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STRATEGIC DIRECTIONS OF STRENGTHENING FINANCIAL SECURITY OF UKRAINE

Scientific and applied tools for macrofinancial stabilization and the formation of preconditions for the restoration of the banking system, maintaining exchange rate stability, harmonizing the development of the domestic financial market and ensuring transparency of public finances are systemized; directions of debt, fiscal, exchange rate and monetary policy reform are grounded; structure of the mechanism of management of innovative modernization of the economy is given; priority areas for activation of the non-banking financial sector are formulated; strategic guidelines for strengthening Ukraine's financial security are defined; the need for the development and adoption of a number of important legal and regulatory documents on the improvement of the public finance management system is grounded.

Key words: financial security, financial system, public debt, banking system, fiscal-tax sphere, currency exchange rate policy, non-bank financial sector.

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СТРАТЕГІЧНІ НАПРЯМИ ЗМІЦНЕННЯ ФІНАНСОВОЇ БЕЗПЕКИ УКРАЇНИ

У статті систематизовано науково-прикладний інструментарій забезпечення макрофінансової стабілізації та формування передумов для відновлення банківської системи, підтримання курсової стабільності, гармонізації розвитку вітчизняного фінансового ринку та забезпечення прозорості публічних фінансів; обґрунтовано напрями реформування боргової, бюджетно-податкової, валютно-курсної, монетарної політики; окреслено структуру механізму управління інноваційною модернізацією економіки; сформульовано пріоритетні напрями активізації небанківського фінансового сектору; визначено стратегічні орієнтири зміцнення фінансової безпеки України; обґрунтовано необхідність розробки та прийняття низки важливих нормативно-правових документів із питань удосконалення системи управління державними фінансами.

Ключові слова: фінансова безпека, фінансова система, державний борг, банківська система, бюджетно-податкова сфера, валютно-курсва політика, небанківський фінансовий сектор.

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СТРАТЕГИЧЕСКИЕ НАПРАВЛЕНИЯ УКРЕПЛЕНИЕ ФИНАНСОВОЙ БЕЗОПАСНОСТИ УКРАИНЫ

Систематизирован научно-прикладной инструментарий обеспечения макрофинансовой стабилизации и формирования предпосылок для восстановления банковской системы, поддержки курсовой стабильности, гармонизации развития отечественного финансового рынка и обеспечения прозрачности публичных финансов; обоснованы направления реформирования долговой, бюджетно-налоговой, валютно-курсной, монетарной политики; очерчена структура механизма управления инновационной модернизацией экономики; сформулированы приоритетные направления активизации небанковского финансового сектора; определены стратегические ориентиры укрепления финансовой безопасности Украины; обоснована необходимость разработки и принятия ряда важных нормативно-правовых документов по вопросам совершенствования системы управления государственными финансами.

Ключевые слова: финансовая безопасность, финансовая система, государственный долг, банковская система, бюджетно-налоговая сфера, валютно-курсная политика, небанковский финансовый сектор.

Issue of the problem. The problem of protecting national interests, in particular in the financial sphere becomes very actual under modern conditions of the intensification of the processes of financial globalization and the weakening of state regulation and control. Financial security of the state is the most important priority of the state's economic policy, and the formation of the economy of an innovative type depends on the stability of the domestic economic system, its investment attractiveness and competitiveness. Protection of the national

monetary unit from external fluctuations, ensuring stability of interest rates, increasing capitalization of the stock and insurance markets, and rational fiscal regulation of the economy are those initial postulates that guarantee a high level of financial security in the country.

The analysis of research and studies. The famous home scientists O. Baranovsky, I. Bitko, Z. Varnaliy, O. Vlasniuk, T. Vasylytsiv, M. Yermoshenko, Y. Zhalilo, V. Muntiian, O. Pidkhomnyy, A. Sukhorukov, M. Fleychuk, V. Shlemko and many others researched current theoretical and scientific-applied problems of financial security. However, there are still urgent questions, which strategic guidelines for strengthening financial security in the context of the reform of the domestic financial system should be, being the most significant since the proclamation of Ukraine's independence, and taking into consideration the hybrid war.

The purpose and the tasks of the article. The purpose of the article is to identify strategic directions for further reforming the debt, fiscal and tax, banking, exchange rate policy in order to strengthen Ukraine's financial security. The achievement of the stated purpose included the following tasks: systematization of scientific and applied tools for ensuring macroeconomic stabilization in the financial sector; to ground strategic priorities of strengthening of financial security of the state taking into account its components.

