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**Megatrends of Financial Markets Regulation
and Russian Banking**

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Megatrends of Financial Markets Regulation and Russian Banking

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Abstract

The article deals with topical issues on the current status and development prospects of monetary economy of Russia. Investigated quantitative parameters of State banks and the banking business in the face of international sanctions; the problems faced by the Russian Federation in imposing sanctions for its financial-credit institutions; identified risks imposing such restrictions in Russia and provides specific recommendations for improving the monetary policy under the new conditions. Provided the author's position on the possible scientific justification and implementation in practice of the State monetary policy. A key priority in such circumstances is to support solvent and transparent banking system, which is the basis for economic development in Russia.

Keywords: financial globalization, competition in the financial markets, banks, banking, international sanctions, monetary policy, inflation.

Introduction

The main challenge for the Russian economy in the next few years is slowing global economic growth. This was stated by Chairman of the Bank of Russia E. Nabiulina. According to her, its role to play in the world lack explicit engines of growth that would produce demand for commodities from Russia¹. Before this role played by China, but now it has slowed economic growth and changing its quality is rising at the expense of consumption, rather than exports or investments, and most likely, this growth will be more energy efficient. In addition, the negative impact could have risks of volatility on global financial markets, which will increase as the United States and the eurozone from the quantitative easing policy. Internal calls she called low growth potential through the use of existing resources and capacities. According to the head of the Center for strategic research A.Kudrin, Russia's economic growth to the year 2020 target scenario would amount to 3.6%, the inertia is 2%. While in the coming years it will be accelerated.

Recent world financial crisis shocked fundamentals of the international financial system and dispelled illusions about the existence in the world the countries, which financial systems are capable to withstand the crisis in any situation. Those who hope, that crisis events will turn them aside, made a mistake in their assumptions and crisis shows the scope of globalization in a financial sector. Problems of one country are not its exceptional problems any more. As financial-banking crisis steps back (or passes) main efforts of the bankers and regulators all over the world turn from using of anticrisis actions to strengthening of a financial sector.

In the period of crisis a lot of ideas, related to reforming both architecture of international financial system and the system of banking regulation and supervision were expressed. Attention is being increasingly focused on regulation of the whole system and not only of the separate elements. As crisis has shown that regulation of separate participants of the market is ineffective without consideration of system risks.

Development of the concept of macro prudential supervision in the international environment of banking regulators was held in 2000-2006 years under the aegis of the Bank of International Settlements. The purpose of this work was to reduce the financial instability. Still up to the present moment the efficient system of evaluating of the system risks hasn't been developed, although work in these direction is in progress in particular by the International Monetary Fund and the Bank of International Settlements. In the 2010 IMF proposed the model of evaluation of stability of financial sector², which is based on the valuation of size of banking system of the country and the intercountry relations of the banking systems.

However, as it declared by the international experts, the use of any evaluation models has two main problems: 1) frequency and periodicity of the evaluation of the macroeconomic stability; 2) quality of the obtained result in

¹ Source: Reuters 29.05.2017

² www.imf.org/external/pubs/cat/longres.cfm?sk=23343.0

many ways depends on completeness and quality of the information data, and also on the integration of the approaches in the methodology of evaluation.

The volatility of global markets, as well as structural shifts in the global economy; price reduction in the oil sector does not lead to faster economic growth in the global economy; shift the Chinese economy from growth based on exports and investment for growth, based on consumer demand, increased the risks; high volatility of national currencies and national markets in emerging markets; "Europe of different speeds" policy and the EU Banking Union creation. In emerging markets there has been a slowdown and instability in national currencies and national markets.

