

Integration of foreign capital into Russian bank sector: mechanisms of entering, approaches to regulation

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Abstract. The authors, on the base of analysis of home and foreign experience consider the particularities of the mechanisms of foreign capital entering into Russian bank sector. The approaches to regulation of banks with foreign capital participation are defined. The prioritized tasks are outlined which must be solved by Bank of Russia in the sphere of regulation of foreign banks' activity. The conclusion is made that shadow banking in Russia has already become rather obvious, therefore it is necessary to start elaboration of home program intended for improved and more strict supervision over its participators with due regard to the recommendations of the Financial Stability Board.

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Introduction

High rates of exploration of Russian financial market by foreign banks demand deepened study of the issues related to the presence and possible directions of influence of these banks on development of home bank system and economy as a whole, effects from their entering Russian market of financial services. Taking into consideration foreign experience the presence of foreign banks in Russia can be considered as effect of such economic processes as world globalization.

Mentioned above processes began in late 90s and their influence on national economies is more and more prominent. Even today we can assume that no country in the world will be able to escape from it. The question to be answered: which effects such influence will have.

Globalization is a phenomenon which is crucial for all sides of life activity of society. Russia is actively integrating into world financial markets and the effects of globalization processes, both positive and negative, become up-to-date for Russian financial system. That is why we have to prevent negative impacts of this process. The prioritized tasks of Russia's development are as follows: increase in potential of bank system, creation of groups of powerful banks, reduction of tax burden, ordering of financial flows, structural-institutional changes in bank system.

For the first time term "globalization" was used by J. Maclean in 80s, later - by American sociologist R. Robertson in the works written in the middle 80s - beginning 90s [1]. Scientists define globalization either as interrelated development of economies of different countries, or as brand new level of internationalization of resource markets, labour markets, financial and information markets.

Globalization is understood as objective process of integration of most part of capital of different countries, enhancing of their interdependency.

Britain scientist T. Lewitt points out that globalization is a process of expansion and deepening of interdependency of world countries in all spheres of modern life [2]. Such definition of globalization was proposed by other experts, who believe that globalization is growth of dependency of separate countries and their economies.

Supporters of new theory of globalization argue that globalization started in the end of XX century and was related to more general process - internationalization. New theory supporters argue that globalization is manifested not only in quantitative measurement of the level of intensity of relationships between economies but in qualitative terms - formation of global level of economic organization.

Because of globalization world markets become more interdependent practically in all spheres of activity, constant growth of international integration can be observed turning into multi-channel process.

The study has shown that globalization as new phenomenon characterizes brand new phase of internationalization of economic life which is accompanied by liberalization of external economic relations, elimination or reduction of different barriers between countries in regard to moving of capital, goods and services, which makes economic space homogenous creates preconditions for formation of society without borders.

One of the key spheres of globalization processes is financial globalization which must be understood as free and efficient moving of capitals between countries and regions, functioning of global market, formation of the system of supranational regulation of world finances.

Integration structure of markets allows to get benefits from particularities of business cycles, economic policy, tax legislature and other components of national economic systems. Integration process can both smoothen and deepen differences between national economic systems. However, as it is shown by practice, integrated markets more actively influence the elimination of the border between economies and facilitate keeping of macro-economic balance of home economies [3].

In parallel with integration of international financial markets of capital one more process takes place, which is called convergence. The essence of convergence of financial markets which in many aspects is similar to integration is as follows: as a result of elimination of barriers of regulation and low restrictions gradual elimination of borders between different sectors of world financial markets takes place.

For example, in the USA and some other countries because of weakening of regulatory requirements, elimination of barriers which prevent foreign borrowers from entering local markets, weakening of anti-monopoly legislature in regard to establishing of financial holdings integrating different spheres of investment and commercial activity, distinct merger of world bank market and world market of debt securities took place [4].

It becomes evident that integration of world financial relations is complex and multi-faceted phenomenon, investigation of which demands corresponding structuring and use of modern analytical tools.

Globalization of financial markets, side by side with positive effects (opportunity of financial operations on the markets in 24-hour mode thanks to integration of stock and out-of-stock trading systems into one global communication network, reducing of deficit of financial resources in world countries, increase of competition in national financial markets, reduction of costs for goods and services which results in price-reduction of resources etc.) produces negative effects as well.

In particular, financial globalization is accompanied by such negative effect as high mobility of capital (though it can seem strange!). It is known that capital moves to places where profit margin is higher and perspectives of business are better in conditions of economic growth. In case of any political or economic problems in the country financial resources start to migrate, producing with its outflow significant growth of instability in national financial markets which become more sensitive to crises because of liberalization.