Main body and the results of the investigation. Financial security is the fundamental basis of a cost-effective state, which is responsible for long-term policy of financial stabilization and economic growth. According to experts' forecasts, Ukraine's development over the next decade will be taking place in extremely complex international relations and in conditions of fierce competition in financial markets. The necessity to consolidate economic and financial interests at both macro and micro levels is an indispensable condition for further reform of the financial sector and ensuring balanced development of the national economy as a whole. Bearing in mind this aim it is necessary to outline key areas for implementing financial policy and identify strategic priorities for strengthening Ukraine's financial security.

Accumulated problems in the field of debt policy give grounds to consider debt security to be the most important in comparison with other types of financial security. In our opinion, the main directions of strengthening of debt security include:

- determination of the optimal ratio between external and internal debt, its structure, cost, sources of repayment, which would correspond to the current economic situation and strategic interests of Ukraine; normative and legal definition of the list of indicators of debt security and their limit values; approbation of the IMF methodology of debt security assessment, implementation of stress testing;
- introduction of restrictions on crediting a deficit of the state budget by domestic banks by gradually establishing an additional mandatory ratio of government debt securities to the total assets;
- intensification of the domestic borrowing market through the expansion of the list of financial instruments, including government debt securities with ensuring their liquidity; a decrease in the cost of government borrowings while the development of market infrastructure; attraction of non-resident investors to the purchase of government securities;
- reduction of the volume of external debt with simultaneous diversification of borrowing currencies; the normative fixing of the ratio of public debt to the GDP ratio acceptable for Ukraine. The government has set a ceiling on government debt at a level not exceeding: 62% of GDP by the end of 2018, 58% of GDP by the end of 2019, 55% of GDP by the end of 2020 [1];
- compliance with the appropriate level of gold and foreign exchange reserves, which provides the current solvency of the state; to increase the credit and investment potential of the financial system of Ukraine, to ensure compliance of the domestic legal framework regulating the circulation of securities to the International Organization of Securities Commissions.

The adoption of the Law of Ukraine «On the State Debt of Ukraine» is still relevant, the implementation of which will facilitate the solving of such tasks as: improvement of mechanisms for state borrowing and repayment of state debt, provision of state guarantees taking into account risks; ensuring transparency and predictability for all economic agents in the management of public debt, establishing a public debt management and risk management infrastructure; promotion of the development of the government securities market; the introduction of a balanced mechanism for differentiating powers of government structures for the management of public debt [2, 200].

Strengthening the security of the banking sector will be facilitated by taking measures to increase long-term deposits of individuals and legal entities in domestic banks. Strategic priorities for the development of the banking system are:

- gradual reduction of the share of foreign capital in the authorized capital of banks to a safe level – below 40% [3]; the implementation of an additional standard for each foreign country at the level of 10% of the total equity capital of the Ukrainian banking system, which will speed up the output of foreign structures from the Ukrainian banking market; restrictions on the sale of government securities – government bonds and certificates of the NBU – to commercial banks with the simultaneous activation of lending to the corporate sector, thus stimulating the development of branches of the national economy;

– introduction of successful European practices of corporate governance in state banks, which will enable the reform of the state banking sector as part of the implementation of the Integrated Financial Sector Development Program of Ukraine until 2020 [4]; stimulation by the NBU of additional capitalization of banks by their shareholders with the simultaneous abandonment of the current limitations of capital movements in terms of dividend payment abroad and the completion of the procedure for improving the banking system by withdrawing troubled banks from the market, in particular banks that do not adhere to the plans for recapitalization [5, 318];

– involvement of private savings into the banking system by means of their transformation into investment with the help of financial market instruments. In order to achieve this it is necessary to pursue an effective policy of increasing confidence in banking and other financial and credit institutions and intermediaries; the key role in such a model should belong to the state as a guarantor that regulates the activities of all actors and at the same time acts as a body for the redistribution of financial resources in the socially important areas of the national economy;

– to expand the functions and powers of the Deposit Guarantee Fund, increase the state guaranteed amount of compensation up to UAH 500 thousand, and subsequently guarantee the return of all (regardless of the amount) deposits; to strengthen control over payment discipline and fulfilment of the obligations of banks to clients, in particular, on term deposits;

– develop mechanisms for restructuring debt of individuals to banks, for example, due to a change in the currency execution obligations and the cancellation of part of the debt that arose due to the devaluation of the national currency; to ensure minimization of losses of the creditor at the expense of refinancing of NBU crediting banks on preferential terms; use loan reserves in proportion to repayment of the restructured loan and introduce sales of foreign currency NBU to the lending bank at the preferential rate at which the restructuring is carried out.

