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DIRECTIONS OF IMPROVING THE STATE REGULATION OF THE ACTIVITIES OF BANKING INSTITUTIONS IN THE CONTEXT OF THE FORMATION OF THE INFORMATION SOCIETY AND IN THE CONDITIONS OF EUROPEAN INTEGRATION OF UKRAINE

The article defines the peculiarities of the state regulation of the activities of banking institutions in the context of the formation of the information society and in the conditions of the European integration of Ukraine. The current state of the banking system of Ukraine is characterized. The problems and contradictions of the state regulation of the activity of banking institutions in the context of the formation of the information society and in the conditions of the European integration of Ukraine are identified. The areas of improvement of the state regulation of the activity of banking institutions in the context of the formation of the information society and in the conditions of the European integration of Ukraine have been determined.

Keywords: public management and administration, state regulation, banking system, banking institutions, state regulation of banking institutions, information society, European integration.

Problem setting. Primary attention to the formation of a digital society is an integral prerequisite for the further development of modern civilization. One of the most important factors for ensuring the sustainable development of a digital society in the long term is the transition to comprehensive informatization and digitalization of the banking system, which not only improves the dynamics of socio-economic transformations, but also improves the quality of life and well-being of the population. Modern challenges and threats to the sustainable development of Ukraine are largely caused by russian military aggression and are the factor under the influence of which the state should direct its efforts in the direction of ensuring the stability of the economy and social institutions, form and implement an appropriate system of state regulation of the activities of banking institutions, including taking into account European integration vector of our country's development.

Recent research and publications analysis. Scientists such as D. Bilenchuk, P. Bilenchuk, O. Dyachuk, Ya. Vinokurov and others have devoted their publications to the study of the peculiarities of state regulation of banking institutions in modern conditions [2; 3; 4].

However, many theoretical, methodological and practical issues related to the determination of directions for improving the state regulation of banking institutions in the context of the formation of the information society and in the conditions of the European integration of Ukraine remain insufficiently researched.

Paper objective. The purpose of the article is to determine directions for improving the state regulation of banking institutions in the context of the formation of the information society and in the conditions of the European integration of Ukraine.

Paper main body. Ukraine's declared European integration aspirations provide for the adaptation of national legislation to EU legislation and is an international obligation stipulated by the Partnership and Cooperation Agreement between Ukraine and the European Communities dated June 14, 1994, according to which our country undertook to adapt its legislation to the legislation EU. On September 16, 2014, the Verkhovna Rada of Ukraine and the European Parliament simultaneously ratified the Association Agreement between Ukraine and the EU, which defines a qualitatively new format of relations between Ukraine and the EU based on the principles of "political association and economic integration" and serves as a strategic reference point for systemic socio-economic reforms in Ukraine [7].

The overall progress in the implementation of the Association Agreement between Ukraine, on the one hand, and the European Union, the European Atomic Energy Community and their member states, on the other hand (hereinafter - the Association Agreement) for 2014-2023 increased from 72% in 2022 to 77% in 2023, i.e. by 5 percentage points (in 2023, the progress of the tasks of the Association Agreement was 88%). In terms of various performers, the overall progress in the implementation of the tasks of the Association Agreement for 2014-2023 was: Cabinet of Ministers of Ukraine - 75% of measures have been completed; Verkhovna Rada of Ukraine - 64%; other state authorities (state authorities that do not belong to the legislative and executive branches of government (NBU, NABU, SBU, etc.)) – 62% of measures have been implemented [5].

That is, it can be stated that the state authorities of Ukraine in certain spheres and directions do not yet fully ensure the implementation of the Association Agreement between Ukraine and the EU, which requires a corresponding improvement of the state policy of European integration of Ukraine with the EU in order to ensure the necessary dynamics of sustainable development of our state in the conditions of existing challenges and threats.

It should be noted that the overall progress of the implementation of the Association Agreement between Ukraine and the EU for the period 2014-2023 in the direction of "Financial services" is lower than the average indicator of the implementation of the Agreement and is 68% [5].

An integral component of European integration measures in the direction of "Financial services" is the implementation of EU legislation in the activities of banking institutions.

Thus, within the scope of the further transformation of the system of state regulation of the activities of banking institutions in the context of the formation of the information society and in the conditions of the European integration of Ukraine in 2023, a number of regulatory and legal documents were adopted at the legislative level and many important state management decisions were approved.

Thus, in August 2023, in order to support financial stability in Ukraine during the period of martial law in the country, the institutions responsible for supporting financial stability in Ukraine approved a new Strategy for the Development of the Financial Sector of Ukraine, the measures of which are conditionally divided into short-term (aimed at ensuring stability, preventing deterioration of the situation in the financial sector and the economy in general) and in the medium term (will become the basis of future reconstruction and growth of the economy) [5].

