meet regulatory requirements. In addition, the capital adequacy ratio will also affect the credit rating and market confidence of banks, which will further affect the financing costs and business development of banks.

In the practice of risk management, calculation and analytical models of capital adequacy ratios, such as risk-weighted asset models, help banks to identify and quantify risk exposures to different businesses and assets. Through these models, banks can more accurately assess their capital needs, optimize their asset portfolios, reduce risk concentration, and thus improve the overall risk management level. As Nobel Prize winner Paul Krugman said, " Risk management is the cornerstone of the financial system, and capital adequacy ratio is the cornerstone of risk management." This paper emphasizes the core position of capital adequacy ratio in bank risk management.

In the banking business, the measure of asset quality is one of the key factors to evaluate the financial health of banks. These indicators include non-performing loan ratio, overdue loan ratio, loan loss reserve coverage rate, etc., which together constitute a comprehensive evaluation of bank asset quality. The non-performing loan ratio is a measure of the proportion of defaulted or overdue loans in a bank loan portfolio, and is directly

related to the profitability and capital adequacy ratio of banks. For example, non-performing loan ratios in the global banks are often rising during recessions, suggesting that the macroeconomic environment has a significant impact on the quality of banks assets. The proportion of overdue loans further refines the analysis of loan defaults, focusing on the length of outstanding loans in overdue loans, thus revealing the potential credit risk. The coverage of loan loss reserves reflects the adequacy of reserves established by banks to cope with possible loan losses. A healthy banking system usually maintains high coverage to ensure it can remain stable in a downturn. For example, Basel III stipulates that banks should hold enough capital to cover at least 9.5% of their risk-weighted assets, which provides international standards for their capital adequacy ratio and asset quality. By referring to theseBased on a comprehensive analysis of the target, regulators, investors and bank management can make a more accurate judgment on the financial structure and stability of the ban. In the banking business, the identification and management of non-performing loans is the key link to maintain the stability of the financial structure. Nonperforming loans, those overdue or at risk of default, not only directly affect the banks income, but may also may pose a threat to the stability of the entire banking system. According to the Bank for International Settlements (BIS), the global banking sector usually averbetween 3% and 5%, but that proportion could increase significantly during the recession. During the 2008 global

financial crisis, for example, the US NPL ratio soared to nearly 10%. Therefore, the accurate identification and effective management of non-performing loans is very important to the financial health of banks

The identification of non-performing loans usually depends on the banks internal risk assessment model, which will take into account the borrowers credit history, repayment ability, loan usage and macroeconomic situation. For example, the famous z-score model proposed by Edward I. Altman in 1968, which predicts the possibility of bankruptcy through financial ratio analysis, is widely used in the decision-making process of bank credit. Banks can use these models to predict the risk of loan default, thus controlling the risk before the loan is issued.

Once non-performing loans arise, banks must take active measures to manage them. This includes, but is not limited to, restructuring loan conditions, implementing debt restructuring, and even taking legal measures to recover debt. For example, the establishment of a special non-performing loan management department by the Bank of China in the early 2010s successfully reduced the non-performing loan ratio and improved asset quality. In addition, banks can improve their financial structure by selling non-performing loans to professional NPCs.

The management of non-performing loans requires not only strict control within the bank, but also the guidance and support of external regulators. Regulators ensure that banks can effectively identify and

manage bad loans by developing strict capital adequacy requirements, loan classification and provision policies, and conducting regular audits of banks. For example, Basel III sets out higher requirements for banks capital adequacy ratio, aiming to improve their ability to resist risks and reduce the impact of non-performing loans on the financial structure of banks.

The income source of banking business is the core component of its financial structure, which not only determines the profitability of banks, but also profoundly affects the capital adequacy ratio and risk management strategy of banks. The main income of the banks comes from interest income, expense income and investment income. For example, according to the International Monetary Fund (IMF), global bank interest income accounts for more than 60% of total income, suggesting that interest income is the main driver of bank income. Moreover, expense income and investment income have increasingly becoming an important part of bank income, especially in an environment of falling interest rates, where banks increase non-interest income by providing diversified financial products and services to diversify income sources. In 2019, for example, JPMorgans non-interest income was more than 40% of its total revenue, showing a strong performance in fees and investment income. The analytical model of bank revenue sources usually includes DuPonts analytical model, which helps banks understand the constituent portfolio of return on assets (ROA) and return on equity (ROE), thus optimizing their financial structure and

business strategy.

There is a close interaction between economic growth and financial stability. On the one hand, a sound financial system can provide the necessary financial support for economic activities and promote investment and consumption, thus promoting economic growth. For example, according to the World Bank, the efficiency and stability of the financial system contribute significantly to the GDP growth of developing countries, with an average annual GDP growth rate of about 1%. On the other hand, economic growth itself provides a stable source of funds and investment opportunities for the financial system, reduces the credit risk of financial institutions, and enhances the stability of the financial system. However, when economic growth is overheated, it could cause inflation, which in turn increases interest rates, increase the debt burden on businesses and governments, and may ultimately threaten the stability of the financial system. Taking the global financial crisis in 2008 as an example, the bursting of the bubble in the US real estate market directly led to the credit crunch and the closure of financial institutions, exposing the fragile balance n economic growth and financial stability. Therefore, macroeconomic decision-makers need to pay attention to the health of the financial system while promoting economic growth, maintain financial stability and ensure sustainable economic development through prudent monetary and fiscal policies.

As one of the most important macroeconomic indicators, the inflation rate has a profound impact on financial stability. When inflation continues to rise beyond the target range set by the central bank, it may lead to increased uncertainty about the future economic outlook among market participants, thus affecting investment decisions and consumer behavior. For example, in the United States in the 1970s, inflation was in the double digits, which not only weakened the purchasing power of consumers, but also led to a sharp rise in interest rates, increased the debt burden of businesses and governments, and eventually triggered a severe economic recession. In this case, central banks often adopt tight monetary policies, such as raising interest rates to curb inflation, but this could lead to an increase in the cost of credit, curbing economic growth and even triggering a financial crisis.

On the other hand, too low or too negative inflation, or deflation, also poses a threat to financial stability. In a deflationary environment, consumers and businesses expect prices to fall further, which could delay consumption and investment and slow economic activity. In the "lost decade" of the early 1990s, Japan experienced deflation and instability in its financial markets. During this period, banks non-performing loans increased and the stability of the financial system was seriously challenged. Therefore, the central bank needs monetary policy tools such as quantitative easing to stimulate the economy and prevent deflation.

To sum up, the stability of the inflation rate is very important to the stability of financial and financial resources. Central banks and governments need to closely monitor changes in inflation rates and adopt appropriate macroeconomic policies to keep prices stable. As Nobel laureate Milton Friedman, says, " Inflation is always a monetary phenomenon everywhere."

Therefore, controlling inflation through effective monetary policy is the key to maintaining financial stability:

（1）Interest-rate changes and financial stability.

Changes in interest rates play a crucial role in the analysis of macroeconomic factors and financial stability. As the embodiment of the cost of capital, the interest rate directly affects the economic activities such as investment, consumption and savings. For example, when central banks raise interest rates, borrowing costs increase and businesses and consumers tend to spend less, which may curb economic growth but also help to control inflation. Instead, lowering interest rates could stimulate economic activity, but it could also raise the risk of asset bubbles and excessive borrowing. Historically, during the 2008 global financial crisis, the Fed cut interest rates to near zero to spur the economic recovery. While the move has stabilized financial markets in the short term, it also masks long-term financial instability. In addition, economists use Taylor rules and other analytical models to assess whether interest rates set by central banks

match the economic situation to predict the potential challenges that financial stability may face. Therefore, the formulation of interest rate policy needs to find a balance between b between promoting economic growth and maintaining financial stability

（2）Monetary policy and financial stability.

Monetary policy plays a crucial role in maintaining financial stability. By adjusting interest rates, controlling the money supply and implementing credit policies, the central bank can affect the pace of economic activities, and then have a profound impact on the stability of the financial market. For example, during the 2008 global financial crisis, the Federal Reserve adopted quantitative easing policies, sharply lowering interest rates and buying large amounts of Treasury bonds and mortgage-backed securities to stimulate the economy and stabilize financial markets. This series of measures effectively eased the credit crunch and restored investor confidence to avoiding a deeper recession.

However, monetary policy is not omnipotent, and improper policy choices may lead to excessive volatility in financial markets. For example, too low interest rates could lead to asset bubbles, such as those in the US housing market in the early 2000s, in part because of long-term low interest rate policies. Therefore, when formulating monetary policy, the central bank needs to comprehensively consider the macroeconomic factors such as economic growth, inflation rate, interest rate change and the actual

situation of the financial market, so as to ensure the effectiveness and timeliness of the policy.

When analyzing the impact of monetary policy on financial stability, we can refer to the Taylor Rules, an economic model used to guide monetary policy decisions. The model suggests that central banks should adjust nominal interest rates according to inflation rates and output gaps to achieve macroeconomic stability. In this way, the central bank can control the economic environment more accurately, thus providing a more predictable policy environment for the stability of the financial markets.

（3）Fiscal policy and financial stability.

