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EUROPEAN EXPERIENCE IN ENSURING THE FINANCIAL SECURITY OF FINANCIAL INSTITUTIONS

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Summary. The article is dedicated to exploring the essence of financial security for financial institutions in Ukraine in the context of a state of war and providing proposals for its enhancement. In light of international events, particularly the full-scale invasion and aggression by the Russian Federation, the insufficient level of financial security of Ukrainian financial institutions becomes exceptionally pertinent. Therefore, identifying internal and external threats to the financial security of these institutions during wartime, along with developing a strategy to neutralize these threats and enhance the effectiveness of financial security, emerges as an extremely relevant task. The article substantiates the significance of developing a strategic plan to bolster Ukraine's financial security, with a focus on the control of financial institution activities. The author meticulously examines key aspects and methods of ensuring stability and reliability of financial institutions in the European Union. Additionally, key elements of controlling financial institution activities within the context of Ukraine's financial sector development strategy are studied and compared with methods applied in other countries around the world. The article comprehensively examines practices and strategies for financial stability of institutions in European Union countries such as the Netherlands, Belgium, the United Kingdom, and the Czech Republic. Analyzing the practices of these countries, known for their successful results in ensuring economic stability and protecting consumer and investor rights, provides insights and recommendations for Ukraine's financial sector. A crucial aspect of the article highlights the role of regulatory bodies that define standards of business conduct, requirements for financial reporting, and the process of service delivery. Moreover, the article underscores the importance of innovation and financial literacy in ensuring the efficiency and competitiveness of financial institutions in the modern global environment. In conclusion, the article makes a significant contribution to understanding and addressing the issues of financial security in Ukrainian financial institutions, especially in the context of geopolitical challenges. The conclusions and proposals presented in the article have the potential to contribute to refining approaches to financial stability in other countries and developing effective strategies for Ukraine's financial institutions.

Key words: financial institutions, financial security, financial sector, European experience, threats.

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ЄВРОПЕЙСЬКИЙ ДОСВІД ЗАБЕЗПЕЧЕННЯ ФІНАНСОВОЇ БЕЗПЕКИ ФІНАНСОВИХ УСТАНОВ

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Резюме. Присвячено дослідженню сутності фінансової безпеки фінансових установ України в обставинах воєнного стану та надання пропозицій щодо його забезпечення. В контексті міжнародних подій, зокрема повномасштабного вторгнення та агресії РФ, недостатній рівень фінансової безпеки фінансових установ України набуває особливої актуальності. Саме тому визначення внутрішніх та зовнішніх загроз фінансовій безпеці фінансових установ в умовах воєнного стану, а головне розроблення стратегії нейтралізації цих загроз і підвищення ефективності фінансової безпеки є надзвичайно

актуальним завданням. Обґрунтовано значення розроблення стратегічного плану зміцнення фінансової безпеки України, зосереджено на контролі за діяльністю фінансових установ. Детально розглянуто ключові аспекти та методи забезпечення стійкості й надійності фінансових установ у Європейському союзі. Також вивчено ключові елементи контролю за діяльністю фінансових установ в контексті стратегії розвитку фінансового сектора України та порівняно їх з методами, які застосовані в інших країнах світу. Детально розглянуто практики та стратегії фінансової стабільності фінансових установ в країнах Європейського союзу, таких, як Нідерланди, Бельгія, Велика Британія та Чеська республіка. Аналіз практик цих країн, які відзначаються вдалимими результатами у забезпеченні економічної стабільності та захисті прав споживачів й інвесторів, надає можливість висновків та рекомендацій для українського фінансового сектора. Вказано на роль органів нагляду, які визначають стандарти ділової поведінки, вимоги до фінансової звітності та процесу надання послуг. Крім того наголошено на важливості інновацій та фінансової грамотності для забезпечення ефективності й конкурентоспроможності фінансових установ у сучасному глобальному середовищі. Стаття є вагомим внеском у розуміння та вирішення питань фінансової безпеки українських фінансових установ, особливо в умовах геополітичних викликів. Висновки та пропозиції можуть сприяти в удосконаленні підходів до забезпечення фінансової стабільності в інших країнах та розвитку ефективних стратегій для фінансових установ України.

