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## **THE BANKING SUPERVISION BASED ON RISK ASSESSMENTS**

In a globalized world economy financial markets in many countries are becoming increasingly interdependent. Ensuring the sustainability of the economy, including its important part - the banking system, is a key priority of any state. Crisis prevention is directly related to the identification and management of risks. With the growing lending volumes are growing risks of the banking system, which should be evaluated, measured and minimized. Now banking is changing not only the approach to survival of banks, but also supervising them.

In this regard, particular urgency is to identify trends and prospects of banking supervision development to improving the efficiency of banks. This issue is described in writings of following Ukrainian economists: Baranowski A.I, Krylov V.V., Mishchenko V.I., Peter O.I. and others. But the mentioned problems, given its relevance, requires new theoretical and practical research in view of the current unstable economy.

The aim of research is detailed study of the main approaches and improving the organization of banking supervision in Ukraine on the basis of a risk-oriented approach.

The necessity of analysis, qualitative and quantitative estimation of risk in banking sector originates from relationship between the state of the banking system and economic growth of the country. In turn, support of sustainable economic growth and stability of the banking sector is impossible without a clear idea of their current problems, including the risks arising during the banking activity. Risk analysis of the banking system of Ukraine shall be performed by banking supervisors. The objectives of supervision in this area include: analysis and assessment of the financial

condition of banks, monitoring of the banking laws compliance, the use corrective measures by bank supervisors[1, c. 6].

The complexity of the evaluation process of bank risk is determined by the following factors: the complexity of the banking sector analysis; limited information on banking institutions derived from bank reporting forms; lack of developed regulations that allow for an adequate risk assessment and their imperfectness; lack of systematic information for a comprehensive assessment of the risks in banking institutions and the banking system as a whole; lack of a unified information and analytical space that combines all sources of information about the banking system, algorithms and methods of risk assessment.

According to the concept of supervision based on risk assessment the direction of the bank and supervisory board are responsible for risks monitoring of risks. National Bank determines how well the bank manages over a period, not only assesses the state at a time. Given the risk-based oversight the National Bank operates rather like a superintendent than auditor.

The scheme of banking supervision based on risk assessment can be presented as five consecutive steps: risk identification; risk measurement and separation of its legal component; evaluation of risks management; allocation of bank resources in area of increased or increasing risk; use of appropriate tools of bank problem areas monitoring. Regardless of the structure of each bank the risk management program should include: identification of risk; risk measurement; risk control; risk monitoring [2, c. 28].

Effective risk management involves consistent legal provisions, processes, personnel and systems of control and accountability. Advisable thesises are based on and reflect the mission, values and principles of the institution. They also clarify the institution tolerance for the risk. Well-designed, legally justified monitoring system allow the supervisory board to hold the bank responsible for management of operations within established tolerance levels [1, c. 5].

Thus, based on the analysis of scientific papers and legal documents, we determine that an effective system of banking supervision should have clearly

determined responsibilities and objectives for each authority involved in the supervision of banks. Such a body should have operational independence, transparent processes, sound governance and adequate resources, and be accountable for the performance of their duties.

Increased functional efficiency of banking supervision will be provided by redirecting its priorities to the real risks of banking. It is necessary to perform organization of effective banking supervision so that achieving of the objectives is performed with least resources, while increasing operational efficiency of the process. The main thing in this direction is the optimization of the banking supervision.

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