In addition, during 2023, activities were carried out to approximate the legislation of Ukraine on resolution of credit institutions. For this purpose, a draft of the Law of Ukraine on Amendments to the Law of Ukraine "On the System of Guaranteeing Deposits of Individuals" was prepared, which implements the provisions of the Directive of the European Parliament and the Council No. 2014/59/EU of May 15, 2014 on establishing a framework for restoring solvency and settlement of credit institutions and investment firms. It is currently being processed with external stakeholders, in particular with FinSac World Bank. Draft resolution plans were developed and updated for banks classified as problematic, as well as other banks, in respect of which the executive directorate of the Individual Deposit Guarantee Fund made a decision to provide relevant information for the purpose of performing the functions and powers entrusted to the Individual Deposit Guarantee Fund in accordance with the Action Plan on the implementation of the Letter of Intent of the Government of Ukraine and the National Bank of Ukraine to the International Monetary Fund dated June 19, 2023 and the Memorandum on Economic and Financial Policy. The structure of the information content of the specified settlement plans was as close as possible to the requirements of the content of the settlement plans according to EU legislation [5].

In order to ensure balance in the implementation of European requirements and preserve the potential of the banking system to increase credit support for the national economy, from August 5, 2024, updated requirements of the Law of Ukraine "On Banks and Banking Activity" were put into effect, according to which banks switched to a three-tier capital structure and new norms of its sufficiency.

According to these changes:

• capital is divided into three components instead of two: primary capital of the first level, additional capital of the first level and capital of the second level;

• the highest quality component of the capital – the first-level fixed capital, which is the closest equivalent of the fixed capital according to the previous structure, was replenished due to the possibility of taking into account the profits of previous years and the current year in this new component of the capital. Until now, the profits of banks were mainly included in the additional capital under the previous structure. Therefore, compared to the amount of the core capital of UAH 178 billion as of August 1, 2024, the size of the core capital of the first level was already UAH 238 billion as of September 1, 2024;

• regulatory capital of banks is expected to decrease to almost UAH 245 billion. The main factors of the decrease are additional deductions from the capital of assets (deferred tax assets, revaluations, investments, etc.) and planned dividends to be paid [1].

At the same time, in order to ensure balance in the implementation of European requirements and preserve the potential of the banking system to further increase credit support for the economy, the National Bank of Ukraine introduced a number of transitional provisions, which provide for:

1. Application of a step-by-step schedule for achieving the minimum value of the regulatory capital adequacy standard, namely:

• from August 5, 2024 to December 31, 2024 – in the amount of not less than 8.5%;

• from January 1, 2025 to June 30, 2025 – not less than 9.25%;

• from July 1, 2025 – not less than 10%;

2. Giving banks the right to include in Tier 1 core capital:

• the amount of profit for the first half of the year and nine months of 2024 without prior approval by the National Bank and an auditor's review of interim financial statements. At the same time, the amount of profit must be reduced by the amount of dividends determined to be paid from such profit, and the period of inclusion of such profit in the capital is limited to the date of the annual general meeting based on the results of 2024;

• funds received by the bank as payment for ordinary shares or aimed at increasing their nominal value. Banks have the right to include such funds in their capital during 2024, which will contribute to the completion of recapitalization measures already initiated by banks;

3. Giving banks the right to include in the calculation of additional capital of level 1, capital of level 2, instruments with write-off / conversion conditions, subordinated debts for the period of conciliation procedures carried out by the National Bank in accordance with the documents submitted by the banks [1].

The above-mentioned transition to a new structure had a positive effect on the current state of Ukraine's banking system in the context of European integration, allowing to maintain almost double the capital stock of all levels, and the calculated indicators of banks' capital correspond to existing regulations.

Thus, as of September 1, 2024, in general, all banks in Ukraine meet the minimum requirements for the adequacy of Tier 1 core capital, Tier 1 capital, and regulatory capital, and the above standards were:

• the average regulatory capital adequacy ratio of banks is 16.2% at the permissible level, taking into account transitional norms of at least 8.5%;

• average standards of capital adequacy of the first level and core capital of the first level are 15.7% for a regulatory level of at least 7.5% and 5.625%, respectively [1].

Making changes to the capital structure, together with the transition period granted to banks, significantly increased the ability of banks to further increase lending. The profitability of banks continues to support their capital, which makes it possible to painlessly introduce capital adequacy requirements in accordance with EU norms, which is a determining factor for ensuring that the banking system fulfills its main function - credit support for the economy and the recovery of the country in the conditions of a full-scale russian invasion [1].

In 2025, the National Bank of Ukraine plans to conduct a new assessment of the stability of the banking system in order to assess the adequacy of banks' capital to cover unexpected losses in crisis conditions. Pending the results of this assessment, the preservation of banks' capital in the system to ensure its stability and ability to increase lending will remain a priority [1].

It should be noted that, thanks to the active implementation of European integration reforms, the current state of the banking sector of Ukraine is satisfactory, and its profitability is stable. Banks continue to increase capital, which enables the National Bank to implement new regulatory requirements in accordance with European standards and in the context of Ukraine's European integration aspirations.

Thus, at the June meeting in 2024, the Financial Stability Board recommended a gradual increase in the target indicator of the Individual Deposit Guarantee Fund (FGVFO), starting from 2.5% as of January 1, 2025, until reaching its level of 3.5% by 1 January 2028 [6].

