THE IMPORTANCE OF APPLYING INTERNATIONAL REQUIREMENTS TO ENSURE THE SUSTAINABILITY OF THE BANKING SYSTEM

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ANNOTATION: *It is written about modern programs to increase the efficiency of the banking system and financial stability of banks, as well as to expand access to banking services.*

The new requirements of the Basel Committee are presented in a study aimed at increasing the transparency of the capital base.

KEYWORDS: Banking system, banking resources, banking services, innovative technologies, financial stability, commercial banks, Moody's, Fitch Ratings, Standard & Poor's, Thompson Financial Bank Votch, Japan Credit Rating Agency, Rating Agency Malaysia», «Standard & Poor's», «Moody's», «Fitch ratings».

Today, the structural and qualitative changes in the economy continue to increase the resource capital of banks, further expand the range of banking services, increase competition through the use of innovative technologies, develop relations with global financial and banking structures and develop projects in the banking and financial innovation segment. appears as an important description.

Increasing the level of capitalization and liquidity of banks will ultimately create a solid foundation for their financial stability. At the same time, the intensification of banks' participation in investment reforms through the implementation of large-scale reforms will form a stable resource base.

In our country, since 2008, commercial banks have received such international ratings as Moody's, Fitch Ratings, Standard & Poor's, Thompson Financial Bank Votch, Japan Credit Rating Agency, Rating Agency Malaysia. continued cooperation with companies [1].

Today, the banking system of our country operates as one of the most stable systems that strictly meets international requirements.

This is confirmed by the fact that in recent years the banking system of Uzbekistan has been consistently assigned a "stable" rating by international rating agencies such as Standard & Poor's, Moody's and Fitch Ratings.

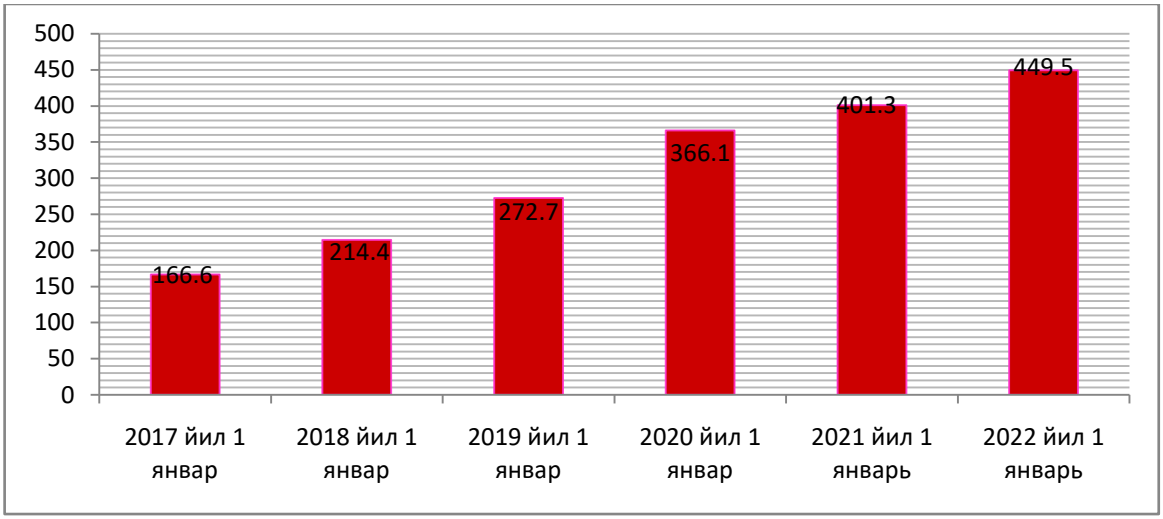

Figure 1. Growth dynamics of capital of commercial banks (billion soums).

In 2008, 12 commercial banks operating in the country received "stable" ratings from international rating agencies Moody's, Fitch Ratings and Standard & Poor's. In 2010, they received 15, in 2011 - 23, and in 2014 The assets of these banks account for 98% of the total assets of the banking system of the country.