Ключові слова: фінансові установи, фінансова безпека, фінансовий сектор, європейський досвід, загрози.

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Introduction. The issue of ensuring the financial security of financial institutions has always remained prominent, as the stability of the financial services market significantly influences the socio-economic development of the country. Regardless of the level of economic and technological development of each country, there is no universal system of protecting financial institutions from various threats.

New challenges for stable functioning and attempts to target the material and informational assets of institutions emerge on a daily basis. To achieve the highest level of financial security for financial institutions, it is prudent to implement prompt and clear methods of responding to threats, taking into account supervision and regulation of their activities.

It is particularly worthwhile to consider the matter of ensuring the financial security of financial institutions based on the study of European regulatory and supervisory experiences.

Review of the latest research and literature. A significant contribution to the study and development of this new field of knowledge has been made by both domestic and foreign scientists, including N. V. Zachosova [1], O. I. Baranovsky [2], O.B. Vasilyshchyn [3], L. A. Ptashchenko [4], T. V. Momot [5], and others. The primary proponents of the advancement of modern research on the financial security of financial institutions can rightfully be considered O. I. Baranovsky and M. Yermoshenko [6]. It would be pertinent to explore the European experience in ensuring the financial security of financial institutions for the purpose of its further adaptation to domestic establishments.

Main purpose of the article it involves analyzing the practices of European countries worldwide regarding the provision of financial security for financial institutions and the potential for their implementation in the financial sector of Ukraine.

Task setting. By analyzing the European experience in ensuring the financial security of financial institutions, key aspects can be identified that are relevant for potential implementation in the domestic financial system.

Statements of main issues of the study. Developed countries are characterized by the development of strategic plans aimed at enhancing national security, including the improvement of the financial stability of financial institutions. Recognizing the impact of the financial security of financial institutions on the economy, all countries operate based on an understanding of the significance of their performance outcomes and the level of financial stability. Regulatory bodies responsible for the activities of financial institutions exist in all countries. In 2010, an introduction took place European system of financial supervision (ESFS).

The EU has introduced a specific supervisory architecture, consisting of 3 European supervisory authorities and a board to monitor systemic risks. It consists of the European Systemic Risk BoardEN.

3 European supervisory authorities (ESAs), namely.

the European Banking Authority (EBA).

the European Securities and Markets Authority (ESMA).

the European Insurance and Occupational Pensions Authority (EIOPA).

Both the ESRB and the 3 ESAs started their operation in January 2011, following the adoption of a package of legislative acts. These comprise:

Regulation (EU) No 1092/2010 establishing the ESRBEN.

Regulation (EU) No 1096/2010 conferring specific tasks upon the European Central Bank concerning the functioning of the ESRBEN.

Regulation (EU) No 1093/2010 establishing the EBAEN.

Regulation (EU) No 1094/2010 establishing the EIOPAEN.

Regulation (EU) No 1095/2010 establishing the ESMAEN.

'Omnibus' Directive 2010/78/EUEN amending existing financial services legislation to ensure that the new authorities can work effectively.

In 2011 the EU adopted a further Omnibus II directive EN to clarify the powers of the new authorities, particularly in the insurance sector.

The adoption of these laws followed the proposals of a Commission communication on financial supervision EN and the recommendations of the de Larosière expert group. This group was mandated by the Commission to give advice on how to strengthen European supervisory arrangements in light of the failures of financial supervision exposed by the financial crisis.

The strategy for developing the European financial market is implemented by the respective regulatory bodies, taking into consideration the assurance of financial security for financial institutions. They provide obligatory recommendations that must be adhered to. To identify the specific aspects of overseeing the activities of financial institutions, let's conduct an analysis of supervisory bodies' operations in different countries [7].

For the control system in Ukraine, the experience of ensuring financial security for financial institutions in the Netherlands is most suitable. The oversight of the behavior of financial institutions in the Netherlands is carried out by the AFM (The Dutch Authority for the Financial Markets). AFM [8] exercises control in the following aspects:

fair and ethical provision of services is the primary focus of supervision, with emphasis placed on services and ethical business conduct of financial institutions. As a result, conditions are created for the provision of comprehensive and complete information about the services of a financial institution, enabling clients and investors to make informed decisions.

fair and effective competition is ensured by financial institutions providing timely and accurate information. Auditors, in turn, appropriately process the disclosed data.