Table 1. *Critical Tendencies Infinancial Markets*

in the world	in Russia
<ul style="list-style-type: none"> • financial globalization 	<ul style="list-style-type: none"> • monetary policy of the Central Bank of Russia and its real implications for society, business, population
<ul style="list-style-type: none"> • increased competition in the financial markets 	<ul style="list-style-type: none"> • the impact of the sanctions on development of Russian economy
<ul style="list-style-type: none"> • accumulation risks-crises-financial loss 	<ul style="list-style-type: none"> • foreign exchange policy
<ul style="list-style-type: none"> • before the global financial and banking crisis (2008-2010) - the deregulation of financial markets; after the crisis-tightening regulation 	<ul style="list-style-type: none"> • monetary and financial aspects of economic strategy of Russia in the world economy
<ul style="list-style-type: none"> • the development of information technology 	<ul style="list-style-type: none"> • Russia's participation in the international movement of capital
<ul style="list-style-type: none"> • financial innovation and financial engineering 	<ul style="list-style-type: none"> • Global trends in the involve Russia as a full member of the WTO, BRICS, EEMA.

The situation in the Russian economy is improving but remains complicated, that, as everywhere, is a factor of vulnerability for the financial market. The most topical issues of the financial and banking system in Russia today are: the current state of the financial-banking system; the problem of ensuring its sustainability; monetary policy and economic growth; interaction of a mega-and financial-credit institutions; risks and their minimization in the financial markets.

In the conditions of financial globalization, global trends in full affect Russia as a member of the WTO, SCO, BRICS, EEMA.

The main institutional features of modern Russian financial markets are:

- National character.
- The universal nature of banking activities.
- Participation of banks in the deposit insurance system.
- Vnesheconombank has special status organization in the RF banking system.

Banks remain the dominant element of monetary system in Russia. Assets in Russian pension, insurance and investment funds accounted for 3.6%, 2.2% and 3.3% of the national GDP respectively. Share of banks' financial assets- 80%, share of MFIs-0.1%³

The number of Russian credit institutions continued to decline. The number of operating Russian banks during the last year decreased from 681(01.01.2016)to 575 (01.01.2017).

The current situation in the RF banking system is characterized by the following data: for the last 4 years 317 banks denied licenses. For 10 years (01.01.2007-01.01.2017) number of Russian banks has decreased from 1143 to 575.

However:

- proportion of top-5 banks in total assets increased from 42.5% to 55.3%;
- ratio of large credit risks to the capital remained almost unchanged (240.6% and became 236.3%);
- capital adequacy has declined from 14.9% to 12.7%;
- return on assets fell from 3.2% to 0.9%;
- the percentage of credit as a source of capital investment fell from 8.7% to 5.9%;
- asset dynamics completely unfolded: with + 43.3% to-3.5%;
- proportion of established reserves for possible losses increased from 3.2% to 7% of the total volume of banking assets.

The average concentration and centralization of banking capital is shown in table 2.

Table 2. The Largest Banks of Russia (net assets at 01.01.2017)

Bank	Net assets (mln. RBL)	The share of
Sberbank of Russia	22,683,025	29.3%
VTB Bank of Moscow	9,462,035	12.2%
Gazprombank	5,154,060	6.7%
VTB24	3,148,755	4.1%
FC Otkrytie	2,817,871	3.6%
Rosselkhozbank	2,802,483	3.6%
Alfa-Bank	2,458,447	3.2%
National Clearing Centre	2,310,057	3.0%
Moscow Credit Bank	1,454,784	1.9%
Promsviazbank	1,327,405	1.7%
Other	23,819,844	30.8%
Total amount	77,438,765	100.0%

³ Russian Federation: Financial Sector Assessment July 2016 [Electronic Resource]/The World Bank, 2016 – p.10. Mode of access: <http://documents.worldbank.org/curated/en/936001472672149654/pdf/Russian-Federation-FSA-07272016.pdf>.

During the last years export capital abroad decreased drastically. According to data of the RF Accounting Chamber export capital abroad declined in 9 times for the last 4 years of sectoral sanctions (2013 -1700 billion ₺; 2016 -183 billion ₺).

The real threat of disconnection Russian economy from international payment systems was overcome. National payment system «Mir» (Peace) was developed. And now over 90% ATMs are ready to operate with cards «Mir».