In order to increase the efficiency of the banking system and financial stability of banks, as well as expand access to banking services and reduce the state share in the banking system, the President of Uzbekistan signed a decree "On Strategy for Banking Reform in 2020-2025."

In accordance with this Decree, a decision was made to privatize Ipoteka Bank, Uzpromstroybank, Asakabank, Aloka Bank, Qishloq Qurilish Bank and Turon Bank. As part of the implementation of the strategy in 2020, the International Finance Corporation (IFC) will provide Ipoteka Bank with 35 million Uzbek soums to support the privatization of the bank and increase lending to small and medium-sized businesses. Allocated a loan in the amount of USD.

In addition, Uzpromstroybank has launched a transformation program. The Bank has taken the first steps towards commercializing its business model and reforming corporate

governance. At the same time, the European Bank for Reconstruction and Development (EBRD) provides support and advice to the bank on privatization, improvement of treasury operations, asset and liability management. In particular, in 2020, Uzpromstroybank and the EBRD will provide $ 40 million to finance local producers, exporters and small and medium-sized businesses. A loan agreement was signed to attract a credit line in the amount of $ 1 billion. The bank has introduced underwriting, which allows lending operations to be carried out without the involvement of an employee.

The increase in the level of capitalization and deposits of banks is a solid basis for increasing the volume of active operations, in particular, further expanding lending opportunities, the growth of total assets of banks [2].

Adoption of the Resolution of the President of the Republic of Uzbekistan No. PP-1438 of November 26, 2010 "On priorities for further reforming and enhancing the stability of the financial and banking system and achieving high international ratings in 2011-2015" started a new stage in the development of the banking system. In accordance with this decision:

1. Further capitalization of commercial banks in accordance with the requirements of international standards set by the Basel Committee, increase financial stability and liquidity of banks by attracting private capital in this area, increasing resource bases, improving asset quality, improving banking performance;

2. Modern analysis and evaluation of the activities of individual banks and the entire banking system on the basis of international norms, standards and criteria used by leading international rating companies and allowing an objective assessment of the performance of individual banks and the entire banking system to a higher level. priorities such as the introduction of the system have been identified.

Due to the effects of the global financial crisis, the Basel Committee on Banking Supervision adopted two documents in December 2010: Basel III: General Regulatory Approaches to Enhancing the Stability of Banks and the Banking System and Basel III: International Approaches to Liquidity Risk Measurement, Standards and Monitoring. . These documents are collectively referred to as Basel III. These documents reform the international regulation of capital and liquidity, with the aim of strengthening the banking

sector and increasing its resilience to the pressures of financial and economic depression. It is also to strengthen the regulation and supervision of banks.

The Central Bank of the Republic of Uzbekistan pursues a policy in the field of banking supervision, bringing it as close as possible to international standards, and this is fully recognized by reputable international financial institutions. It would therefore be expedient to consider the Basel III system in comparison with the Basel II (Capital Agreement of the Basel Committee) previously adopted in 2004.

Basel II consists of three main parts. The first part reflects the minimum requirements for bank capital. The minimum level of capital should be sufficient to protect against credit, market and operational risks. Accordingly, the options for calculating the risks in the relevant three areas are identified. The second part describes the basic rules of the supervisory process, risk management, transparency and reporting to the banking authorities. The third section provides an incentive to strengthen market discipline by disclosing information about capital and risk assessments.

Although a number of changes and additions have been made to Basel II, its basic rule is to determine the amount of regulatory capital required to pass through Basel I, leaving the minimum regulatory requirements for it unchanged. That is, the total capital must be at least 8% of the amount of credit, market and operational risk (VR).

