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FEATURES AND CURRENT TRENDS IN THE DEVELOPMENT OF BANKING REGULATION: GLOBAL AND LOCAL ASPECTS

1. The stability of financial markets is ensured in the process of regulating the activities of financial and credit institutions and supervision over them. To this end, both at the global and local levels, regulations are adopted that regulate the work of banks and establish certain boundaries of their behavior, contributing to the reliable and effective functioning of the banking system. The goals, objectives and functions of banking regulation are presented in Table 1.

The goals and tasks arising from them to regulate activities in the banking sector are due to the establishment of special rules through the formation and systematic updating of the relevant regulatory framework.

2. Different countries have developed their own approaches to the organization of banking regulation and supervision, which depend on the structure of the national financial system and are determined by a set of factors, the diversity of which gives each of them a unique national specificity. The world has developed several alternative systems of financial market regulation and supervision, differentiated by the degree and nature of central banks' participation in this process. One of them involves the concentration of regulatory powers in the central bank, the second involves the presence of an independent special body in close connection with the central bank and the Ministry of Finance, the third model of regulation is that regulatory and supervisory functions are carried out by supranational EU supervisory bodies – the European Systemic Risk Board and the Joint Committee of European Supervisory Authorities, and the fourth model provides for the creation of a mega-regulator.

Table 1

The goals, objectives and functions of banking regulation

Key goals and objectives of banking regulation	
Protecting the interests of bank depositors from mismanagement and fraud, given the insufficient level of awareness of depositors about the financial condition of banks, the lack of an objective assessment of the risks of such placement	Creating a competitive environment in the banking sector, thanks to which interest rates on loans and deposits are optimized, the range of banking products and services is expanding, the latest banking technologies are being introduced, etc.
Ensuring transparency of the banking sector policy as a whole and of each bank individually, improving accounting and reporting in accordance with the requirements and experience of international and national banking practices	Maintaining the required level of standardization and professionalism in the banking sector, ensuring the effective operation of banks and the introduction of technological innovations in the interests of consumers from products and services
Main functions of banking regulation	
Institutional: the function of the formation and development of the institutional environment	*Country banking security* function
Regulatory: banking regulation function and regulatory policy implementation	*Coordinating:* the function of establishing interaction between regulatory bodies of state power
Control: the function of releasing state control over the activities of banking regulation facilities	*Social:* the function of providing social assistance and protecting the rights of banking market participants
Integration: the function of promoting entry into the global banking market	*Technological:* the function of maintaining consistent innovative development of the banking sector

Source: Compiled by the author based on [1, p. 175–176]

3. World experience in regulating and controlling foreign capital in banking systems in different countries of the world includes a number of tools for their restrictions and protection (Table 2).

Table 2

Tools for restricting and protecting banking systems in the countries of the world

№	Elements of the protection mechanism	Countries where they are used
1	Quotas for the share of resident banks in the total authorized capital or in the assets of the national banking system	Azerbaijan, India, Indonesia, Malaysia, Republic of Korea
2	Establishment of the maximum level of participation of a non-resident bank in the authorized capitals of national banks	Brazil, India, Malaysia, Mexico, Norway, Thailand
3	Establishment of the minimum amount of capital for a non-resident bank that intends to open a branch or subsidiary	Belarus, China, Russia
4	Establishment of the minimum amount of capital of a subsidiary bank or branch of a non-resident bank	Practiced in most countries
5	Quoting licenses for opening a subsidiary bank or branch of a non-resident bank	India, Philippines, a number of US states
6	Assessment of the economic feasibility of opening a non-resident bank	Brazil, Chile, Malaysia, Republic of Korea
7	Establishment of restrictions on conducting certain banking operations in national or foreign currency for subsidiaries or branches of a non-resident bank	Brazil, Canada, China, Indonesia, Republic of Korea
8	Establishment of restrictions on certain cross-border banking operations	Chile, Czech Republic, Slovakia, Thailand,
9	Quotas for the share of non-resident individuals in the staff of a subsidiary bank or branch of a non-resident bank	Practiced in most countries, including in Azerbaijan

Source: Compiled on the basis of regulatory documents from the central banks and legal acts of the respective countries

4. The most famous and authoritative international organization in the field of banking supervision and regulation is the Basel Committee on Banking Supervision. Its goal is to strengthen mutual understanding on key issues of banking supervision and improve its quality around the world, the introduction of uniform standards in the field of banking regulation. One of the main tasks of the Basel Committee was to harmonize the world practice of regulating banking activities, which

would make it possible to level the differences between national practices, thereby eliminating the main reason for regulatory arbitration [2; 3]. The global financial crisis highlighted the need to rethink the principles of banking regulation, establish certain capital adequacy requirements, methods for assessing systemic risks, and create reserves to cover possible loan losses during periods of economic upheavals and recessions. As a result, on September 12, 2010, the Basel Committee approved the global reform of the world banking sector, called Basel III. The main goal of the changes in it is to improve the quality, transparency and improvement of the structure of banking capital, expand the practice of covering risks with capital and stimulate measures to create its reserve reserves [4].

5. The rapid development of digital technologies leads to an unprecedented transformation of the banking industry, which is reflected in a change in the competitive environment, as well as in the process of interaction between banks and regulators. In such conditions, it is necessary to improve the traditional regulatory scheme and develop new types of effective regulatory solutions aimed at the structural development of the financial market and ensuring the stability and competitive potential of banks in the context of global technological and behavioral changes. In the economic literature, effective banking regulation is characterized, in particular, by the optimal level of regulatory burden, which shows how burdensome it is for financial institutions to comply with the measures established by the regulator [5, p. 8]. It is important to understand that an increase in this burden is, as a rule, a consequence of improving regulatory measures aimed at ensuring the sustainable functioning of financial institutions. Therefore, it is advisable to talk not about its minimization, but namely about achieving and maintaining the optimal level.

6. At present, regulatory functions in the monetary system in Azerbaijan belong to the Central Bank of the country. To improve the activities of the CBAR as a mega-regulator in the future, it is advisable to use foreign experience, in particular:

– Regularly define quantitative and qualitative parameters to assess the current state of the financial sector. Thus, for the banking sector, along with traditional parameters (total capital and assets, their ratio to

GDP), it is necessary to select a number of other financial and economic indicators that directly affect them.

– Assess the interaction of financial sectors (banking, insurance, stock), identify prospects for synergy, determine management parameters, etc.

– Widespread use of modern financial technologies (blockchain, big data, machine learning, etc.) in regulation and control, identification and analysis of interrelated risks, as well as the implementation of other functions to identify underlying trends in the development of the financial sector;

– Develop and regularly adjust long-term and short-term programs for the development of Azerbaijan's financial sector (banking and insurance sectors, stock market development strategies) [6, p. 4–6].

Taking into account the above, in order to increase the efficiency of the banking regulation system, it seems appropriate to implement the following measures:

– identification of obsolete and overlapping regulatory norms;

– development of approaches that ensure the development of partnerships by banks and their expansion of the range of available banking operations;

– improving the manufacturability of regulation and expanding the use of regulatory and supervisory technologies by the regulators themselves.

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