Increased competition in financial markets, the development of information technology, financial innovation, financial engineering led to increasing risks and, as a result, crises. Before the global financial and banking crisis of 2008-2010 one of the main global trends is considered deregulation of the financial services market, with a view to stimulating economic growth. However, a whopping financial losses, as a result of the crisis, the need for tighter regulation was predetermined.

The crisis in Ukraine was the catalyst for the complications of modern economic situation worldwide and in Russia. Economic sanctions against Russia of a number of European countries and the United States in 2014 have had significant negative effects on the financial and banking sector of the economy of the Russian Federation.

Impact of sanctions can be seen from different points of view. Analyzing the direct effect of international sanctions on Russian banks at the macroeconomic level, it should be noted the ban for major backbone banks (Sberbank, VTB, Gazprombank, Vnesheconombank, Sberbank, as well as the Bank of Moscow) to external borrowing in the US and European financial markets. In addition, foreign banks' assets were frozen in the banks: "Russia", "Sobinbank", "SMP Bank".

In fairness, it is worth noting that under the sanction of the State banks continue to attract foreign exchange to the West. For example, Sberbank and VTB received billions of euros through online banks in Germany, inspired by European customers unusually high stakes.

Under the sanctions, Russian banks have stepped up their contacts with their counterparts in Turkey and China. For example, Gazprombank has been active in CHINA, counting (not without reason) in the long-term development of its business in this country. However, the overall situation is such, that in connection with sanctions, most Russian banks have been forced to shift to the domestic market. As a result, banks borrowed at higher rates, resulting in higher prices for loans and reduce the profitability of banks. An important reason for this was the increase in the provision for possible losses by banks due to the deterioration in the quality of loan portfolios and increasing credit risks.

Table 3. Changes in the Russian Banking System Capacity (%)

	2006	2009	2012	2015
Assets/GDP	52.2	75.8	74.0	103.2
Loans/GDP	29.8	41.5	41.4	54.7
Capital/GDP	6.3	11.9	9.1	11.2
Deposits/GDP	14.1	19.3	21.3	28.8

Sources: Bank of Russia, Rosstat

The general trend is the deterioration in the financial condition of borrowers and lenders-banks in connection with a reduction in business activity and lack of investment. As a result, we are talking about increasing as individual credit risks (banks and their borrowers) and total credit portfolio risk.

In crisis economic conditions at enterprises of the real sector of the economy often growing need for credit. However, in December, 2014. a sharp increase in the key interest rate of the Central Bank of Russia to 17% (Later the Bank of Russia has gradually reduced the level of the key rate, which now stands at 9,25%), as well as the lack of opportunities to attract additional financial resources on foreign markets for liquidity difficult financial and economic activity of many Russian companies. Banks have faced the problem of realization of credit and interest rate risks. The overall negative effect of these factors resulted in a decrease in lending in the banking sector in 2014 more than 10%. Banks began to actively pursue debt restructuring program for their clients. Total bankers point out that the most significant problems faced by banks, is problematic and arrears and fall in liquidity.

The existing structural imbalances of the economy can be overcome through effective operational resources, mediated by a strong banking sector. The national banking system should become a key element of the lever for the conduct of the State policy in the field of economic growth and structural transformation of the economy.

The effective functioning of the credit market, coupled with supportive government policies is the key to solving the problem of commodity orientation of the Russian economy. The banking sector is able to contribute effectively to the State in the implementation of basic social functions through:

- ✓ improving the affordability of housing for citizens through the mechanisms of the mortgage, the use of financial instruments for stimulating the development of the housing market as a whole;
- ✓ create opportunities to improve the quality of life using consumer credit;
- ✓ create opportunities to enhance their professional value of citizens through the use of educational loans;
- ✓ increase the responsibility of citizens for their well-being through personal savings.

Table 4. *Dynamics of the Role of Credit in the Economy of Russia (in%)*

	2006	2009	2012	2015
The percentage of credit sales of new cars	52.2	75.8	74.0	103.2
The share of the mortgage in the total volume of transactions in the housing market	29.8	41.5	41.4	54.7
Share of loans in the total amount of investment in fixed assets	6.3	11.9	9.1	11.2

Source: Rosstat, Ahml, PWC, Avtostat, NBCH

One of the challenges to the banking sector in 2015 was the deteriorating quality of loans (particularly in the segment of large business). According to the joint bureaux, with the beginning of 2014 g. arrears of the population increased by 52.8% and reached 671.5 billion. us \$. Banks have shown for the first time revealed massive losses at any time in recent history.