In Ukraine, the National Bank of Ukraine, the National Securities and Stock Market Commission, the National Commission for State Regulation of Financial Services Markets, the Ministry of Finance of Ukraine, and the Individual Deposit Guarantee Fund have approved the Strategy for the Development of the Financial Sector of Ukraine until 2025. This strategy envisions the development of the financial sector along five main directions [9], among which the following are noteworthy:

- Strengthening financial stability.
- Promoting macroeconomic development and economic growth.
- Developing financial markets.
- Expanding financial inclusion.
- Implementing innovations in the financial sector.

Reforms are planned across all segments of the financial sector, including the banking market, non-banking financial institutions, and capital markets. If the strategy is successfully implemented, within 5 years, a transparent, competitive, stable, and high-tech financial sector will be established.

After analyzing the implemented Strategy for the Development of Ukraine's financial sector, its requirements for the functioning of financial institutions, and the regulatory experiences of other countries, it can be noted that certain regulatory aspects remain relevant. For instance, to ensure the economic stability of financial institutions in Ukraine, much like in European countries, considerations encompass the protection of consumer and investor rights, accuracy and accessibility of information, as well as creating favourable conditions for the entry of new financial institutions into the market.

In Belgium, there is an authority responsible for supervising financial conduct known as FSMA (Financial Services and Markets Authority). Among its key competencies [10], the following can be highlighted:

- monitoring financial markets and controlling the dissemination of financial information by financial institutions - ensures the completeness and accuracy of the information disseminated by institution;
- compliance with business conduct rules (ensuring fair competition) - ensuring proper treatment of clients and partners. Financial institutions can provide only those services that correspond to the client's risk;
- service adequacy – the services provided by financial institutions must be clear, beneficial, and acceptable in terms of investor risk level, while also conforming to current legislation. Supervision of financial institution services is divided into two stages: verifying the quality of informational and advertising materials, and oversight of compliance with requirements;
- enhancing financial literacy - improving clients' knowledge in the field of financial services helps strengthen trust in financial institutions. To regulate this aspect, a specialized service has been established.

In the United Kingdom, the oversight of activities and financial stability of financial institutions is carried out by the corresponding regulatory body - the FCA (Financial Conduct Authority). FCA [11] directs its efforts towards achieving three operational objectives: ensuring the integrity of the financial system, supporting competition, and safeguarding clients of financial institutions.

To ensure the integrity of the financial market, FCA takes the following measures:

- develops regulatory acts - codes of market conduct that define the requirements for the business behavior of financial institutions;
- describes models of behavior for financial institutions (including requirements for employees) that are considered abuses of position or not;
- establishes standards for addressing market abuses (such as dissemination of false information or insider information leakage).

The second direction is to promote competition. To achieve this, FCA:

- requires financial institutions to provide quality and accurate information to consumers, helping them make effective decisions;
- ensures fair competition and prevents abuse of dominant positions;
- facilitates the entry of new financial institutions into the market;
- supports innovation in the activities of financial institutions.

While performing its third important function of consumer protection, FCA carries out the following tasks:

- ensures customer-centricity, requiring financial institutions to provide an adequate level of confidentiality protection for consumer information and prioritize their interests over their own profits.

– provides continuous informational support to customers of financial institutions in matters of consultation and issue resolution.

Researching the experience of a less developed country like the Czech Republic confirmed that in this country, the Czech National Bank [12] performs the function of supervising the financial market and its institutions. It actively monitors developments and introduces new requirements or initiates actions for their implementation. It develops a financial market control system with clearly defined responsibilities and objectives.

The Czech National Bank enjoys legislatively enshrined independence in the supervisory sphere, enabling it to take actions regarding subordinate financial and credit institutions at its own discretion. The bank employs organizational measures to ensure the independence of supervision from any other activities that may cause conflicts of interest in its supervisory work.

During the supervisory activity, conclusions of the analysis of the financial institution's economic stability, conducted within the framework of macroprudential policy, are taken into account.

The organization of supervision over the activities of financial and credit institutions is designed to ensure a seamless flow of information and to make appropriate decisions at each level of management.