As an important means for the government to regulate the economy, fiscal policy has a profound impact on financial stability. By adjusting tax revenue and government expenditure, fiscal policy can affect key macroeconomic indicators such as economic growth, inflation rate and interest rate, and then directly or indirectly affect the stability of the financial market. For example, expansionary fiscal policies, such as increased government spending or tax cuts, are designed to stimulate economic growth, but excessive fiscal deficits can lead to higher inflation and higher interest rate fluctuations, which can increase instability in financial markets. Conversely, tight fiscal policies, such as reducing government spending or increasing taxes, can help control inflation, but excessive tightening may curb economic growth, affect the profitability

and asset quality of financial institutions, and also threaten financial stability.

Historically, the improper use of fiscal policy has repeatedly triggered or exacerbated the financial crisis. For example, before the global financial crisis in 2008, the tax cuts and increased government spending policies promoted by the US government stimulated short-term economic growth, but also accumulated a large amount of fiscal deficits and debts, bringing hidden dangers to the long-term financial instability. In the Asian financial crisis, the fiscal policies of Thailand and other countries failed to effectively deal with the economic overheating and external shocks, leading to currency devaluation and debt crisis, which further affected the stability of the financial market. Therefore, the design and implementation of fiscal policy requires full consideration of its impact on financial stability and a prudent and flexible strategy.

In order to better evaluate the impact of fiscal policy on financial stability, econometric tools such as VAR model (vector autoregressive model) can be used to analyze the dynamic impact of fiscal policy changes on financial market variables. Moreover, policy makers should pay close attention to the relationship between fiscal deficit, debt levels and financial stability to ensure the sustainability of fiscal policy. As Nobel Prize winner Paul Krugman said, " Fiscal policy is not only a stabilizer of the economy, but also the cornerstone of financial stability."Therefore, the rational use

of fiscal policy to balance the relationship between economic growth and financial stability, it is very important to maintain the health of the entire financial system.

（4）International trade and financial stability.

As an important part of the macro-economy, international trade has a profound impact on financial stability. The fluctuation of international trade not only affects the economic growth of countries, but also may lead to the instability of financial markets. For example, during the global financial crisis in 2008, global trade volumes fell sharply, resulting in heavy losses for many export-dependent countries, which in turn affected their financial stability. The decline in international trade will lead to a decline in corporate income, higher credit default rates, and increased risk assets for financial institutions, which may eventually lead to a financial crisis.

In addition, structural changes in international trade will also have an impact on financial stability. With the deepening of global supply chains, multinational companies are playing an increasingly important role in the global financial system. The financial position and investment decisions of multinational companies are directly affected by changes in international trade policies, such as the adjustment of tariffs and trade barriers. These changes may lead to the instability in the cash flow of the multinational companies, which in turn will affect the stability of the global financial

markets. For example, trade frictions between the United States and China not only affect the volume of trade between the two countries, but also cause fluctuations in global financial markets.

When analyzing the impact of international trade on financial stability, we can use some macroeconomic models, such as the model models in the open economy, to discuss how monetary policy and fiscal policy can affect the stability of the financial market by affecting international trade. At the same time, the capital flow in the international balance of payments is also an important indicator to evaluate the impact of international trade on financial stability. The instability of international capital flows, especially short-term capital flows, is often closely related to the fluctuations of financial markets.

In response to the financial instability caused by international trade, national governments and international organizations are strengthening macro-prudential regulation to ensure the stability of the financial system. For example, institutions such as the International Monetary Fund (IMF) and the World Bank help member states improve their financial supervision systems and enhance their ability to withstand external shocks by providing policy advice and technical assistance. At the same time, by strengthening international cooperation such as multilateral forums such as the G 20 summit, countries can discuss ways to ensure stability in financial markets while maintaining free trade.

（5）Globalization and financial stability.

The process of globalization has profoundly affected financial stability and strengthened the economic interdependence of the world by promoting the transnational flow of capital, goods, services and labor. This interdependence improves the efficiency of financial markets to some extent, but also increases the vulnerability of the financial system. For example, during the global financial crisis in 2008, the subprime mortgage crisis in the United States quickly spread to the whole world, resulting in heavy losses in the financial markets of many countries, highlighting the importance of financial stability in the context of globalization. Research by the International Monetary Fund (IMF) shows that globalization makes national financial systems more vulnerable to external shocks, especially those with inadequate financial regulatory systems. Therefore, strengthening international cooperation and regulatory coordination, such as unifying the banking capital adequacy ratio standard through the Basel Accord, is very important to maintain global financial stability. In addition, globalization also requires governments to consider their impact on international financial markets when formulating macroeconomic policies, so as to avoid the global financial turbulence caused by policy spillover effects.

In discussing macroeconomic policies and bank strategies for promoting steady economic growth, the domestic case analysis provides us

with valuable practical experience and profound insights. Take China as an example. In recent years, the Peoples Bank of China has effectively adjusted the credit supply and promoted the optimization of the economic structure by implementing the differentiated deposit reserve ratio policy. For example, in 2015, the central bank lowered the reserve requirement ratio of some financial institutions to support the development of small businesses and "agriculture, rural areas and farmers". This not only increased market liquidity, but also stimulated economic vitality, reflecting the positive role of monetary policy and banking cooperation.

In addition, the synergy of fiscal policy and banking is also reflected in Chinas practice. For example, the Chinese government has guided the national bank credit fund to benefit smes, which not only alleviates the financing problems of smes, but also promotes employment and economic growth. In terms of regulatory policies, China has strengthened the supervision of banking financial institutions to ensure the stable operation of the banking sector and provide a guarantee for macroeconomic stability.

As a new policy tool, macro-prudential management has also been actively explored and applied in China. China has taken a series of measures to guard against systemic financial risks, such as strengthening the management of bank capital and liquidity, and implementing macro leverage controls. These measures help to maintain the stability of the financial markets and provide a solid foundation for the stable and healthy

development of the economy. As Nobel Prize-winning economist Robert Schiller, said, " The stability of the financial system is the cornerstone of economic growth." Chinas practice proves the importance of macroeconomic policy and banking coordination:

（1）International case analysis

The synergy between macroeconomic policy and banking is significantly reflected in international cases, particularly during response to the global financial crisis. In the United States, for example. During the 2008 financial crisis, the Fed adopted quantitative easing to injecting liquidity into the market through massive purchases of Treasuries and mortgage-backed securities. At the same time, the recapitalization and stress testing of the banking sector have ensured the stability of the financial system. These measures have not only eased the credit crunch, but also promoted a gradual economic recovery. The US economy began to grow in the third quarter of 2009, marking the end of the recession, according to the International Monetary Fund (IMF). This case shows that effective coordination between macroeconomic policy and the banking sector is crucial to easing economic fluctuations and promoting stable growth. As Nobel Prize-winning economist Paul Krugman said, " The purpose of macroeconomic policy is to create a stable environment for the market to play its role."In the international case, we can see that the synergy b between monetary policy, fiscal policy and regulatory policy is the key

to achieving this Goa goal.

2.2 The role of financial structure in risk management

The relationship between banking business and financial structure is the core of the stable operation of the banking industry. The financial structure of a bank, including capital adequacy ratio, balance sheet composition, asset quality, income and cost structure, directly determines the risk tolerance, profitability and capital use efficiency of banks. For example, according to Basel Accord, capital adequacy ratio is an important indicator to measure the relationship between bank capital and risk-weighted assets. It will not only affect the capital cost of banks, but also directly affect the credit rating and market confidence of banks. If a banks capital adequacy ratio is below the regulatory requirements, it may lead to an increase in capital replenishment pressure, which in turn affects its lending capacity and market competitiveness.

In terms of balance sheet analysis, banks assets are mainly loans and investments, while liabilities include deposits and debts. The proportion and quality of these projects directly affect the liquidity, profitability and stability of banks. For example, when a bank has a relatively high percentage of its loan assets, it may face higher credit risk, but it may also bring in higher interest income. Therefore, banks need to evaluate the

effectiveness of their asset allocation by analyzing the financial ratios of their balance sheets, such as return on assets (ROA) and return on equity (ROE), and adjust their business strategies accordingly.