Indirect influence of sanctions can be considered raising a key interest rate and, as a result, a sharp rise in interest rates on loans and deposits for the business entities and the public.

At the end of 2014 sanctions, along with other factors (including fall of oil prices) has led to increased volatility of financial markets and, in particular, the foreign exchange market, which led to the azhiotazhnomu demand for currency and further destabilize the situation. Due to the weakened ruble, many banks are faced with the negative impact of currency and exchange rate risks, overcoming of which also require additional financial resources, increasing the risks of inadequate liquidity for banks.

At the same time in the conditions of sanctions crisis over Russian banks faced the challenge of creating a national payment system because of threats from the West "disable" Russia from VISA and Mastercard. The result was actually a national payment system based on CBR.

Along with the economic loss to the Russian banking system, it is important to consider also the psychological effect. The relatively low financial literacy, exposure to customers of credit institutions panic often lead to their acceptance of irrational decisions. These realities banks had to solve the problem of spontaneous behavior of investors to adapt to low credit customer activity and increased risks. The reaction of the banks was the revision of their policies, sharply increased banks' requirements to the reliability of the borrowers.

In these circumstances, foreign banks began to reduce its activity on the territory of Russia (for example, the Bank UBS in early 2015, closed all its branches).

Enhancing financial stability and the reliability of banks has become one of the key objectives of regulation of financial markets.

The imposition of sanctions, which worsened the economic situation of the country, triggered a downgrading of sovereign credit rating by international rating agencies. In November, 2014, the rating agencies Fitch, Moody's and StandardandPoor's lowered the rating of Russia to BBB-. Downgrading the rating of the country has led to a decline in ranking of national banks in Russia. More than two-thirds of the banks rated S&P already have negative outlooks. As a result of the level of confidence is declining, that certainly affects the investment attractiveness of domestic credit institutions in the eyes of foreign investors and depositors.

In a period of crisis and post-crisis development of many countries (including Russia) gradually displace accents on State regulation of economy, using tools including macro-prudential regulation aimed at curbing credit boom, minimizing currency risk, limit leverage (leverage), smoothing financial cycles, increase the stability of systemically important banks, managing capital flows, etc.

In the country, the Bank of Russia that performs the function of a mega (since September 1, 2013) with financial markets, on the one hand, strengthened the supervision of financial and credit institutions, and on the other, together with the Government of the Russian Federation has developed a system of anti-crisis measures and a program of support for banks, under pressure from international sanctions. These measures include a program of additional capitalization of banks using Federal deposit insurance agency; the provision of liquidity to banks in refinancing; permission to use when applying the guidelines and regulations of the Central Bank of Russia on March 1, 2014 rankings, as well as not lowering the rating of the borrower, if the deterioration in its financial condition due to the currency exchange rate changes (i.e. not to create additional reserves for possible losses); permission to use in the calculation of the rate of currency pairs recorded in October 2014, etc.

Restoring economic growth, economic recovery in general, so-called new industrialization will help to overcome the crisis in the financial-banking sphere. Now comes the positive signals from the Government of the Russian Federation. After a decline in 2015, experts estimate that Russia's economy could return to growth to 2.5% in the near future and to keep this pace over the medium term.

In general we can say that the Western sanctions indicated Russia's problems in its banking sector and led to the need to improve.

This is not easy for Russia historical period the focus of economists should be encouraging the growth and development of the Russian economy in the face of economic sanctions; monetary policy and its real implications for business; Russia's participation in the international movement of capital; Monetary and financial aspects of economic strategy of Russia in the world economy.

Almost all of these issues are the subject of the state monetary policy. The CBR identified price stability and inflation target as the objectives of monetary policy in the Federal Law "The main directions of the single state monetary policy in 2016, and the period 2017 and 2018".