Basel III envisages a new approach to capital standards, both in terms of capital structure and in terms of regulatory requirements for capital. Changes in the calculation of capital are also requirements for the minimum amount of its components. Phase 1 capital (Tier 1 Capital - T 1) consists of Phase 1 base capital and Phase 1 additional capital. Phase 1 fixed capital (Common Equity Tier - CET 1) includes common shares and their equivalents, ie: ordinary shares issued by the bank, added capital formed from issue income, retained earnings and other accumulated and disclosed reserves, the bank's consolidated subsidiary ordinary shares issued by companies and held by third parties (but not a controlling stake) that meet the criteria for inclusion in Tier 1 fixed capital, deductions used in the calculation of Tier 1 fixed capital. Phase 1 elements of fixed capital are defined in terms of the fact that they can be fully directed to cover losses during banking activities. The elements included in the Phase 1 base capital must meet the 14 criteria set for them.

Phase 1 additional capital (Additional Tier 1 - AT 1) includes elements that formally belong to Phase 1 base capital, but the criteria for inclusion in the capital structure are much softer. For example, an element of Tier 1 core capital may be indefinite in nature, while Tier 1 may have the right to be redeemed after a certain period of time under the same element of additional capital.

The amount of Tier 1 capital should not be less than 6% of the total VR of bank risks. Phase 1 capital in Phase 1 capital is required to be at least 4.5 percent of VR.

Phase 2 capital (Tier 1 Capital - T 1) is necessary to ensure the recovery of losses in the event of liquidation of the bank and, accordingly, lower requirements to the content of its elements, and consists of the following elements:

- issued by the bank, but not included in Tier 1 capital. supports that meet the requirements of the specified 9 criteria;

- Added capital for Phase 2 capital support;

- additional capital elements issued by the consolidated subsidiaries and held by third parties, not included in Tier 1 capital and tier 2 capitalization requirements;

- total reserves (total reserves not exceeding 1.25% of assets, calculated as the amount involved, taking into account the credit risk for future losses, which are not currently identified on loans). This approach applies to banks that standardize credit risk calculations;

- Regulatory adjustments (deductions) used in the calculation of Phase 2 capital.

In Basel II, capital was reduced to the following amounts:

- goodwill (stage 1 is deducted from capital);

- significant minority and majoritarian investments in banks, insurance companies and other financial institutions not controlled by the bank;

- shares and other investments of regulatory capital in insurance subsidiaries;

- significant minority and majoritarian investments in commercial organizations;

- reserves not yet created for expected losses;

- Securized (in the form of securities) positions not included in VR.

According to Basel III standard, capital adjustments (deductions) include the following elements:

- goodwill (the difference between the market value of the bank and the amount of its net assets), goodwill includes other intangible assets, except for the right to service the mortgage loan;

- deferred tax assets;

- Hedge reserves for cash flows that are not accounted for at fair value;

- unallocated reserves for expected losses;

- profit from sales of securitization operations;

- Accumulated gains and losses related to changes in its credit risk on financial liabilities measured at fair value;

- assets and liabilities of the pension plan, the payments of which are contractual (fixed);

- repurchased own shares;

- mutual participation in the capital of banking, financial and insurance organizations;

- greater investments in the capital of banking, financial and insurance organizations outside the scope of regulatory consolidation, where the bank does not have more than 10% of the capital issued by the issuing organization in the form of ordinary shares, or the organization is an affiliate of the bank.

Investments in ordinary shares of non-consolidated financial institutions, mortgage service rights (mainly in the US) and deferred tax assets may also not be fully excluded. In order to limit large investments in these elements, banks will deduct from this capital the part of the sum of these elements, which exceeds 15% of the base capital of the first stage.

Restrictions on the amount of Phase 2 capital in Basel II (not more than Phase 1 capital) were abolished in Basel III. Phase 3 capital was not included in the new standard. In Basel II, it was designed to cover market risks.

In Basel III, a conservative buffer of capital and an anti-cyclical buffer of capital were added to the calculation of capital in order to achieve a monand level of security in addition to the amount required to cover capital risks and to cover capital risks. Their creation is an integral part of the bank's capital planning, by reducing the use of profits to pay dividends, buy their shares, pay bonuses to employees and (or) attract new capital from the private sector.