In addition, asset quality is one of the key indicators of the financial health of banks. Non-performing loan ratio is an important data reflecting the asset quality of banks, which is directly related to the profitability and capital adequacy ratio of banks. Banks must identify and manage non-performing loans through effective risk management measures such as risk pricing, loan review and post-loan management to maintain the stability of its financial structure. As Buffett says, " The risk comes from you dont know what youre doing."Banks must have a deep understanding of their own business and financial structure to effectively manage risks and ensure long-term and stable development. The financial structure plays a vital role in discussing the stability of the banking business. Financial structure not only determines the capital adequacy ratio of banks, but also affects their asset quality, income and cost structure, and risk management ability. For example, under Basel, banks must have capital ratios up to certain standards to ensure they can withstand potential market and credit risks. Capital adequacy ratio directly reflects the financial health status of banks, and is one of the important indicators for regulators to evaluate the stability of banks. In addition, balance sheet analysis reveals the structure of bank assets and liabilities, which can be evaluated by financial ratio analysis

such as leverage ratio and liquidity ratioShort-term and long-term solvency of the banks. The identification and management of non-performing loans is the key to measure asset quality, and the high interest rate of non-performing loans will seriously affect the financial stability of banks. Therefore, banks must take effective risk management measures such as diversification, credit risk assessment and capital buffering to keep their financial structure stable. As Nobel Prize winner Paul Krugman said, " Financial stability is the cornerstone of economic prosperity."As the core of the financial system, the stability of its financial structure is the stability of the entire economic system

Analysis of the financial ratio of the balance sheet is an indispensable part when discussing the financial structure of the banking industry. As the "barometer" of a banks financial situation, the bank can reveal the key information of the banks capital structure, asset quality, liquidity and profitability through the financial ratio analysis. For example, the capital adequacy ratio, which measures the coverage of bank capital and risky assets, is an important indicator for regulators to assess the banks capital adequacy ratio. Under Basel terms, banks should have capital ratios not below 8 per cent, with global banks usually following suit. A commercial bank, for example, has a capital adequacy ratio of 12%, meaning the bank has enough capital buffer to absorb potential losses, thus ensuring the stability of its financial structure.

In addition, the evaluation of the asset quality is also inseparable from the analysis of the financial ratio. The non-performing loan ratio (NPL Ratio) is one of the key indicators of bank asset quality, reflecting the proportion of defaulted or overdue loans in the bank loan portfolio. For example, if a banks bad loan ratio rises from 2% to 4%, it may indicate that the risks facing the bank are increasing and measures need to be taken to strengthen credit management and risk control. By comparing and analyzing the financial ratios in different periods, the bank management can find out the potential problems in time and make corresponding adjustments.

In addition, liquidity ratios (e. g., liquidity coverage rates (LCR) and net stable capital ratios (NSFR)) provide banks with a tool to measure short-term and long-term liquidity risks. The liquidity coverage requires banks to hold enough high-quality liquid assets to cover net cash outflows over the next 30 days under the stress scenario. Analysis of these ratios not only helps banks optimize their financial structure, but it is also an important basis for regulators to assess whether banks have enough liquidity to address potential crises.

In conclusion, the financial ratio analysis of the balance sheet provides a quantitative evaluation method for the financial structure of banks, which helps bank management, investors and regulators to fully understand the financial health of banks. Through the in-depth analysis of

these ratios, we can reveal the advantages and disadvantages of banks in terms of capital, asset quality, liquidity and profitability, and provide decision support for the stable operation and sustainable development of banks

Capital adequacy ratio is a key indicator to measure the soundness of bank financial structure, which reflects the proportional relationship between bank capital and risk-weighted assets.

Under Basel Accord, the capital adequacy ratio is:

Capital adequacy ratio = (core capital + Tier 2 capital) / risk-weighted assets

Core capital typically includes equity and retained earnings, while tier 2 capital includes convertible bonds and long-term subordinated debt. Risk-weighted assets are calculated according to the weighted factors such as the credit risk and the market risk of the assets. For example, the higher the default risk of a loan, the greater its weight in a risk-weighted asset. With this formula, regulators can ensure that banks have enough capital to absorb potential losses to keep the financial system stable.

Take a commercial bank, for example

Assuming its core capital of $10 billion, tier 2 capital of $2 billion, and risk-weighted assets of $80 billion, its capital adequacy ratio is

$$(100+20)/800 = 15\%.$$

The ratio suggests that the bank has $15 for every $100 risk-weighted

asset. According to international regulatory standards, banks should have a capital adequacy ratio of no less than 8% and a core capital adequacy ratio of no less than 4%. As a result, the banks capital adequacy ratio is consistent with regulatory requirements, but regulators will remain concerned about whether its capital level is sufficient to withstand potential market volatility and credit risk. The calculation of the capital adequacy ratio is not only related to the financial health of the bank, but also affects the operation strategy and risk management of the bank. For example, when banks capital adequacy ratio falls below regulatory requirements, they may need to increase their capital adequacy ratio by issuing new shares, reducing risky assets, or increasing their capital reserves. In this case, banks may reduce their investment in risky projects and seek investment opportunities with lower risk. As Buffett says, " The risk comes from you dont know what youre doing."Therefore, through the calculation and supervision of the capital adequacy ratio, banks can better understand their risk tolerance and make more informed decisions

In the banking industry, the financial structure plays a vital role, especially in the risk management aspect. A sound financial structure can provide banks with a sufficient capital buffer against potential market volatility and credit risks. For example, the Basel Accord established by the Bank for International Settlements (BIS) requires banks to maintain a certain capital adequacy ratio to ensure that they still operate in the face of

non-performing loans and market risks. The calculation formula of capital adequacy ratio is the ratio of capital to risk-weighted assets, which directly affects the risk tolerance and loan policy of banks. In addition, by optimizing the financial structure, banks can allocate resources more effectively, reduce capital costs and improve profitability. For example, JPMorgan managed to maintain a relatively stable financial position by carefully managing its balance sheet during the 2008 period of its financial crisis. Innovation in financial structure, such as the introduction of hybrid capital instruments and tier-2 capital bonds, also give banks greater flexibility in capital management, thus optimizing the capital structure and strengthening the ability of their capital structure to meet regulatory requirements while resisting risks.

In the banking industry, the basic principle of risk management is to ensure the stability and sustainability of the banks financial structure. This principle requires banks to identify, assess and control potential risks while pursuing benefits. For example, through the capital adequacy ratio criteria stipulated in the Basel Accord, banks can ensure that their capital levels are sufficient to cover potential credit risks and market risks. The calculation of the capital adequacy ratio involves not only the ratio of core capital to risk-weighted assets, but also the ratio of total capital to total assets. Setting these ratios reasonably helps banks maintain sufficient buffer capacity in the face of economic cycle fluctuations. In addition, banks should use

modern risk management models, such as VaR (value at Risk) models, to quantify potential losses and develop corresponding risk mitigation strategies. As renowned economist Keynes said: " markets tend to be rational for a shorter time than you remain solvent. "Therefore, banks must deal with market uncertainty and potential financial risks atio through continuous risk assessment and optimized financial structure

The fluctuations in the international financial market have had a profound and complex impact on the banking industry, not only affecting the asset value and profitability of the banks, but also may lead to systemic risks. For example, during the global financial crisis in 2008, the sharp fluctuations in the international financial markets led to a freeze in credit markets, interbank lending rates soared, and many banks faced the dilemma of liquidity exhaustion. In this case, banks must increase their capital adequacy ratio to resist potential credit risks and market risks. Under Basel III, banks must hold more high-quality capital to enhance their ability to withstand financial shocks.

In addition, the fluctuations in the international financial markets may also affect the banks foreign exchange and interest rate risk exposure by affecting the exchange rate and interest rates. For example, when a countrys currency depreciates, banks holding that currencys assets may face capital losses, and currency appreciation may have the opposite effect. Therefore, banks need to hedge their risk through financial derivatives such

as foreign exchange swaps, futures and options. At the same time, the fluctuation of interest rate will also affect the net profit margin of banks, and then affect the profit model of banks. In a low interest rate environment, it could force banks to find new ways to make money, such as increasing non-interest income.

The fluctuations in the international financial markets may also indirectly affect the credit risk of banks by affecting the financial situation of multinational corporations. The business of multinational companies in different countries is affected by the local economic environment, and the changes of their profitability and solvency are directly related to the credit decisions of banks. Therefore, when conducting credit assessment, banks need to comprehensively consider the fluctuations of international financial markets and the potential impact of these fluctuations on the financial situation of multinational companies.

In response to the volatility of the international financial market, the banking industry has adopted various strategies to reduce risks. For example, diversify the portfolio to diversify the risk, use advanced risk management systems to monitor and assess market risk, and strengthen internal capital and liquidity management. As Nobel Prize-winning economist Robert Schiller said: " Fluctuation in financial markets is inevitable, but with appropriate management and strategy, we can reduce its negative impact on economic and financial stability."

In the comparative analysis of the financial structure between banks in different countries, we need to deeply explore the differences in assets, liabilities, income and expenditure, and deepen our understanding through specific case analysis. The following is a comparative analysis of the financial structure of Bank of America, Bank of Ukraine, Bank of Britain and Bank of China.

First, the analysis of the asset structure is the key. Bank of America typically holds a high percentage of securities and loans to support its diversified business model and large customer base. By contrast, Ukrainian banks will likely rely more on government bonds and loans to counter instability and political risks in the domestic economy. British banks are likely to focus more on commercial property lending and international trade financing to reflect their position as the centre of the global economy. The Bank of China is likely to hold a high percentage of cash and equivalents to ensure adequate liquidity, while actively participating in domestic and foreign financial markets.

Secondly, the comparison of the debt structure can not be ignored. Bank of Americas debt structure is more diversified, including retail deposits, wholesale market borrowings and debt securities. Ukrainian banks may rely more on government deposits and aid to stabilize their sources of funding. British banks are likely to have more international deposits and cross-border borrowing to support their global operations. The

Bank of China is likely to have a large retail deposit base, while actively participating in the interbank lending market and bond issuance.