In the supervision system of Czech financial and credit institutions, significant attention is given to avoiding conflicts of interest between the supervisory work of the Czech National Bank and the personal interests of the staff.

The approach of the Czech National Bank is intriguing, as it is based on a forward-looking assessment of the risk profile of financial institutions, proportionate to their systemic importance. This system identifies significant risks associated with their activities and quantitatively assesses their impact. Additionally, it identifies systemic risks related to the behavior of financial market participants.

The Czech National Bank determines the intensity of its supervision over specific areas of the financial market and particular institutions based on the outcomes of this system. During supervision, compliance with regulatory requirements in the field of supervision and professional oversight is also assessed. These two areas of control are subject to continuous monitoring, reflecting the interconnection between them.

Inspectors of the Czech National Bank often engage with the top management of financial and credit institutions and maintain ongoing communication with middle management. The purpose of these contacts and communications is to gain detailed insights into the strategy of the subordinate institution and a general overview of its management and relationships with other members of the business group to which it belongs.

Taking into consideration the aforementioned analysis of European countries' approaches to ensuring the financial security of financial institutions, it should be noted that currently in Ukraine, there would be a need to implement several additional measures. Among these, the following should be highlighted:

1. The analysis of the financial services market is conducted to identify existing threats and potential future risks. Based on the obtained results, an individual system for ensuring the economic security of the financial and credit institution is formulated. This enables effective implementation of measures and allocation of resources to specific aspects of operation, avoiding unnecessary expenditures.

2. The emphasis should be placed on the importance not only of the financial indicators of the financial institution but also on the professionalism, responsibility, and corporate culture of the administration and employees of the institution.

3. Implementing a comprehensive approach to developing an internal code of conduct for the financial institution, taking into account the identification and resolution of potential conflicts of interest.

3. Encouraging innovation in the operations of the financial institution

Upon the recommendation of the international firm Dentons [13], which provides legal services to international and Ukrainian companies, banks, and other financial institutions, direct investment funds, startups, state enterprises, private individuals, and nonprofit organizations, key elements for ensuring financial security in the operational structure of financial institutions are provided. These recommendations are relevant for implementation in the operations of financial institutions in Ukraine:

- significance of services. This aspect describes how crucial the impact of providing inadequate services is on the economic stability of the financial institution.
- impact determination. While ensuring the financial security of financial institutions, specific indicators of the maximum error level for each type of operation should be identified. Accordingly, the institution makes managerial decisions to avoid reaching the maximum error level.
- scenario testing. Financial institutions must periodically conduct scenario testing (rigorous yet realistic situations) to assess how the institution responds to threats.
- mapping creation. Financial institutions should deeply understand and depict the systems and processes that ensure their financial security.

Implementing the mentioned recommendations in practice will require the financial institution to undertake significant tasks of meticulous planning, management, and control of the institution's financial security. However, this will enable a comprehensive approach to risk assessment, timely response, and mitigation of the impact of threats on the institution.

Conclusions. After studying the regulatory aspects of ensuring the economic security of financial institutions in different countries, it is worth noting that their approaches emphasize qualitative indicators. Among them are efficiency and style of interaction with clients, the use of accurate information in promotional materials, the level of trust in financial institutions, the availability of official statistical data from financial institutions, and the promotion of innovation.

The question of financial performance efficiency occupies a central place in the system of analysis and control of the economic security of financial institutions. However, in parallel with this, qualitative aspects of the institution's operation are also thoroughly studied and analyzed as part of a comprehensive approach.

Висновки. Вивчивши регуляторні аспекти забезпечення економічної безпеки фінансових установ у різних країнах, варто зазначити, що в їхніх підходах акцент робиться на якісних показниках. Серед них – оперативність і стиль взаємодії з клієнтами, використання достовірної інформації в рекламних матеріалах, рівень довіри до фінансових установ, наявність офіційних статистичних даних фінансових установ, сприяння інноваціям.

Питання ефективності фінансової діяльності посідає центральне місце в системі аналізу та контролю економічної безпеки фінансових установ. Паралельно з цим у рамках комплексного підходу також ретельно вивчаються та аналізуються якісні аспекти роботи установи.

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