Interest rates are seen as the main monetary tool to influence economic processes.

Using the existing arsenal of CBR monetary toolkit, mega-regulator of financial markets, one of the key objectives identified the achievement of inflation at 4%, 2017. Analyzing the condition of inflation in our country in long hindsight, obviously, the positive trend in this area exists. However, current estimates of inflation rates differ significantly from planned, laid down in the existing law on the budget for the 2015-2017 timeframe. (table2).

Table 3. Interest Rate Policy and the Fight against Inflation in Russia: 1992-2016

Year	Rate of inflation (B %%)	Year	Rate of inflation (B %%)	Year	Rate of inflation (B %%)
1992	1353	2001	18.6	2010	9.1
1993	800	2002	15.1	2011	9.6
1994	204	2003	12	2012	5.6
1995	65	2004	11.7	2013	6.5
1996	23	2005	10.9	2014	11.4
1997	11	2006	9.0	2015	12.9
1998	80	2007	11.9	2016	5,4
1999	30	2008	13.3	2017	4 (plan)
2000	20.2	2009	8.1	2018	4 (plan)

Compiled by the author according to the IMF, the Central Bank of the Russian Federation and Federal Ministry of Finance of the Russian Federation.

According to expert estimates, inflation in 2017, will not exceed 4%. Analysis of Bank of Russia monetary instruments shows that today is dominated by fine tuning tools, using which E. Nabiullina (Head of the CBR) believes (and not without reason) that at the end of 2014, the tightening of monetary policy helped to avoid stagflation on the script development of the economy.

However, attention should be paid to the predominantly-monetary nature of Russian inflation. As estimated in the RF Ministry of economic development, from 16.7% inflation observed in Russia by the middle of March 2015, 10-11% were the result of sanctions and the fall of the ruble. In this regard, it can be concluded that the use of monetary instruments to combat it inefficiently, as significant impact on inflation, have tariffs of natural monopolies and the growth of international sanctions.

A different approach for the selection of the ways out of the current difficult situation, complicated by international sanctions, invites the President of the Association of Russian banks G.A. Tosunyan: to raise monetization of the economy in order to stimulate its growth. In his view, the low level of monetization and domestic debt in the country create favourable prerequisites for quantitative easing and is therefore a priority of economic policy of the State at the current stage should be the establishment of investment demand from resident companies. Otherwise, our economy runs the risk of turning into economy unrealized investment potential⁴.

He stressed that chronic systemic problems have led to a slowdown in the growth of GDP. So, 2010 even high prices for raw materials did not allow the economy to achieve the desired growth. In assessing the current state of the Russian economy, he stressed that, in the absence of external sources of funding banks need to be more active involvement of the financial regulators in

⁴See the annual report of the Association of Russian banks "Anti-crisis tactics and strategy: interaction between banks and regulators", Moscow, 07.04.2015, s. 59; the annual report of the Association of Russian banks "What to do? The banking system's development and economic growth in Russia in 2016-2018 "Moscow, 07.04.2016.

stimulating economic activity and "fiscal-substitution". This problem may be a deliberate policy of quantitative easing, even despite the fact that the ruble is not a reserve currency. While our, Russian, innovation will be the implementation of such policies at non-zero rates to protect the currency. A comfortable level of interest rates on ruble loans should be no higher than 9%⁵.

In April 2016 r. the Congress of the Association of Russian banks stressed that the financial "infusions" into separate production and redistribution of resources in the economy, the problems are not solved. The most effective way is a structural reform and economic diversification. ARB proposes to enhance the role of banks in economic growth to ensure the financial stability of banks not only through strict adherence to the regulations of the Central Bank of Russia, but also by improving the efficiency of their investment and lending activities. A particularly urgent task becomes finding a wide range of tools for remediation measures to protect customers of banks and the banking system from bankruptcy of credit organizations.