The Capital Conservation Buffer is a capital reserve of 2.5 percent of VR. It should be maintained in addition to the regulatory requirement of 4.5 per cent of the VR set for the amount of Tier 1 base capital during periods other than the Depression period. Together, they account for 7% of VR, which is similar to total capital (8% of VR), which together make up 10.5% of VR. Failure to do so will result in restrictions on the distribution of profits.

The need to create an anti-cycle buffer is set at the level of the financial system as the problems that could lead to economic depression in the real sector of the economy intensify. Excessive lending on the eve of the economic downturn is also likely to cause significant losses to the banking system. The anti-cycle buffer can be set by the regulator when an over-growth of assets is observed to the extent that it poses a systemic risk. The rules applicable to regulatory bodies in deciding whether to set requirements for a cyclical buffer and the methodology for calculating it are set out in the Basel Committee's Guidelines for National Authorities on the Use of the Anti-Cyclic Buffer [3].

The use of an anti-loop buffer includes the following elements:

- monitoring by the competent authorities of the growth of lending and other indicators that indicate an increase in credit risk in the system as a whole, the assessment of future growth of credit growth and excessive growth of credit; if necessary, set requirements for the anti-cycle buffer based on the above estimates;

- checking the geographical location of positions exposed to credit risk by banks carrying out international operations; calculation of the requirements for each position on the anti-cycle buffer for the bank itself, the calculation of the weighted average requirements for positions specific to credit risk in different jurisdictions;

- Establishment of requirements for the anti-cycle buffer increases the amount of capital conservation buffer, in case of non-compliance with the requirements, restrictions are imposed on payments to the bank.

The anti-cycle buffer can be set at 0 to 2.5 percent of VR. An increase in its amount or quantity will be announced by the competent authority 12 months in advance so that banks can comply with the requirements for the anti-cycle buffer. The decision to reduce the amount of buffer will take effect immediately.

The requirements for normative capital standards in Basel II and Basel III are given in the table

Table

Requirements for normative capital standards in Basel II and Basel III

Elements Basel I and Basel II	Elements Basel I and Basel II	Elements Basel I and Basel II
rules The new rules of Basel III	rules The new rules of Basel III	rules The new rules of Basel III
Minimum Capital Requirements Phase 1 Base Capital / Risk Amount (VR) = or> 2%	Minimum Capital Requirements Phase 1 Base Capital / Risk Amount (VR) = or> 2%	Minimum Capital Requirements Phase 1 Base Capital / Risk Amount (VR) = or> 2%
Phase 1 capital / VR) = or> 4%	Phase 1 capital / VR) = or> 4%	Phase 1 capital / VR) = or> 4%
Total capital / VR) = or> 8% Phase 1 fixed capital / VR = or> 4.5%	Total capital / VR) = or> 8% Phase 1 fixed capital / VR = or> 4.5%	Total capital / VR) = or> 8% Phase 1 fixed capital / VR = or> 4.5%
Phase 1 capital / VR) = or> 6%	Phase 1 capital / VR) = or> 6%	Phase 1 capital / VR) = or> 6%
Total capital / VR) = or> 8%	Total capital / VR) = or> 8%	Total capital / VR) = or> 8%

The following indicators are used in assessing the bank's capital in terms of bank risk management.

Leverage Ratio:

(Phase 1 capital x 100) / (Total amount of risks (on-balance sheet and off-balance sheet)) = or> 3%

Liquidity Coverage Ratio:

(Total highly liquid assets) / (Net cash outflow in the next 30 days) = or> 100%

This indicator reflects the need to maintain a high level of liquid assets in terms of maintaining the bank's liquidity for the next 30 days in the face of severe liquidity depression.

Net Stable Funding Ratio (NSFR):

(Current stable financing status) / (Required amount of funding)> 100%

The new requirements of the Basel Committee are aimed at increasing the transparency of the capital base. Accordingly, all elements of equity should be disclosed in proportion to the accounting data, as well as information on all regulatory amendments and non-deductible elements, the main characteristics of capital issuance supports and other similar information, ie stakeholders can make appropriate decisions in relations with the bank should be disclosed. This reduces the risks for both the bank and its counterparties.

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