The budget reform program should be aimed at consolidating the budget by smoothing structural imbalances between revenues and expenditures, reducing the absolute and relative indicators of government spending on maintaining the bureaucracy, curtailing social programs in certain areas, reducing subsidies, streamlining public procurement, strengthening financial control and fight against corruption [6, 119].

Strategic steps to further reform fiscal policy and strengthen financial security of the state should include:

– modernization of tax administration, which involves reducing taxpayers' expenses and launching an e-taxpayer cabinet with the following extension of access to the services of the State fiscal service of Ukraine; combining reporting on personal income tax and a single social contribution, introducing a tax on capital employed instead of corporate profit tax; introduction of a single account for payment of tax and customs payments;

– the development of transfer pricing in the framework of the implementation of the Minimum Standard of the BEPS Action Plan [7], which will help to prevent the tax base from being blurred and the profits overseen. Starting from January 1, 2017, Ukraine joined the OECD Enhanced Cooperation Program, which involves the mandatory implementation of 4 out of 15 points: increasing the effectiveness of counteracting harmful tax practices, taking into account the principle of transparency; preventing the granting of benefits mentioned in the agreements on avoidance of double taxation, under unreasonable circumstances; the introduction of country-by-country reporting (CbC) three-tiered transfer pricing documentation format; increasing the effectiveness of disputes settlement mechanisms;

– development of methodological approaches to medium-term budget planning in accordance with the project of the main directions of the budget policy for 2018-2020, which will allow taxpayers to formulate business plans taking into account the projected tax policy, budget managers to rationally plan the distribution of budget funds, economic actors to substantiate long-term investment decisions and to strengthen fiscal discipline [8, 547].

Electronic declaration, use of electronic digital signature, introduction of electronic document circulation, data protection, counteraction to hacker attacks in hybrid warfare shift the emphasis in the direction of strengthening the information security of state and local financial authorities. Automation and optimization of functional processes together with simultaneous introduction of an effective model of public finance management, ensuring budget consolidation, integrating the ProZorro system with the E-data portal and electronic payment system, as well as other innovations contribute to increasing the efficiency of public procurement, reducing public expenditures, harmonizing planned and actual indicators using budget funds, ensuring transparency of public administration.

Home experts have recognized that transparency of public finances, control over the efficiency of their distribution are the determining criteria for the success of the reform process of the domestic economy. Minimization of the share of intergovernmental transfers, direct income from local budgets, achieving the indicator of direct revenues to local budgets at a level not less than 50% of the consolidated budget will contribute to the decentralization of public funds management.

In our opinion the implementation of the progressive European experience of inclusive development with a view to humanize the fiscal system should become an important institutional innovation. The success of the state economic policy on decentralization depends on the nature of the strategic priorities and tasks identified by

the plans of the country's or region's socio-economic development and taking into account external challenges. Organizational mechanism for management of innovative modernization of the economy should include: development and substantiation of the concept of implementation of the network of innovative cooperation, consisting of innovative centres of economic management of the region and specialized centres of expertise; selection and systematization of inclusive development tools; structural-logical scheme of realization of the mechanism of management of innovative modernization of the region's economy, reflecting the order of interaction of the main components of the management system, which realizes the achievement of harmonization of interests of the subjects of the regional innovation system with respect to the development of the core of the innovation industry at the institutional level; clarification of strategic guidelines for innovative modernization of the economy aimed at improving the quality of the inclusive development management process at the regional level within the framework of decentralization policy implementation.