It is obvious that the only variation in the level of interest rates (key) is not sufficient for control and inflation targeting an integrated approach is needed with the indexing of rates and the decrease in pressure on the lending processes. According to the Bank of Russia share loan in Russian business investment in fixed assets has declined steadily in recent years, which has a negative impact on the overall state of the Russian economy and its financial markets.

So, CBR has expanded its "zone of control" to the maintenance of stability not only in the financial sector, but also the economy as a whole, taking into account the aspects of economic policy, not previously considered. In our view, such a policy is justified because of the financial and banking sector is an integral part of the economy having an increasing impact on it. And the State policy in this sector must be consistent with the overall government economic policy in order to improve the effectiveness of government regulations and prevent conflicts of goals and interests with its implementation. In this regard, it is necessary to: (a) the role and importance of credit policies in the founding document "guidelines for a State monetary policy" for the relevant period and b) provide quantitative and qualitative development of the credit market, which will allow to solve complex issues relevant to the country's economy and its financial markets issues. A new vector of the State monetary policy correlates well with the new status of the CBR as a mega regulator of financial markets.

However, it should be noted that the document defining the monetary policy in our country is actually plan for the coming 3 years. Given the complex political and economic situation in the world and in Russia, the question arises: how and to what extent the plan is justified? Replying to him, expert opinions are divided.

For example, S.Y. Glazyev (Advisor to the President of the Russian Federation) believed (and we agree with this position) that modern politics CBR no scientific justification⁶.

⁵BEACON News, 26.03.2015

⁶From the speech of the S.Y. Glaz'ev 26.03.2015 Round Table "Monetary Policy As A Tool For Economic Growth. Or Fall?", organized by the Free Economic Society of Russia, the International Union of Economists and International Academy of Management.

Indeed, a careful reading of the principal directions of the unified State of monetary policy ", suggests that the document is just scenario analysis. But this is clearly insufficient for building a long-term economic policy. Bank of Russia should adjust its commitment to ideology of monetary policy is currently based on the premise that a priority to increase investment and accelerate growth in the economy is low inflation, which will set the trend of cost reduction loans and reassure business. An integrated approach in the process of developing and implementing interest rate policy implies the need to take into account national and international measures to reduce inflation (especially by regulating the dynamics of tariffs and pricing by natural monopolies and oligopolies).

Overall, therefore, it is important to strengthen scientific, conceptual and methodological substantiation of document defining the development prospects of the economy, including monetary, budgetary and financial-banking sphere.

The main current problems of the Russian banking system are as follows. High key rate of CBR set in December 2014, inhibits lending to the economy and prevents the reduction of inflation.

Based on the world experience, Russia is able to follow its own model of monetary policy aimed at targeting not only inflation but also economic growth through effective interest rate policy. This model is implemented by the FED and the ECB, as well as the People's Bank of China.

Overall, inflation reduction and stabilization helps to improve the investment climate, creates new opportunities for economic growth and has a beneficial effect on enterprises of the real sector of the economy.

- At the expense of deposit operations and issuance of bonds, the Bank of Russia will withdraw excess liquidity from circulation.
- The goal of 4% inflation will reduce the risks for financial stability.
- The policy of the CBR to reduce inflation and maintain its low will help to reduce the risks to financial stability and reduce the vulnerability of the Russian economy from financial risks.

To meet the challenges, it is necessary:

- ✓ boost logical, theoretical and factual justification document
- ✓ improve the quality of analysis, based its findings not only on the rate of inflation, the price of hydrocarbons and the rate of the national currency, but using to justify conclusions substantially wider range of macroeconomic factors (including financial and credit), political and social nature;
- ✓ expand the scope of retrospective and prospective analysis (especially when you consider the experience of long-term planning in the USSR and contemporary practice planning and forecasting in countries with a high standard of living).

The strategic objectives of development of the financial and banking system in Russia, in our view, involve not only the need to ensure the stability of financial

markets (Bank of Russia which is registered as the main purpose of its activities, because it is not based on dynamics) but also the paradigm shift "financial stability" to the combination of the advantages of planned and market economy, providing a stable optimal growth while maintaining financial stability and the stability of the national economy.