An analysis of the income structure is equally important. Bank of Americas income mainly comes from interest income, fee income and other non-interest income, such as investment banking and wealth management services. Ukrainian banks are likely to rely more on interest income from loans and government subsidies. British banks are likely to focus more on investment banking and trading revenues to reflect the activity of their financial markets. The Bank of China is likely to have a balanced income structure, including interest income, fee income and financial market investment income.

Finally, the comparison of the expenditure structure is also essential. Bank of Americas expenses mainly include interest expenses, operating expenses and risk management expenses. Ukrainian banks may face higher operating costs, such as employee compensation and regulatory costs. British banks are likely to focus more on marketing and brand building to improve their market competitiveness. The Bank of China is likely to have lower operating costs, while focusing on technological innovation and digital transformation to improve efficiency and reduce costs.

To sum up, through a detailed comparative analysis of the financial structure of banks in different countries, and combined with specific case analysis, we can better understand the characteristics and challenges of the

banking industry in different countries. American banks focus on diversification and globalization, Ukrainian banks face domestic economic instability and political risks, and British banks play an important position in the financial market, while Chinese banks focus on sufficient liquidity and financial market investment. These differences provide valuable reference information for investors, regulators, and bank management to help them make more informed decisions in tabl 2.1

Tabl 2.1

The following data is the comparison of the financial structure of different banks in 2023

Unit (100 million)	Total assets (billion)	Total liabilities (billion)	Operating income (billion)	Total interest expense (billion)
Bank of America BAC (USD)	31800	28900	985.8	733.31
Bank of England (British pound sterling)	63000	59000	1850	6125
Ukrainian Bank (grn)	12609	1453,2	1414	166.84
Bank of China (RMB)	324300	296800	6228.89	5823.06

2. 3 Impact of regulatory requirements on the financial structure

In the banking industry, the impact of regulatory requirements on the financial structure is profound and complex. Regulators have set key indicators such as the capital adequacy ratio, liquidity coverage ratio and leverage ratio to ensure the stability and risk resistance of the banking system. For example, the implementation of Basel III requires banks to raise minimum capital requirements, which directly affects the financial structure of banks, and urges banks to increase their holdings of Tier 1 capital and Tier 2 capital to meet stricter regulatory standards. This change in regulatory requirements not only affects the capital structure of banks, but also has an important impact on their asset allocation, profit model and risk management strategies. Take JPMorgan Chase, for example. After the 2008 financial crisis, banks adjusted their financial structure according to regulatory requirements, substantially increased their capital reserves and reduced their leverage ratio, thus maintaining strong financial stability in the subsequent economic cycle. In addition, the regulatory requirements encourage banks to adopt advanced risk assessment models, such as internal rating methods (IRB), to more accurately measure and manage the risk, and then optimize their financial structure. These changes in regulatory requirements not only improve the overall stability of the banking industry, but also lay the foundation for the long-term sustainable

development of the banks. Among the macroeconomic factors, the interest rate policy has a profound impact on the profit model of the banking industry. As the cost of capital, the change of interest rate directly affects the loan interest rate of the bank, and then affects the net profit margin of the bank, which is the core of the bank profit model. For example, when the central bank implements easy monetary policy and lowers the benchmark interest rate, bank lending rates usually fall, which may stimulate loan demand and increase the amount of bank loans, but it also reduces the net interest margin of banks, as the decline in deposit rates usually lags behind the decline in lending rates. Conversely, under tight monetary policy, interest rates rise and banks net interest margins may widen, but loan demand may decrease. According to the International Monetary Fund (IMF), in the low interest rate environment after the 2008 financial crisis, the net interest margin of the global banking industry generally narrowed, leading to the choice of profit model

In addition, changes in interest rate policy will also affect banks asset value and risk management. For example, when interest rates rise, the value of fixed-rate loan assets may fall because of higher interest rates for new loans, making existing loans relatively unattractive. At the same time, banks need to manage interest rate risk to ensure that the interest rate sensitivity of their assets and liabilities matches to avoid the negative effects of interest rate changes. In practice, banks often use financial

derivatives such as interest rate swaps to hedge their risks. Nobel Prize-winning economist Paul Krugman has pointed out that macroeconomic policy, especially interest rate policy, plays a decisive role in the stability of financial markets and the profit model of banks.

In the face of the changes in the interest rate policy, banks need to adjust their profit model flexibly to adapt to the changes in the macroeconomic environment. For example, banks can reduce their reliance on net interest margins by developing intermediary businesses and increasing non-interest income. The Deloitte report shows that global banking banks are increasingly focused on contributions from non-interest income in recent years to improve the stability of profits and the ability to withstand macroeconomic fluctuations. In short, the relationship between the interest rate policy and the banks profit model is complex and delicate, and the banks must adapt to the change of this macroeconomic factor through innovation and risk management within the regulatory framework.

In the macroeconomic factors, the fluctuation of interest rate has a direct and far-reaching impact on the loan and deposit business of the banking industry. As the cost of capital, the change of interest rate directly affects the profit model of banks and the borrowing behavior of customers. For example, when a central bank raises interest rates, lending rates for commercial banks usually rise, which increases the cost of borrowing for businesses and individuals, which may lead to lower demand for loans. At

the same time, higher deposit rates will attract more depositors to deposit their money in the bank, which will increase the banks deposit base, but it will also increase its interest expenses. On the other hand, when interest rates fall, the demand for loans may increase because of lower borrowing costs and deposits are less attractive, which may lead to a decrease in the number of deposits.

Take the Federal Reserve system, whose quantitative easing policy led to a sharp drop in long-term interest rates after the 2008 financial crisis, stimulating short-term demand for loans, particularly home mortgages and corporate loans, to support the economic recovery. However, the long-term low interest rate environment also reduces the net interest margin, the difference between lending and deposit rates, which is one of the main sources of profit. Therefore, banks must seek for other sources of revenue, such as increasing service fees or investing in riskier assets, to achieve higher returns.

When analyzing the model, we can refer to the well-known Fisher effect, which indicates a positive correlation between the nominal interest rates and the expected inflation rate. This means that if the market expects future inflation to rise, then nominal interest rates will rise accordingly to compensate depositors for losses due to the falling value of their currency. This theory is important for understanding the impact of interest rate fluctuations on the banking business, especially when inflation

expectations change.

To sum up, the fluctuation of interest rate not only affects the loan and deposit business of the banking industry, but also has an important impact on the stability of the entire financial market. Banks must respond to the challenges brought about by interest rate fluctuations through fine risk management and business strategy adjustment, to ensure stable operation and profitability in different macroeconomic environments. Among the macroeconomic factors, inflation has a significant impact on the asset value of the banking sector. Rising inflation usually leads to a decline in the purchasing power of money, which in turn affects the value of banks assets. For example, when inflation rises, the real value of fixed-rate loans held by banks will fall because the borrowers repay the loans with devalued currency, while the cost of bank deposits may remain unchanged or remain unchanged or grow slowly due to lagging adjustment of deposit rates. In this case, the net interest margin income will be compressed, which will affect the profitability of the bank. Moreover, inflation could also lead to an increase in the bad loan ratio of banks, as borrowers face higher costs of living and debt repayment pressures, thus increasing the risk of default. Historically, in the United States, for example in the 1970s, the ratio of bad loans rose significantly in a high-inflation environment, threatening the stability of the banking sector.

In response to the impact of inflation on asset values, banks have

adopted various strategies. For example, banks can pass on costs by adjusting the lending rates, or increase the proportion of floating-rate loans to reduce the interest rate risk of fixed-rate loans. In addition, banks can also hedge against inflation risks by investing in financial instruments such as inflation-protected bonds (such as TIPS in the US). In macroeconomic forecasts, banks will use various models and tools, such as the Phillips curve model and the VAR model, to predict inflation trends and adjust their asset portfolios and pricing strategies accordingly. As Nobel Prize-winning economist Paul Samuelson said, " Inflation is at the root of all monetary problems. "Therefore, banks must take inflation factors into account when making strategic planning to ensure the stability of asset values and the long-term development of banks.

The impact of regulators on financial stability is mainly reflected in the following aspects:

- First, regulators ensure the sound operation of financial institutions by formulating and implementing rules and standards for financial markets. This includes capital adequacy ratio requirements, liquidity requirements, risk management regulations, etc., to reduce excessive risk taking by financial institutions.

-Second, regulators are responsible for monitoring and assessing the overall health of the financial system and identifying potential risks and systemic problems in a timely manner. In this way, regulators can take

preventive measures to avoid the spread of financial risks and turbulence in financial markets.

-Third, regulators play a key role in the event of a financial crisis, helping to stabilize financial markets and prevent further deterioration of the crisis by providing liquidity support and coordinating cooperation among financial institutions.

In addition, regulators are responsible for promoting financial innovation and technological development, while ensuring that these changes do not pose a threat to financial stability. Through regulatory technology (RegTech) and other means, regulators can more effectively regulate the financial market and improve the efficiency and effect of regulation.

Finally, through international cooperation, regulators should strengthen transnational regulation to jointly respond to the challenges of the global financial market and maintain international financial stability. This includes sharing information with regulators in other countries and coordinating regulatory policies to address the risks of cross-border financial activities.

