

FOREIGN CAPITAL IN THE BANKING SECTOR IN UKRAINE

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Abstract: *The dynamics and economic indicators of the foreign banks presence in the banking system, banking assets valuations and channels of the foreign banks influence on the national banking system are studied.*

Keywords: *foreign bank capital, foreign investors, feasibility, expansion, globalization, regulation.*

JEL Classification: F65

1 INTRODUCTION

Increased internationalization processes in the world economy due to both the increased openness of national economies and the integration of countries into economic alliances that will provide economic benefits for their members. The creation of such alliances is reflected in the integration of financial and banking services, which, in the first place, the most significant impact in the economic relations of the country.

2 INCREASING PRESENCE OF FOREIGN BANKS IN UKRAINE

Foreign capital into the banking system of Ukraine starts in period 2001-2003. At that time, had been a number of associations of banks, but the agreement between the Ukrainian and foreign banks have not received a grand scale. Since 2005 there has been intensification of market mergers and acquisitions of banks in Ukraine and the expansion of foreign capital into the domestic banking system.

Drawing 1. The number of banks on the origin of capital in 2007-2011



Source: Database of National Bank of Ukraine //

http://www.bank.gov.ua/control/en/publish/article?art_id=37942&cat_id=37937

In general, it should be noted that the most expensive mergers and acquisitions of banks were made with foreign participants: 2005 - Group «BNP Paribas Group» (France) acquired "UkrSibbank" for 325 million dollars., 2006 - Banking Group "Banca Intesa »(Italy) acquired" UkrSotsbank "for 1.161 billion., 2007 - group« Erste Bank der osterreichischen Sparkassen AG »(Austria) acquired AB" Prestige "for 104 million dollars., 2008 - group «Intesa Sanpaolo» (Italy) acquired OJSC "Pravexbank" for 750 million dollars., 2009 - "Vnesheconombank" (Russia) purchased PSC "Prominvestbank" for 1.080 billion., 2010 - «Platinum Bank» (Horizon Capital) acquired PJSC "Home Credit Bank" (Ukraine) (transaction value unknown). Note that the main investors in Ukraine's banking system are France, Austria, Russia and Cyprus.

The activity of foreign banks in the banking mergers and acquisitions continued until the global financial crisis in 2008. But even during 2008-2010, foreign investors have more opportunities and resources for transactions of purchase of Ukrainian banks, and therefore were initiated consolidation of bank capital due to recent acquisitions. Ukrainian banks, in turn, actively fought the effects of the crisis.

However, during the 2011-2012 biennium is bucking the situation.

3 IMPACT OF FOREIGN BANKS IN THE UKRAINE'S BANKING SYSTEM

Events on external financial markets have an impact primarily on the activities of banks with foreign capital, whose parent structures lose interest in further development of the "daughters" in emerging markets because of increased prudential requirements (in connection with the adoption of "Basel III ") and rising losses on investments in government debt eurozone. Given the prohibition of foreign currency lending population, one of the few instruments to hedge against currency risks in Ukraine for such banks are interbank transactions (where the rate increased significantly during the last few months), as well as investments in government debt (currency and indexed bonds).

With active buyers of Ukrainian banks international financial companies and banks become sellers. Despite the relatively high reputation in foreign banks than domestic banks and better position in the crisis of 2008-2009, some international financial group announced its withdrawal from the Ukrainian market in late 2010 left the market group «Home Credit Group», which had a "Home Credit Bank "russian" Renaissance group "sold" Renaissance Capital "investment Group« Kardan NV »reported sales 84% shares of" VAB Bank "financial group« Bank of Georgia »retained only 19.4% of shares of" BG Bank.

It should be noted that the market for mergers and acquisitions in the banking sector in Ukraine in 2011-2012 corresponds to the global trend. So in the last quarter of 2011, the volume of international mergers and acquisitions of banks by around 40%

Given the willingness of some foreign companies to leave the Ukrainian market, but we should not forget that in the post-crisis period, foreign banks may be crucial for the consolidation of the banking business in Ukraine. Currently in Ukrainian banks, especially the third and fourth groups, there are two options in order to stay on the market for banking services or merge with each other or sale to foreign investors. The situation is worsening and increase the NBU minimum share capital.