The Individual Deposit Guarantee Fund is an institution that, on behalf of the state, guarantees the return of deposits to every depositor in the event of bank liquidation and reimburses every depositor of the bank the full amount of the deposit, including interest accrued as of the end of the day preceding the day of the start of the procedure for withdrawing the bank from the market , except for the cases provided for in the fourth part of Article 26 of the Law of Ukraine "On the System of Guaranteeing Deposits of Individuals" [9].

The introduction of the specified target indicator will allow the deposit guarantee system to be filled with financial resources in order to cover, if necessary, the risks that arise as a result of the insolvency of banks that are participants in the guarantee system. The specified indicator reflects the required level of resources of the deposit guarantee system of individuals, sufficient to cover the expected future expenses of the FGVFD (taking into account the possibility of crisis phenomena in the future) in relation to the amount of guaranteed funds of depositors. In accordance with the legislation, the value of the target indicator of the FGVFO cannot be less than 2.5% of the amount of depositors' funds guaranteed by the FGVFO within the limits of the compensation amount. FGVFO calculates the necessary value of the target indicator to protect against the risks inherent in the domestic financial system. If the calculated value of the target indicator by the FGVFD exceeds the minimum, then the FGVFD proposes an updated value of the target indicator and the deadline for its achievement for the consideration of the Council for its provision of appropriate recommendations and approves the decision of the executive directorate of the FGVFD, taking into account the recommendations of the Council.

Setting the target indicator of the FGVFO in the amount of 3.5% of the total guaranteed amount of reimbursement until January 1, 2028 will allow the deposit guarantee system to be capitalized in an amount sufficient to cover the projected volume of bank insolvency risks in the event of crisis phenomena and reimbursement of possible costs. The main source of capitalization of the guarantee system is the receipt of contributions from banks - participants of the Fund [6].

It should be noted that until recently, the maximum amount of reimbursement for deposits for individuals in case of liquidation of a bank in Ukraine was UAH 200,000. However, in connection with the russian invasion of Ukraine, additional measures were applied to protect depositors: Ukrainians are guaranteed 100% reimbursement of all deposits for the duration of martial law and for three months from the date of its termination or cancellation, and the amount of the maximum amount of reimbursement for deposits cannot be less UAH 600,000, which at the current exchange rate for October 2024 is about €13,000 [9].

For comparison, this is much less than in the European Union, where a payment of up to €100,000 is provided for one person whose deposit was kept in the accounts of a bankrupt bank [4], and in the conditions of European integration and integration with the subsequent predicted accession of Ukraine to the EU, it is advisable to gradually increase the guaranteed the amount of return of deposits to each depositor in case of liquidation of the bank.

The further transformation of the system of state regulation of the activities of banking institutions in the context of the formation of the information society and in the conditions of the European integration of Ukraine should be implemented through the adoption at the legislative level and the implementation of the relevant strategic program documents in the state management practice.

Thus, in May 2024, the Strategy of the National Bank of Ukraine until 2025 was updated, which is not only focused on resisting russian aggression and restoring the country and defining key structural reforms, but also aimed at implementing monetary and currency policy measures, planning for recovery and further development of the banking system, including in the conditions of European integration of Ukraine. Thus, one of the goals of the Strategy of the National Bank of Ukraine "Financial Fortress of Ukraine" "Efficient Central Bank" provides for ensuring stability, efficiency, uninterrupted operation of the central bank. Achieving this goal, among other things, involves the European integration of the financial (including banking) sector of Ukraine, as well as international cooperation and exchange of expertise [8].

In addition, in 2023, Ukraine became a full member of the Development Bank of the Council of Europe (hereinafter referred to as the “Council of Europe Development Bank”), which provides an opportunity to use all available financial instruments of the bank, in particular, project and program lending, cross-industry lending, the EU co-financing mechanism, the state financing mechanism sector of the economy and public-private partnership financing [5].

Therefore, the formation and implementation of modern state policy in the banking sector of Ukraine's economy should take place through the further comprehensive sustainable development of an integrated banking system in accordance with existing European standards and in the conditions of further comprehensive international integration.

Conclusions of the research and perspective of further development in this direction. Thus, the current complex socio-economic situation in Ukraine, which is caused by russian military aggression, indicates the need to ensure the macroeconomic, including financial security of the country through the balanced development of the banking system through the implementation of the following strategic priorities: further improvement of the regulatory and legal framework of the system of state regulation of activity banking institutions and bringing it into line with the recommendations of international organizations and EU directives in the specified area; improvement of state administration in the field of ensuring the security of the banking system, as a component of the financial security of the state and a necessary component of national security; coordination of joint efforts of state and local self-government bodies, public organizations, business, scientists, experts, mass media, consumers of banking services to ensure the stability of the banking system; further development of public-private partnership project financing with the support of international financial institutions, in particular the EBRD; introduction of modern methods and standards of banking services for clients in order to improve the quality of their services.

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