It is worth noticing as well that independency of real sector of world economy on monetary

component reduces stability of national economies of countries and regions in world financial crises and under restrictions of access of some market participators to the world financial markets.

It is evident that in near future globalization will determine the state of world financial system, that is why analysis of modern trends of international movement of bank capital allows to access perspectives of integration of Russia into world financial space.

Processes of globalization of world economy did not bypass Russia, especially in conditions of utter openness of national economy. The reality has shown that Russian bank system almost 25 years is in the process of acceleration of integration through broadening of presence of foreign capital. Banks with participation of non-residents are situated in 37 constituent entities of the Russian Federation. 65% are located in Moscow [5].

Development of transnational corporations creates demand for bank services in host countries which encourages biggest banks to create branches for satisfaction of needs of their customers. In Russia purchasing of active Russian bank with a license and its re-branding are less risky for foreign bank than creation of own subsidiary bank from the scratch [6].

Study of EU foreign practices in the part of regulation of branches' activity has shown that:

- branches perform their activity almost in all EU countries (except Malta);
- their number directly depends on the level of economic development of the home bank system;
- number of branches in the countries recently accessed to EU is significantly lower than in countries-founders, but since the moment of their accession to EU their number is growing;
- branches of foreign banks in EU countries, as a rule, are from other countries of EU. Third countries' branches are less numerous.

World practice testifies that all countries in the process of accession to WTO tried to use different mechanisms of protection of national economies. Focus was on financial services sphere because of its exclusive importance for economic security of the country. That is why national financial markets of most countries are characterized by availability of restrictions in regard to foreign capital.

Analysis has shown that more than 100 countries in WTO continue to keep restrictions in regard to access of foreign capital onto national financial markets. More that 75% of all restrictions are in regard to bank services, and 60% - in regard to services provided by subsidiaries and branches of foreign banks [7].

The problem of trans-border provision of bank services. Experience of developing countries proves that uncontrolled trans-border currency operations weakens any undeveloped bank system. Free access to trans-border services is final stage of liberalization of financial system which have already achieved stability. That is why this process is rather long.

Increase in presence of foreign bank capital in Russia must be performed in accordance with, firstly, readiness of Russian economy in general and home bank system in particular; secondly, in the framework of carefully elaborated, balanced and stage-by-stage strategy of the access based on priority of national interests with due regard to recommendations.

In accordance with current legislature at the territory of Russia subsidiary banks, branches and offices of foreign banks can function. It is found that branches with foreign investments are registered by Bank of Russia in the order specified by this body. However, branches of foreign banks in the Russian Federation in fact are not registered at all. Foreign capital is present in Russian bank sector in the form of subsidiaries registered in accordance with Russian laws.

It is specified in foreign works [8] that in the course of negotiations on WTO accession, apart from other developing countries, Russia could avoid obligations to receive foreign banks branches, because in law terms branch is not independent legal entity, because of which it is not subject to the norms of regulation of the host country, all its liabilities are responsibility of main bank. Formally, opening of branch of foreign banks is possible but in fact they are absent in Russia.

Serious problem faced by home regulator appeared is development of methods of supervision over activity of foreign bank branches and their mother structures in Russia.

Today world industry of financial speculations is in its peak - it is proved in the Financial Stability Board (FSB) in Basel. Financiers continue to hide in the "shadow" actively. The result - for last 10 years volume of shadow banking over the world increased by more than 2 times. (from 26 to 67 billion dollars) and corresponds already to 86% of world GDP, though growth rates in comparison with pre-crisis reduced (it is shown by official statistics) [9].

In such situation all attempts of politicians and financial authorities to regulate this industry are not sufficient. Financial world is still very far from

creation of the system allowing to regulate shadow banks' activity in efficient way.

In this connection we believe that it is crucial to understand deeply phenomenon of shadow banking: what is shadow banking of today, which are the functions of it, which regulation and supervision from the side of regulators can be applied to it. And of course, it is necessary to define the importance of shadow banking for Russian economy [10].

In our opinion, up-to-date task for Russian financial authorities is identification of optimal level of regulatory measures, which must not allow to migrate money into shadow banking, development of measures to provide necessary control over system risks on the base of world best practices.

It is necessary to start active work on regulation principles and mechanisms of shadow sector with due regard to FSB recommendations, establish basic rules of financing and monitoring in order to limit transactions of b-b.

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