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CHAPTER 3. CHALLENGES AND OPPORTUNITIES FACING FINANCIAL STABILITY

3.1 Proactive operations play a key role in maintaining financial stability

Trends in modern banking, as an important part of the financial sector, are being profoundly influenced by a number of key factors, particularly technological advances, changing customer needs and the evolution of the regulatory environment, which together shape the future landscape of banking.

The rapid development of technology has not only revolutionized the operation mode of banks, but also greatly enriched the service content. The rise of financial technology, especially the application of cutting-edge technologies such as cloud computing, big data analysis and blockchain technology, has provided banks with unprecedented means of efficient and secure operations. The elastic scalability of cloud computing enables banks to flexibly respond to business peaks and reduce IT costs; Big data analytics enables banks to dig deep into customer behavior patterns to achieve precision marketing and risk management; And the decentralized nature of blockchain technology provides banks with a more secure and transparent transaction environment. The integrated application of these

technologies not only significantly improves the internal operational efficiency of banks, but also brings customers a more personalized and intelligent service experience, such as innovative services such as intelligent advisory and instant payment.

The rapid changes in customer demand are leading the development of banking services in the direction of diversification and individuation. With the widespread use of the Internet and smart phones, consumers are increasingly demanding digital and instant financial services. Modern consumers, especially the younger generation, are more inclined to complete financial transactions through online platforms, which requires traditional banks to accelerate the pace of digital transformation, innovate service channels and improve user experience. At the same time, the rise of open banking platforms enables customers to easily compare and choose between different financial service providers, which further intensifies the competition in the banking industry, prompting banks to continuously improve their digital service capabilities and innovation capabilities to meet the growing personalized needs of customers.

Changes in the regulatory environment are also an important force driving innovation in the banking sector. In the post-financial crisis era, the global banking industry is facing more stringent regulatory requirements, which forces banks to strengthen their risk management capabilities and compliance construction. However, while strengthening supervision,

governments and regulators are also actively encouraging innovation and competition to improve the overall efficiency and inclusion of financial services. Against such a backdrop, banks need to constantly explore new business models and technology applications to remain competitive in the market, while ensuring compliance. For example, central banks and regulators in many countries have begun to support open banking policies and encourage the sharing and use of financial data, which not only promotes transparency and innovation in the banking sector, but also provides new development opportunities for banks.

The modern banking industry is actively seeking new directions in the face of technology-driven changes, increasing customer demand, and a changing regulatory environment. To cope with these challenges and opportunities, banks need to not only strengthen the construction and upgrading of their technological infrastructure, but also make comprehensive adjustments and optimizations in organizational culture, strategic planning and talent cultivation. By building an innovation ecosystem and strengthening cooperation and exchanges with fintech companies, banks can constantly launch new products and services to meet the diversified needs of their customers; At the same time, by optimizing internal management and processes, and improving operational efficiency and risk management capabilities, banks can maintain their leading position in the fierce market competition.

The modern banking industry is in an era full of changes and challenges. Only by keeping up with the pace of technological development, deeply understanding the changing needs of customers, actively adapting to the requirements of the regulatory environment, and constantly innovating and adjusting the strategic direction can banks remain invincible in the future competition.

3.2 Challenges brought about by scientific and technological innovation

（1）Challenges facing the traditional banking industries

In the rapid changes of the global financial environment, the traditional banking industry is facing unprecedented challenges. The rise of financial technologies such as mobile payments, online banking, digital currency and blockchain technology is reshaping the landscape of financial services. By providing more efficient and convenient services, fintech companies have attracted more than 35 percent of consumers worldwide to use their services, according to a McKinsey study. Using big data and artificial intelligence technology, these companies can more accurately analyze customer needs and provide personalized services to gain an advantage in the competition. If traditional banks do not go digital, they risk losing customers and losing market share. For example, the rapid rise

of Ant Financials Alipay and Tencents WeChat Pay in the Chinese market poses a huge challenge to the payment business of traditional banks. In addition, changes in the regulatory environment also create new compliance requirements for the banking industry and increase operating costs. Therefore, traditional banks must accept the financial tes digital transformation of their businesses through innovative laboratories and cooperation with technology companies to meet these challenges

（2）New opportunities brought about by financial technology

With the rise of financial technology, the banking industry has brought unprecedented new opportunities, which not only reshape the operation mode of the traditional financial industry, but also bring more convenient and personalized service experience to consumers. For example, the application of big data technology enables banks to provide more customized financial products by analyzing large amounts of transaction data and accurately predicting market trends and consumer behavior. The introduction of AI further promotes automation and intelligence in banking services, such as intelligent customer service and automated loan approval systems, which not only improves efficiency, but also reduces operating costs. Innovation in financial technology, according to McKinsey research, could save global banks as much as $1 trillion a year. In addition, the application of blockchain technology in cross-border payment and settlement provides a safer, more transparent and more efficient solution

for the banking industry, which significantly improves the speed and security of cross-border transactions. As the famous economist Paul Krugman said, " Technology and economic progress is the main driving force of economic growth, and financial technology is the key driving force for the future development of the banking industry

（3）The future development trend of financial technology

With the integration of banking and financial technology, a new chapter of the future of finance is being written. This trend not only indicates the digital transformation of financial services, but also marks the profound transformation of the traditional banking business model. According to a McKinsey study, the global financial technology market will reach $2.6 trillion by 2025, which will bring unprecedented opportunities for the banking sector. For example, Ant Financials success case shows that using big data and artificial intelligence technologies can enable accurate analysis of user behavior to provide personalized financial products and services. In addition, the application of blockchain technology is driving innovation in cross-border payment and settlement, such as the real-time cross-border payment solutions for Ripple networks, greatly improving transaction efficiency and reducing costs. In the future, banking will become more intelligent and automated as cloud computing and Internet of Things technologies develop further. For example, intelligent customer service and automated loan approval systems will

greatly improve service efficiency and customer experience. These technological advances have not only brought new growth points to the banking industry, but also provided consumers with more convenient and secure financial services

In the background of the integration of banking and financial technology, data privacy and security ethics have become an important issue that cannot be ignored. With the wide application of big data, artificial intelligence and other core technologies in the banking industry, the collection, processing and analysis of customer data has become more and more complex, which not only improves the efficiency and personalized level of financial services, but also brings unprecedented risks of privacy leakage. For example, according to the International Data Corporation (IDC) report, the global data volume is expected to reach 175 ZB by 2025, with the financial sector producing a significant proportion. In such a flood of data, how to ensure data security and regulatory compliance has become a challenge that the banking industry must face.

In the process of cooperation, fintech companies and traditional banks must comply with strict data privacy protection standards, such as the European Unions General Data Protection Regulation (GDPR). These regulations require companies to manage customer data transparently and let users control their own data. For example, the GDPR defines the principle of data minimization, where enterprises can only collect the data

needed to complete a specific task, which requires banks to strictly evaluate the need for data collection when designing financial products and services.

On an ethical level, the integration of banking and financial technology must adhere to the "privacy first" principle. As Steve Jobs, the former Apple CEO, said, " Privacy is a fundamental human right and the cornerstone of all free societies." As a result, banks and fintech companies need to innovate while ensuring that the technology does not violate customers privacy. This requires the establishment of a complete ethical framework within the industry, conducting an ethical review of the use of the data, and ensuring the transparency and interpretability of the technology.

In addition, when the banking industry uses artificial intelligence for risk assessment and credit decisions, it must ensure the fairness and justice of the algorithm and avoid discriminatory results caused by data bias. For example, a study by the Massachusetts Institute of Technology (MIT) showed that there are significant differences in some facial recognition technologies, suggesting that banking industries must be rigorously tested and calibrated to ensure the fairness of their decisions.

To sum up, the integration of banking and financial technologies must, while pursuing innovation and efficiency, adhere to the ethics of data privacy and security, and ensure that the development of technology is

beneficial to the society, rather than becoming a tool to violate personal privacy and rights. This requires not only self-discipline within the industry, but also the active participation of government regulators and public supervision.

（1）Moral hazard and responsibility attribution of financial technology

In the context of the integration of banking and financial technology, the problem of moral hazard and liability attribution are increasingly prominent and become the focus of the industry. The rapid development of financial technology, especially the application of artificial intelligence, big data analysis and other technologies, it has brought unprecedented convenience and efficiency to the banking business, but it has also brought potential moral hazard. For example, algorithmic bias may lead to inequity in credit decisions, while automated systems may make decisions without adequate consideration for ethics. Take Facebooks facial recognition technology, which collects and uses personal facial data without user consent, raising public concerns about privacy violations. This suggests that fintech companies must consider their impact on social ethics when developing and deploying new technologies.

In banking sector, the moral hazard of financial technology is also reflected in the protection of data privacy. With the widespread application of cloud computing and Internet of Things technologies, banks can collect and analyze large amounts of customer data and provide personalized

services. However, frequent data breaches, such as Equifax data breaches, have exposed the shortcomings of banks in data protection. This not only damages the interests of consumers, but also seriously affects the reputation of banks. Therefore, banks must establish a strict data governance framework to ensure data security and privacy protection, while taking a corresponding responsibility for financial technology companies to ensure the ethical use of technology.