Requires quantitative and qualitative development of the credit market, with the aim of:

- ensure company financial sources a quick update of fixed assets without the need of the considerable volume of funds for a long time (and hence loss of competitive position);
- reduce costs, the budgets of all levels to support producers;
- offset the impact of negative factors of macroeconomic policies (e.g., characteristics of exchange rate formation) in the manufacturing sector and consumers.

The development of fair competition is another goal for development of Russian banking now. Measures to achieve it include:

1. Alternative license bank solutions.
2. Accessibility of banks to state resources (state resources auctions).
3. A special mode of publicity operations with state funds for banks wishing to work with budget resources.
4. Set reasonable deadlines to form reserves for possible losses on the basis of the actual level of risk the bank and scale of its business.
5. Expand lists of banks participating in the state programs, and increase the limits for allocation of funds for small and medium-sized banks.
6. Review projects of legal acts in the field of banking for their impact on competition in the market

At the same time we should take into account the problems of financial integration EEMA in connection with the entry into force of the Treaty establishing the EAEC from January 1, 2015, which defines the acceleration vector integration in Eurasia (including: heterogeneity of the economic structures of the participating countries, at different levels and the pace of their economic growth and development; instability and significant differences in prices in member countries; instability and significant currency fluctuations; various levels of development of the financial markets countries; high wearout degree of infrastructure and fixed assets; the lack of common to all participating countries harmonized economic development strategy; the lack of a unified and efficient payment and settlement systems; insufficiently harmonized and lack of effective financial and monetary policies).

It is obvious that the policy issues (current and/or long-term) and must be addressed, taking into account all factors of influence. Analysis of the factors and trends of development in the global economic system and the Russian economy as its integral part, is the basis for the scientific understanding of the

situation and to propose specific steps to bring the Russian economy on the rails of new industrialization and ensure its optimal stable growth and development. To achieve this, it is necessary not only to conduct scenario analysis, but also to develop a specific plan of action in the light of (at least): elaboration of a theoretical framework, methodologies for solving tasks, determine the necessary tools to ensure organizational and administrative, managerial and institutional solutions.

In the light of the foregoing, it is proposed to intensify its work on the elaboration of a single coherent strategy for the economic growth of the countries of EAEC in order to achieve sustainable socio-economic development of the economies of the participating countries; sequencing of measures and timelines for their implementation; deepening economic, including fiscal and monetary cooperation in the long term; harmonization of financial, banking, monetary and exchange regulations and regulatory standards; design and implementation in the perspective of a single settlement and payment system; the formation of a common market of securities; establish or improve the effectiveness of stabilization mechanisms (EEMA anti-crisis Fund Bank EEMA, etc.); harmonization of monetary and exchange rate policies to achieve macroeconomic stability when forming Monetary Union.

In addition, it is important to provide for the extension of horizons retrospective economic analysis and future extrapolations, assessing trends in the development of financial markets, the banking system and the economy as a whole, not only over the last year or two, but at least 5-10 years (taking into account the crisis). And, accordingly, plan (predict) the development of the banking sector on the comparable period is 5-10 years (instead of 3 years, as had been done in the preparation of the strategy of development of bank sector up to 2015). The reason for this could be: 2020 Program, the concept of socio-economic development of the country up to the year 2025 and other documents defining a long-term strategy of Russia's development, as well as advanced world experience of long-term planning and forecasting.

We need to build a strategy for socio-economic development of Russia on a qualitatively new level, taking into account the lessons of the global financial and economic crisis, as well as the latest trends and trends of world development.

The banking sector as one of the key components of the financial system is designed to be similar to those formulated for the financial market as a whole, namely:

- to ensure the transformation of domestic savings in investment with the lowest transaction costs;
- providing support for the effective conduct of operational resources;
- provide mechanisms for realization of basic social functions of the State;
- to ensure the strengthening of fiscal sovereignty.

The competitiveness of the banking system and the economy as a whole depend on the ability of the system to provide high-quality and adequate to the

value of financial intermediation services for all Russian economic agents of large and medium-sized businesses to small businesses and individuals.

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