Providing exchange rate stability and improving the effectiveness of the exchange rate policy in Ukraine will provide the following concrete actions: to clearly delineate the powers of the NBU and the Government on currency regulation and currency control at the legislative level; to introduce a currency policy to balance the real demand for foreign currency with its offer maintaining the stability and liquidity of the national currency; to provide effective state control over the implementation of foreign exchange operations; to intensify penalties for late arrival of currency to Ukraine as a result of export transactions by exporting enterprises; use of the norm of obligatory reserve of funds attracted by banks as an adequate alternative to NBU operations in the open market; such a step will reduce the interest expenses of the state by issuing deposit certificates of the NBU; the growth of the inflow of foreign currency to exporting companies through the mechanism of automatic refund of VAT, the implementation of agreements on increasing the size of EU quotas for Ukrainian exports and removing artificially created transit obstacles on the way of Ukrainian goods to CIS countries through the territory of the Russian Federation; the reduction of the term for the return of foreign exchange earnings of exporters at the first stage from 120 to 60 days, in the future up to 30 days, the strengthening of penalties for late arrival of currency to Ukraine [9]; adopting a modern system of legal framework for foreign exchange derivatives that will enable to more actively use the existing currency market instruments in Ukraine (swaps, futures and forward contracts) and stimulates the development of its full-fledged infrastructure.

The current issue is the adoption of a draft law «On Foreign Currency» developed by the NBU to replace the Decree «On the System of Currency Regulation and Currency Control» adopted in February 1993, which will enable market participants (importers, exporters, foreign investors, physical persons individuals) to formulate a currency strategy within the framework of clear long-term rules [10].

In accordance with to the Law of Ukraine «On the National Bank of Ukraine», one of the priorities of monetary policy in Ukraine is the achievement and support of the price stability in the state. In order to achieve this the NBU will, in the coming years, proceed from the need to promote a gradual reduction of inflation, with the aim of achieving the medium-term inflation target of 5% with an allowable range of ± 1 percentage points at the end of 2019. These target inflation rates by 2020 cannot be changed, and in the future, under conditions of gradual economic growth, they can only be revised downwards [11].

The priority directions of activation of the non-banking financial sector include: the specialization of investment companies in specific segments of the financial market or the national economy, attraction of household savings through joint investment institutions or investment of financial resources in government securities (government bonds, treasury bonds), access to foreign capital markets, introduction of the practice of insurance of liability of investment managers, periodic checks of personnel reliability using a polygraph, etc.; the introduction of cumulative types of insurance, in particular the expansion of the life insurance segment, the introduction of actuarial revision practices taking into account the intensity of the growth of potential risks; periodic insurance companies inspection on early bankruptcy to identify signs of financial insolvency; reduction of volumes of risk insurance in insurance portfolios; formation of a unified database of persons who committed insurance crimes with free access of regulators of the insurance market and the public, etc.; guaranteeing effective protection of property interests of insurers by introduction of a mandatory state insurance supervision institution; promotion of the development of institutes of effective self-regulation of the insurance sector; the introduction of mandatory financial monitoring of bills of exchange due to the lack of a single state register of bills, which complicates the proper control of their issue and circulation, and makes it possible for a bill to take one of the first places among financial instruments used in money laundering schemes.

Conclusions. Summarizing the strategic guidelines for strengthening Ukraine's financial security, we emphasize the need:

1. To approve the Strategy of financial security of the state by the Verkhovna Rada of Ukraine, which will determine the political and economic course of activity of financial institutions of state power, investment, financial and credit, banking institutions, aimed at ensuring financial stability and economic growth.
2. To activate the policy of management of the state debt of Ukraine, which provides the minimization of risks of state and corporate borrowings by balancing the structure of state and corporate debt depending on the

types of currencies, interest rates and terms of debt repayment; introduce brutal control over the targeted use of funds received from international financial institutions; shift emphasis on increasing domestic sources of funding, stimulate the population of Ukraine to transform unorganized savings into investment resources.

3. Develop and adopt a Banking Code in order to bring current banking legislation in line with EU norms, rules and requirements, which will include relevant articles on the security of the money market. Such an institutional step will make it possible to strengthen the stability of the Ukrainian banking system, provide better predictability, and make the interests of all participants more secure.

4. To implement measures to increase the competitiveness of the national stock and insurance market, to promote the level of protection of interests of consumers of insurance services and all participants in the securities market. Ensure the implementation of pension reform, in particular regarding the development and intensification of the processes of formation of non-state pension funds and the system of personal pension accumulation.

5. Home banks should have a more flexible interest rate policy in order to attract clients' funds in the national currency, and the National Bank of Ukraine should facilitate the accumulation of foreign exchange reserves.

6. To develop and implement an effective system of financial control that involves the collection and analytical processing of information, analysis of primary threats, continuous monitoring of financial security indicators, forecasting conditions and implementation of specific measures to maintain an adequate level of financial security of the state.

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