In addition, while promoting inclusive finance, financial technology also brings the challenges of responsibility attribution. Inclusive finance aims to provide financial services for people not covered by traditional financial services, but financial technology may ignore the protection of vulnerable groups in this process. For example, some usury applications use algorithms to unfairly price borrowers interest rates, which increases the financial burden on borrowers. This requires banks and fintech companies to take on social responsibility while pursuing profits to ensure that financial innovation can truly benefit all sectors of society.

To sum up, the banking industry and financial technology companies need to face and solve the problem of moral hazard and responsibility ownership of financial technology. By establishing a transparent algorithmic decision-making mechanism, strengthening data protection measures and assuming social responsibility, it can effectively reduce moral hazard and promote the healthy development of financial

technology. As Amata Sen, the Nobel Prize winner in economics, said, " Technological progress should serve the overall development of mankind, rather than become a tool to aggravate inequality." The development of financial science and technology should also follow this principle to ensure that technological progress and moral responsibility are equally important.

In the development of modern banking industry, the integration strategy of innovation ecosystem has become a key path to promote industry transformation and upgrading and enhance core competitiveness. Faced with the rapidly changing market environment and the wave of technological progress, banks are no longer an isolated financial service provider, but are placed in a complex ecosystem involving fintech companies, academic institutions, startups, regulators and other parties. How to effectively combine with external innovation resources to build an open, collaborative and win-win innovation ecosystem is an important issue facing banks at present.

Banks should establish an open innovation platform, which is the core of the convergence strategy. These platforms are not only places for technical exchange, but also incubators for knowledge sharing and creative collision. Through close cooperation with external organizations such as fintech companies, academic institutions and start-ups, banks can draw on the most cutting-edge technology ideas, market dynamics and customer demand information. Such cooperation can not only bring new

technologies and business models to the bank, but also accelerate the pace of innovation in banking business and enhance its market competitiveness.

The construction of an open platform should pay attention to the following aspects: first, establish an efficient communication mechanism to ensure the smooth flow of information within the ecosystem; Second, formulate clear cooperation rules to protect the rights and interests of all parties and promote fair competition; Third, provide necessary resource support, such as capital, technology and human resources, to help our partners grow rapidly. Through these measures, banks can achieve win-win collaboration within the innovation ecosystem while maintaining their own core competitiveness.

In the integration strategy of innovation ecosystem, banks need to develop flexible and diverse cooperation models. For example, through incubators and accelerators, they can jointly develop new products and services with start-ups. This mode of cooperation can not only bring fresh ideas and vitality to banks, but also help start-ups enter the market quickly and realize commercial value. At the same time, banks can also gain access to the rapid application of potentially disruptive technologies through strategic investments or joint ventures. This cooperation model helps banks to lay out future markets in advance and seize opportunities.

Banks can also participate in the broader innovation ecosystem through industry alliances and joint projects. These alliances and projects

usually involve multiple industries and fields, which can pool more wisdom and resources to jointly address the opportunities and challenges brought about by industry changes. By participating in these alliances and projects, banks can expand their business scope and influence, and enhance their status and voice in the industry.

The integration strategy of the innovation ecosystem requires a cultural and structural transformation within the bank. First, banks need to encourage internal entrepreneurship and a trial-and-error culture. This means providing employees with a relaxed environment for innovation, allowing them the freedom to explore and try new things within limits. Even if they fail, they can learn from it and gain experience. This kind of culture helps to stimulate the innovation potential and creativity of employees.

Banks need to adopt flat organizational structures to speed up decision making and response. The traditional hierarchical organizational structure often leads to slow information transfer and inefficient decision-making. On the other hand, a flat organizational structure can reduce intermediate links and improve communication efficiency, enabling banks to adapt to market changes and customer needs more quickly.

Banks also need to recruit a wide range of talents from different fields, and introduce advanced technology and management concepts to optimize operations and service processes. As fintech continues to evolve,

so does the need for talent in the banking sector. Banks need to recruit talents with knowledge in multiple fields such as finance, technology and data analysis to provide intellectual support for innovation. At the same time, banks also need to introduce advanced technologies and management concepts, such as artificial intelligence, blockchain and cloud computing, to optimize their own operations and service processes and improve efficiency and customer satisfaction.

To ensure the deep integration of the innovation ecosystem with the banking sector, regulatory and policy support is critical. Banks should actively communicate with regulators and advocate for a regulatory framework that ADAPTS to innovation. This means that regulators need to provide certain room for banks to innovate on the premise of safeguarding financial stability and customers' rights and interests. For example, banks can be allowed to carry out innovation pilots in specific areas and explore new business models and technology applications. At the same time, regulators can also provide banks with necessary guidance and support to help them avoid potential risks and problems.

In addition, by establishing industry standards and best practices, ecosystem players can be guided to coordinate actions and jointly promote sustainable development of the banking sector. Industry standards and best practices are a summary of the banking industry's long-term development experience, which can provide useful reference and reference for banks.

By promoting these standards and practices, they can help banks improve operational efficiency, reduce risk costs and enhance customer satisfaction. At the same time, it will also help build a fair, transparent and trustworthy financial market environment and promote the healthy development of the banking sector.

3.3 The challenge of innovative bank management to financial stability business

The evolution of the global financial market has had a profound impact on the banking regulatory environment, prompting regulators to constantly adjust and update their regulatory policies to adapt to the new market reality. With the acceleration of financial globalization and financial innovation, the business model and risk structure of banks have changed significantly. For example, the rise of multinational banks and the complexity of financial products require regulators to focus not only focus on the financial stability of a single country, but also consider the systemic risks of cross-border financial activities. According to the Bank for International Settlements (BIS), the global banking assets have increased from about $40 trillion in 2000 to more than $100 trillion in 2020, underscoring the challenges facing the regulatory environment. After the financial crisis, the evolution of regulatory policy is reflected in the

strengthening of key indicators such as capital adequacy ratio, liquidity coverage rate, and leverage ratio, as well as the additional regulatory requirements for systemically important financial institutions. Like Paul Nobel Prize-winning economist, said: " The globalization of financial markets makes it necessary for regulatory policies to transcend national borders to ensure global financial stability." Therefore, regulators must take more coordinated regulatory measures to respond to the dynamics of global financial markets

The historical evolution of banking regulatory policy is the key to understanding the evolution and challenges of the current regulatory environment. Since the promulgation of the Glass-Steagall Act after the Great Depression in the 1930s, regulatory policy has been committed to reduce systemic risk by separating commercial banking from investment banking. However, with the rise of financial liberalization in the 1980s, regulatory policies began to shift to deregulation, such as the implementation of the Graham-Rich-Bulley Act, which marked a further blur of the boundaries between commercial banks, investment banks and insurance companies. During this period, the rise of financial innovations such as derivatives has improved market efficiency, but also made regulation more difficult. In the wake of the 2008 global financial crisis, regulatory policies were tightened again, such as the Dodd-Frank Act, which was designed to strengthen the stability of the financial system,

increase transparency and protect consumers. These historical developments show that regulatory policies are constantly evolving g. In order to adapt to the dynamic changes in the financial market, it is not only necessary to promote financial innovation, but also to prevent systemic risks

In the context of globalization, the regulatory environment of the banking industry has undergone a significant evolution, and financial innovation has become a key force driving this change. With increasing transnational transactions and the liberalization of capital flows, bank regulators are facing challenges on how to effectively regulate multinational financial institutions. International organizations such as the Bank for International Settlements (BIS) and the Basel Committee on Banking Supervision (BCBS), through the Basel Accord, provide a unified framework for global banking regulation designed to enhance the robustness of the banking system by managing capital adequacy, market risks and operational risks. However, financial innovations such as derivatives trading, shadow banking business and the rise of financial technology have brought new challenges to the traditional regulatory framework. For example, the application of blockchain technology not only improves the transparency of transactions, but also challenges regulators to adapt to and monitor new technologies. As Nobel Prize-winning economist Robert Schiller said: " F Financial innovation is an

important force for economic development, but it also needs proper oversight to ensure that it does not harm the economy."As a result, regulators must constantly update their regulatory rules to adapt to the rapid changes in the financial markets and ensure the stability and integrity of the financial system

The outbreak of the global financial crisis, especially the storm of 2008, has profoundly revealed the inadequacy and vulnerability of the banking regulatory environment. The crisis has not only led to a global recession, but also prompted regulators to review and tighten regulation of the banking sector. Since then, the evolution of the regulatory environment has placed a greater focus on risk management and transparency. For example, the introduction of Basel III is a major update to the original regulatory framework, aiming to enhance the stability of the banking system by raising capital adequacy requirements, introducing leverage limits and liquidity coverage standards. Moreover, regulators have learned lessons from the crisis and started to focus more on systemic risk, the interdependence between financial institutions and their impact on the stability of the entire financial system. The rise of Swiss Technology is also a product of the regulatory environment to adapt to new challenges. It uses artificial intelligence, big data analysis and other technical means to help banks more effectively identify, assess and manage risks. Paul Krugman, the Nobel Prize winner in economics, said: " The crisis is a signal of market

failure and an opportunity for regulatory reform." Therefore, the evolution of the banking regulatory environment is not only a reflection of past crises, but also a positive response to future challenges

Under the lessons of the global financial market evolution and the financial crisis, the restructuring and functional adjustment of regulators have become an important part of the evolution of the banking regulatory environment. The purpose of regulatory restructuring is to improve regulatory efficiency and ensure that the regulatory system can adapt to the rapid development of financial markets and the continued emergence of financial innovation. For example, after the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010, the Consumer Financial Protection Agency (CFPB) was established in the United States, which significantly strengthened the protection of consumer rights and interests and had a profound impact on the business model of banks. In Europe, the European Union has established a single regulatory mechanism (SSM) to strengthen the regulation and risk control of the banking sector, and extended the regulatory function of the European Central Bank (ECB) to the banking system of the euro zone.