In considering the impact of foreign capital on the consolidation process in the banking system of Ukraine, it is appropriate to analyze recent trends towards legal regulation of cross-border mergers and acquisitions in the Ukrainian banking sector. Yes 09.08.2011 adopted new rules NBU, which has dramatically changed the process of obtaining permission from the NBU for cross-border mergers and acquisitions in the banking sector in Ukraine. It should be noted that the procedure for obtaining permission NBU today has not been fully tested and is dependent on the interpretation of the NBU. In this regard, proper structuring and planning of cross-border mergers and acquisitions of Ukrainian banks with foreign investors is even more important.

New rules apply to the following modifications to regulate cross-border Bank Mergers and Acquisitions:

- the holder of a qualifying holding (ie owner not less than 50% of the shares prydbayutsya) should also request to buy shares not only the seller, but the NBU to purchase more than 10%, 25%, 50% or 75% of the shares ;
- in the case of possession of a controlling stake in the buyer provides two separate documents to NBU: confirmation from the seller and documents from the owner of a qualifying holding;
- bilateral agreement between the Bank and the Central Bank (CB) of the country in which the facility is located purchase. At present, there are bilateral agreements with countries Bank: Armenia, Belarus, Kyrgyzstan, Cyprus, China, Lithuania, Luxembourg, Poland, Russian Federation, Turkey, Sweden, Hungary;
- the absence of a bilateral agreement could lead to failure on the part of Bank to grant accession banks (as a NBU № 8-313/6192-12246);
- new audit reports provided by the participants of mergers or acquisitions;
- a report from the Central Bank of the country in which the seller of regulatory capital institutions and seller agree on economic regulations after absorption;
- bank, the process is three months.

Thus, new legislative changes aimed at increasing transparency consolidation agreements between banks and simplification thereof.

The participation of foreign capital in the banking system of Ukraine promotes improving nu as the banking system and allows you to intensify economic processes ra hunok improve service quality, technology improvement, increased tion of financial resources, the development of the stock market (due out banks on domestic and foreign stock markets), increasing international financial rating, accelerating the processes of integration into the world economy.

However, you should be aware of the possible risks of accelerated processes of foreign investment in the banking sector of the country: the loss of sovereignty in monetary policy, unexpected fluctuations in liquidity, speculative changes in supply and demand in the money market, the possible outflow of financial resources.

Banks with foreign capital in many ways demonstrate higher concentrations compared to the competitiveness of domestic, selected the most profitable cus paid subscribers, perform geographical expansion in the most attractive regions for initial stages kovyh little work with individuals (although recently a number of banks with foreign capital actively promoted market deposits).

4 SUMMARY

For real change that has occurred under the influence of foreign capital, it should be noted that the arrival of foreign capital in the banking sector has led to a redistribution of the interbank lending market.

The fact that foreign investors are taking a more conservative policy in the discovery limits for interbank lending, there is a decrease for some banks established large minimum size of lots for interbank loans, which significantly limits the range of potential borrowers and increases the quality requirements. Experts believe that the expansion of foreign banks will further stratification of the interbank lending market. It is expected that approximately 90% of the interbank lending market will be concentrated in 20-30 major financial institutions. A small banks may be cut off from loans of major financial institutions and support NBU.

In addition, there have been changes in the structure of active operations due to the fact that foreign banks are oriented mainly in retail and as a result, the scope of lending shifted from the manufacturer to the buyer.

At present, the immediate problem for Ukrainian banks is to increase competitiveness, capitalization, lower cost banking services, expansion of financial instruments. Ukraine faces a significant challenge: how and by what strengthen the system to enhance its impact on economic development. Understandably, given the objective economic realities of the issue of expediency expansion of foreign capital in the banking sector should be guided by strategic priorities, the practical implementation of which will help to ensure the integrity and stability of the banking system of Ukraine.

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