

MODERN INTERNATIONAL ECONOMIC RELATIONS IN THE CONTEXT OF ECONOMIC SECURITY

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INTERNATIONAL BANKING BUSINESS IN THE CONTEXT OF ECONOMIC SECURITY

The global financial and credit crisis of 2007-2008 and the subsequent increase in financial volatility became a serious test for the financial systems of most countries of the world. The unprecedented scale of the crisis and post-crisis effects has exposed deep-seated problems of the world financial system, strongly shaken its foundations. In these difficult conditions, the dangerous fragility of the international banking business, represented by a significant number of systemically important financial institutions, was also revealed. The current stage of its development is characterized by increased competition in the global banking system, which leads to an intensification of transformation processes and a dynamic regrouping of forces in the global financial markets.

In modern economic realities, financial globalization has become a defining vector of transformation processes in national banking systems. The essence of this phenomenon is the development of new financial instruments and products, the interpenetration of capitals and financial technologies, the deregulation of domestic financial markets, the development of international banks, the strengthening of ties and integration between the financial sectors of national economies, world financial centers and institutions. As a result, the formation and formation of a new configuration of international banking business takes place in the modern financial architecture [1, pp. 41-43].

Azerbaijan is gradually integrating into international financial markets, and globalization processes have a tangible impact on its banking system, therefore it is necessary to take effective measures to ensure the country's financial security, especially given the openness of the national economy [2, pp. 7-8, 30-31]. The banking system of Azerbaijan is going through the process of accelerating integration by expanding the presence of foreign capital in it and the entry of domestic banks into international markets [3, pp. 76-79]. Taking into account the latest trends in the development of the global banking industry should be considered as a determining factor in the formation of a strategy for the development of the domestic banking system, which provides for the use of all mechanisms that guarantee the financial security of the republic. In this regard, the study of modern trends in the development of international banking business creates a platform for the formation of prospects for the harmonious integration of Azerbaijan into the international financial space [4, pp. 141-173].

It should be noted that financial globalization, like any objective phenomenon, has positive and negative manifestations and consequences. From the point of view of the subject of our study, we will focus on the negative phenomena characteristic of it, among which the following can be distinguished [5, pp. 5-11; 6, pp. 36-51; 7, pp. 13-86]:

- high mobility of capital, in which, in the event of any economic or political problems in the country, financial resources begin to migrate, causing significant damage with their outflow;
- growing instability of national financial markets, which, as a result of liberalization, become more sensitive to crises;
- the dependence of the real sector of the world economy on the monetary component weakens the stability of the national economies of countries and regions in the global financial crises;
- restricting the access of individual participants to the global financial market.

The banking system of Azerbaijan, given the insignificant volumes of capital in comparison with transnational banks, cannot significantly affect the world financial market. The level of its capitalization

characterizes the degree of trust in banks and is one of the main indicators of the country's financial security, on which the reliability of the entire economic system depends. A comparison of the capital of domestic and foreign banks showed that, despite the gradual growth of balance sheet capital, the level of capitalization remains quite low (in 2019 – only 5.6% of GDP [8, p. 3; 9, p. 2]), which is significantly lower than in other transitional countries, not to mention about states with more mature economies.

The world practice shows that all countries, especially in the process of accession to the WTO, use various mechanisms to protect their banking systems from foreign capital, and most of them are characterized by certain restrictions. According to available estimates, more than $\frac{3}{4}$ of them are in banking services, and over 60% are concentrated in the provision of services by subsidiaries and branches of foreign banks. Thus, many countries – depending on the tasks of ensuring their financial security – clearly feel the need to maintain control over the activities of foreign financial service providers in the domestic market.

Among the key mechanisms for protecting national banking systems, the main attention can be focused on the following:

- restrictions on the types of legal entities or joint ventures (for example, permitting foreign banks to operate only in the form of subsidiaries;
- quotas for the share of non-resident banks in the total authorized capital or in the assets of the national banking system;
- setting the maximum level of participation of a non-resident bank in the authorized capital of national banks;
- setting the minimum amount of capital for a non-resident bank wishing to open a branch or subsidiary of the bank;
- setting the minimum capital for a subsidiary bank or a branch of a non-resident bank;
- quotas for licenses for opening a subsidiary bank or a branch of a non-resident bank;
- assessment of the economic feasibility of opening a non-resident bank;

- setting restrictions on certain banking operations in national or foreign currency for subsidiary banks or branches of a non-resident bank;
- setting restrictions on certain cross-border banking operations;
- quotas for the share of non-resident individuals in the composition of employees of a subsidiary bank and a branch of a non-resident bank.

Regulation of foreign participation in the banking system is an important element of the mechanism for ensuring the country's financial security. The experience of liberalization of the banking services market allows us to conclude that from this point of view, a gradual process of lifting restrictions and opening up the banking sector is preferable for countries with transitional economies, primarily for branches of foreign banks. At the same time, the national banking sector of these countries should strive to increase its own competitiveness, including the re-profiling of business and the introduction of the latest banking technologies [9, pp. 76-79]. However, it is important to emphasize that today there are many shortcomings in national banking legislation, and financial reporting standards do not yet provide users with the necessary amount of information. It is necessary to form a qualitatively new understanding of the model of conducting international banking business and the assessment of existing risks, prioritizing, first of all, interests of the economic security of the state.

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