The adjustment of the functions of regulators is reflected in the renewal and strengthening of the banking regulatory framework. The update of regulatory rules includes not only resetting traditional regulatory indicators such as capital adequacy ratio and liquidity coverage, but also a

comprehensive review of banking activities, such as shadow banking regulation and regulation of cross-border financial activities. For example, the implementation of Basel III sets stricter capital and liquidity requirements for the global banking sector, aiming to improve the resilience of the banking system. In addition, the functional adjustment of regulators is also reflected in the regulation of financial technology. The rise of RegTech provides regulators with new tools and methods to address the challenges posed by financial technology, such as the use of big data analytics to improve the efficiency and effectiveness of regulation.

The restructuring and restructuring of regulators will have a significant long-term impact on the banking sector. As a result, the banking business model has changed, and the relationship between the banks and their customers is being reshaped. For example, through the application of regulatory technology, banks can better manage compliance risk and provide more personalized and efficient customer service. The adjustment of regulatory functions has also promoted the pace of the digital transformation of the banking industry, and promoted the application of innovative technologies such as blockchain and cloud computing in the banking industry. These changes not only improve the operational efficiency of the banking industry, but also bring more choices and convenience to consumers.

Under the reflection of the evolution of the global financial market

and the lessons of the financial crisis, the update and strengthening of regulatory rules have become the core content of the evolution of the banking regulatory environment. Through restructuring and functional adjustment, regulators are constantly updating their regulatory rules to meet the challenges posed by economic globalization and financial innovation. For example, the implementation of Basel III not only raised the requirements of banks capital adequacy ratio, but also introduced new regulatory indicators such as leverage ratio and liquidity coverage rate, aiming to improve the stability of the banking system. The strengthening of these rules has prompted the banking industry to optimize its risk management and compliance systems, such as establishing a more detailed risk assessment model and strengthening its internal control mechanisms to meet increasingly stringent regulatory requirements.

The rise of Swiss Technology has provided new solutions for the banking industry to update and strengthen the regulatory rules. By applying advanced technologies such as artificial intelligence and machine learning, banks can more effectively handle regulatory requirements such as compliance checks, anti-money laundering, and counter-terrorism financing. For example, an international bank uses machine learning algorithms to analyze trading patterns to effectively identify and prevent potential fraud, which not only improves compliance efficiency, but also reduces economic losses and reputational risks caused by violations. The

application of the regulatory technology not only improves the compliance level of the banks, but also promotes the innovation and challenges of the regulatory technology itself.

The update and strengthening of regulatory rules have had a profound impact on the transformation of the banking business model and the reshaping of the relationship between banks and customers. As regulatory requirements increase, banks must adjust their business models, such as by trying to improve service efficiency and reduce operating costs through digital transformation. At the same time, strengthened regulations require banks to pay more attention to transparency and information disclosure when interacting with customers to enhance market confidence. For example, through the establishment of a customer data platform, large banks not only optimize the customer experience, but also improve the ability to identify and manage customer risks, reflecting the role of the regulatory environment in promoting the transformation of the banking business model.

The update and strengthening of regulatory rules also have an impact on the talent strategy of the banking industry. With the improvement of regulatory requirements, banks demand for professionals such as compliance and risk management has increased. Banks must train and introduce professionals to meet regulatory compliance requirements. For example, a bank cooperated with universities to provide financial

engineering and compliance management courses, and trained a group of professionals who understand both business and supervision, which not only improves the compliance level of the bank, but also lays a talent foundation for the long-term development of the bank.

In the evolution of global financial markets and the historical evolution of regulatory policies, the banking regulatory environment has changed significantly, especially in the optimization of risk management and compliance systems. With the acceleration of economic globalization and financial innovation, the banking industry is facing an increasingly complex risk environment, which requires banks to establish a better and more dynamic risk management and compliance system. For example, the implementation of Basel III not only improves the requirements of bank capital adequacy ratio, but also strengthens liquidity risk management, prompting banks to adopt more advanced risk assessment models, such as internal rating method (IRB) and stress test models, to cope with potential market fluctuations and credit risks.

The lessons learned from the financial crisis have prompted the banking industry to deeply reflect on and optimize its risk management and compliance system. In the collapse of Lehman Brothers, for example, the incident highlights the risk of inadequate risk management and lack of regulation. Therefore, banks began to pay attention to the cultivation of risk culture, and incorporated risk management into the core of the corporate

culture, to ensure that the board of directors and front-line employees have a clear understanding of the importance of risk management. At the same time, the optimization of the compliance system also requires banks to be able to flexibly respond to changes in the regulatory environment, such as the establishment of compliance inspection and audit mechanisms, to ensure the legality and compliance of business activities.

The rise of Swiss Technology provides new tools and methods for the optimization of risk management and compliance system in the banking industry. By applying technologies such as artificial intelligence, machine learning and big data analytics, banks can identify, assess and monitor risks more effectively, while improving the efficiency and accuracy of compliance work. For example, some banks have begun to use machine learning algorithms to analyze transaction patterns, timely detect suspicious transactions, and prevent money laundering. In addition, regulatory technology can also help banks better comply with data privacy regulations and ensure the security of customer information.

With the acceleration of economic globalization and financial innovation, the banking sector is facing unprecedented challenges, especially in anti-money laundering, counter-terrorism financing, consumer protection and risk management. The applications of financial technologies, such as artificial intelligence, machine learning, and big data analytics, provide new regulatory compliance tools for the banking sector

to help the banks identify and manage risks more effectively, while improving compliance efficiency and reducing costs.

For example, through machine learning algorithms, banks can analyze large amounts of transaction data in time and detect abnormal patterns in time, thus effectively preventing fraud and money laundering. According to McKinsey research, financial institutions can reduce the compliance costs of anti-money laundering activities by 30 to 40 percent by using big data and machine learning technologies. In addition, the application of AI in compliance monitoring, such as natural language processing (NLP), can automatically review and analyze legal documents and compliance reports, greatly improving the accuracy and efficiency of compliance work.

The rise of Swiss Technology not only brings the innovation of compliance tools to the banking industry, but also promotes the reform of the regulatory environment. The Bank for International Settlements (BIS) points out that regulatory technology can help regulators to better understand market dynamics and achieve more accurate regulation. For example, blockchain technology has broad application prospects in the banking industry, which can improve the transparency of transactions, reduce the risk of fraud, and simplify the compliance process. With distributed ledger technology, regulators can monitor transaction data in real time to ensure that market participants comply with relevant laws and regulations.

However, the application of financial technologies to regulatory compliance also faces challenges. The rapid development of regulatory technology requires regulators and banks to constantly update their knowledge and skills to adapt to the changes brought about by new technologies. At the same time, data privacy and security issues have also become an important aspect of the application of regulatory technologies. Regulators need to develop policies and standards to ensure protecting consumers data security and privacy while promoting innovation.

To sum up, the application of financial technology in banking regulatory compliance not only improves the efficiency and accuracy of compliance work, but also brings new challenges and opportunities to the regulatory environment. In the future, with the continuous progress of technology and the continuous evolution of the regulatory environment, the banking industry needs to continuously explore and practice the application of financial technology in the compliance process to achieve sustainable development. In developing and implementing strategies to combat climate change, banks must take forward-looking measures to assess and manage climate risks and ensure the stability of their balance sheets. For example, by introducing climate risk assessment models, such as the climate risk stress test, banks can predict the potential impact of extreme weather events on asset value. The Bank for International Settlements (BIS) noted that financial institutions need to incorporate

climate risk into a comprehensive risk management framework, which includes not only traditional credit risks and market risks, but also the assessment of physical risks and transition risks. In addition, the implementation of green financial policies such as the issuance of green credit and green bonds not only helps to guide the flow of capital to the low-carbon economy, but also improves the brand value and market competitiveness of banks. For example, ABN Amro AMRO has promoted sustainable development projects through its green loan products by successfully incorporating environmental factors into the loan decision-making process. In the carbon finance market, banks can not only provide financial support for emission reduction projects, but also create new sources of revenue for themselves by developing carbon financial instruments, such as carbon credit derivatives. The development and implementation of these strategies requires the banking sector to establish an intersectoral climate risk governance structure to ensure the effective implementation of climate risk identification, assessment and mitigation measures

In the process of tackling climate change, the banking industry is not only facing severe risks and challenges, but also breeds unprecedented opportunities. Risk management and opportunity grasp have become the core elements of the banking business strategy. For example, by introducing climate risk assessment models, such as climate risk stress

tests, banks can more accurately predict the impact of extreme weather events on asset values, thus adjusting their lending and investment strategies. The green bond market grew 22% in 2020 to $270 billion, according to the International Finance Corporation (IFC), indicating that investor demand for climate-friendly financial products is rising. By issuing green bonds, banks can not only raise funds to support sustainable projects, but also improve their market competitiveness and brand image. In addition, banks can use big data analysis to identify and manage climate risks, and predict potential physical risks and transition risks by analyzing historical climate data and future climate scenarios, so as to develop more effective risk management strategies. As UN Secretary-General Antonio Guterres said, " Climate ac is not only a moral responsibility, but also an economic wisdom." Banks are playing a key role in the process. By innovating financial products and services, they can not only reduce risk, but also seize opportunities, Promote the economy towards low-carbon and sustainable orientation

Glob, banks are increasingly aware of the far-reaching impact of climate change on financial stability and economic growth. The integration of the Sustainable Development Goals (SDGs) provides a framework and a guide to action for the banking industry to address climate change. For example, the SDG 13 explicitly proposes "taking urgent action to address climate change and its impacts," which requires the banking sector to

include climate risks as core considerations in risk assessment and management. The International Finance Corporation (IFC) report notes that green finance can provide critical financial support for achieving the Sustainable Development Goals. Through green credit policy and financial product innovation, such as green bonds and climate-related loans, the banking industry can not only reduce its balance sheet climate risk, also promote the development of renewable energy projects and support the sustainable development goal 7 (ensure that everyone can get affordable, reliable, sustainable and modern energy). In addition, SDG 12 (ensuring sustainable consumption and production patterns) encourages banks to promote the transformation of a low-carbon economy, such as carbon emissions trading and carbon financial instruments, through opportunities and challenges in carbon. Financial institutions are facing unprecedented challenges and opportunities in reporting and disclosing the sustainable development of the banking sector. As the climate risk of climate change becomes increasingly prominent, banks need not only to incorporate climate risk factors into their internal management, but also to transparently disclose their environmental impacts and coping strategies in their external reports. For example, under the recommendation of the International Financial Stability Board (FSB) Climate-related Financial Disclosure Working Group (TCFD), banks should disclose climate risk exposure, risk assessment methods, and mitigation measures for their

portfolios. With these disclosures, banks can show sustainability and demonstrate their commitment and progress to investors and regulators.

Take the ING bank in the Netherlands. In its sustainability report, the World Bank explains in detail the growth of its green financial products and how they could support the transformation of a low-carbon economy. ING bank also disclosed its specific goals and achievements in reducing its carbon footprint, including its commitment to achieve zero net emissions by 2030. The disclosure of these data and targets not only increases the transparency of banks but also their competitiveness in the market.

In addition, the analytical models adopted by banks in the disclosure process, such as carbon footprint calculation models and climate risk stress tests, provide investors with a tool to assess the banks exposure to climate risk. The application of these models will help banks to better understand the potential impact of their business activities on the environment, and to develop corresponding risk management strategies. As former UN Secretary-General Ban Ki-moon said: " Sustainable development is not only a moral responsibility, but also a kind of economic wisdom." Through the sustainability reports and disclosures, banks have not only fulfilled their social responsibilities, but also laid the foundation for their long-term financial stability.

CONCLUSIONS

In the analysis of the financial structure of the banking industry, macroeconomic factors and the impact of the banking industry itself on financial stability, this study summarizes and reveals the key role of capital adequacy ratio and asset and liability structure in maintaining financial stability.

Capital adequacy ratio is an important index to measure the relationship between bank capital and risk-weighted assets, which directly affects the risk-taking behavior and risk-resistant ability of banks. For example, during the global financial crisis in 2008, many banks suffered severe losses due to insufficient capital, underscoring the importance of capital adequacy ratios. In addition, optimizing the structure of assets and liabilities, especially liquidity risk management, is very important to prevent bank runs and systemic risks. Through international comparisons, we found significant differences in capital structure and balance sheet management strategies, which partly explains why some countries are more stable in the face of global shocks. Regulatory policies play an important role in guiding the optimization process of the financial structure of banks. Regulators develop and implement a range of policies, such as Basel Accord, to ensure the stability of bank capital and balance structures, thus maintaining the stability of the entire financial system

When analyzing the influence of the bank financial structure on the financial stability, we find that the capital adequacy ratio and the asset liability structure are two key factors. As an index to measure the relationship between bank capital and risk-weighted assets, the capital adequacy ratio directly affects the ability of banks to resist risks. The Bank for International Settlements (BIS) sets a minimum capital adequacy ratio of 8 per cent, but regulatory authorities in many countries have higher requirements. The United States, for example, requires banks to have a capital adequacy ratio of no less than 10%. This policy proposal aims to enhance the stability of the banking system by increasing the capital adequacy ratio and thus maintain financial stability. For example, during the 2008 global financial crisis, those banks with higher capital adequacy ratios were relatively more able to withstand lower asset prices and credit losses and maintain good liquidity. In addition, the optimization of the structure of assets and liabilities is also the key, a reasonable structure of assets and liabilities can reduce the liquidity risk of banks. For example, by increasing the long-term stable funding source and red due to relying on the short-term capital market, the liquidity crisis caused by the market turbulence can be effectively avoided. Regulatory policies play an important role in guiding banks to optimize their financial structure. For example, Basel III further strengthens the financial structure of banks by introducing new indicators such as leverage ratio and liquidity coverage

rate supervise. Therefore, it is suggested that regulators should continue to pay attention to and adjust their regulatory policies in a timely manner to adapt to the changes in the financial market and ensure the financial settlement of the banking industry.

Apendix A

Suggestions on foreign financial stability analysis indicators

Common index requirements	Ukraine	Britain	United States of America	Singapore
	GDP growth rate,	Macro-prudential tool	GDP growth rate	Singapore's economy is dominated by services, especially financial services, which makes it more sensitive to global economic fluctuations.
GDP growth rate	**Inflation rate,**	capital adequacy ratio	unemployment rate	The Singapore government has adopted prudent fiscal and monetary policies to maintain steady economic growth.
Inflation rate	**Unemployment rate,**	liquidity coverage ratio	Inflation rate (CPI)	Singapore has a sound financial regulatory framework, which is supervised by monetary authority of singapore (MAS).
unemployment rate	**Government debt level**	Financial leverage ratio	Interest rate level	The financial system includes commercial banks, investment banks, insurance companies, asset management companies and other financial institutions.
Government debt ratio	Covering the capital adequacy ratio of the banking sector,	Financial risk exposure	Fiscal deficit and government debt level	Singapore is one of the important international financial centers in Asia, with the Asian headquarters of many international banks.
Covering the capital adequacy ratio of the banking sector	**Non-performing loan ratio**	Institutions and systems for trading, clearing and settlement services.	Stock market performance (such as S&P 500 index)	The banking industry has high capital adequacy ratio and good liquidity, and can resist external shocks.
Non-performing loan ratio	**liquidity ratio**	Financial stability report	Bond market performance (e.g. bond yield curve)	Singapore Stock Exchange (SGX) is one of the major capital markets in Asia, providing a variety of financial products such as stocks and bonds.

liquidity ratio	**market concentration**	Bank of England supervision	Real estate market conditions (such as house price index)	The capital market has strict supervision, perfect information disclosure system and high market transparency.
market concentration	**Market value of securities market**	FCA supervision	Credit market conditions (such as bank loan standards and credit growth)	Financial institutions generally adopt advanced risk management tools and technologies to effectively manage credit, market and operational risks.
Market value of securities market	**Volatility**	PRA supervision	Bank capital adequacy ratio	Monetary authority of singapore requires financial institutions to conduct stress tests to assess their risk tolerance in extreme cases.
Volatility	**liquidity**		Bank asset quality (non-performing loan ratio)	Singapore actively promotes the development of financial technology, encourages innovation and ensures financial stability.
liquidity	**Solvency of insurance industry**		Bank liquidity situation	The rapid development of financial technology provides a supplement to traditional financial services, but it also brings new risks.
Solvency of insurance industry	**market penetration rate**		Leverage ratio of financial institutions	Singapore's economy is highly open and vulnerable to global economic fluctuations and changes in the trade environment.
market penetration rate	International oil price		Efficiency and security of payment system	Geopolitical risks, global financial market fluctuations and other factors may pose a threat to Singapore's financial stability.
	Financial market fluctuation		Stability of clearing and settlement system	Monetary authority of singapore has continuously strengthened its regulatory framework to adapt to changes and emerging risks in the financial market.
	Geopolitical risk		Supervision strength and efficiency of regulatory agencies	Regulators pay attention to the integration with international regulatory standards and strengthen cross-border regulatory cooperation.
	international capital movement		Degree of perfection of laws and regulations	

			Adaptability of monetary policy and fiscal policy	
			International trade and capital flows	
			The volatility of global financial markets	
			Geopolitical risk	
			Natural disasters and emergencies	
			Stress testing the financial system to simulate extreme economic and financial scenarios.	
			Evaluate the effectiveness of consumer protection measures	
			Monitor market confidence and investor sentiment.	

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