

NATIONAL BANK SYSTEMS

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Abstract

In this paper problems in the functioning of national bank system as a system behavioral object are considered. Also, mechanisms of interaction of bank system with other sectors of national economy and the state are discussed. Finally, internal mechanisms of self-organizing of national bank system are investigated. The article is a brief overview of a book printed in Russia (in Russian).

Key words: National bank system, bank system behavior, bank regulation, bank competition.

JEL Classification: G21, G28.

National Bank Systems

First of all, we shall consider theoretical approaches to research the development of national bank systems (NBSs).

The question of the general concept “bank system” is seldom addressed and the methodology of its analysis is not normally discussed. Consequently, previous research does not consider from a scientific perspective the bank sector as a whole or as a subsystem of innovative-investment development of key economic branches. As NBS corresponds to distinctive attributes of the system, it is a system object, with the precise internal organization, orderliness, stability of communications between NBS elements and the external connections creating stability of its structure, integrity and distinction of NBS from other systems.

NBS has attributes of behavioural systems. Behavioural systems encompass such open and complex systems submitted in the theory and models which possess self-development, own, natural behaviour based on an information exchange, a straight line and a feedback, interaction of elements, functionality, self-organizing, the self-management, outstripping reflection and adaptation. For behavioral systems the behaviour is integrative, system-forming attribute. Generally the behaviour is understood as the ordered set of internally interconnected actions which are carried out by any complex, possessing program and internal organization object. Innovative-investment NBS behaviour represents the ordered set of internally interconnected actions of the bank system directed on realization of the purpose of innovative-investment development of the national industry.

There are three types of behaviour of system depending on character of relations with an environment: reactive, adaptive and active. As a rule, in NBS researches types of behaviour are not allocated and, hence, are not taken into account at management of it. Meanwhile, all processes and the phenomena influencing NBS from within and from the outside, are expedient to classify on type of behaviour determined by them.

Research of NBS behaviour is not a component of behaviourism, and also not studying of decision-making process, as in the behavioural economic theory. It is focused on result of these decisions – objectively formed type of system behaviour, that is character of its relations with an environment, and conformity of these decisions to the external and internal purposes of the system, in aggregate determining a direction of NBS development, its investment opportunities and activity.

Behavioural systems are systems with management. Therefore it is fair to speak about the purpose of management. In the theory of behaviour of systems it is meant ideal under the form, a prospective, required condition or property, for some reason desirable in which direction the system changes under influence of external and internal influences, the reasons and conditions. The question is a condition, optimum for system, first of all for its existence, adaptation to conditions of existence, the further development and, hence, – realizations of its basic purpose of innovative-investment development of the national industry.

NBS as the subsystem of national economy is subordinated to the purposes of economic policy of the state. However it is the system possessing self-management, having the internal managing centers which determine change of system alongside with the external managing centers. Thus realization positive for national economy (or wrongly considered by those) purposes external in relation to NBS managing centers which do not take into account its internal purposes, can have in the long term negative consequences directly for NBS itself, down to infringement of its organization, in a result not only decrease in NBS investment opportunities, but also through feedback – to reduction in investment appeal of the industry of the country as a whole. Therefore we differentiate the purposes of management of the external and internal managing centers (as the external and internal purposes). The field of the purposes of management NBS is shown in Figure 1.

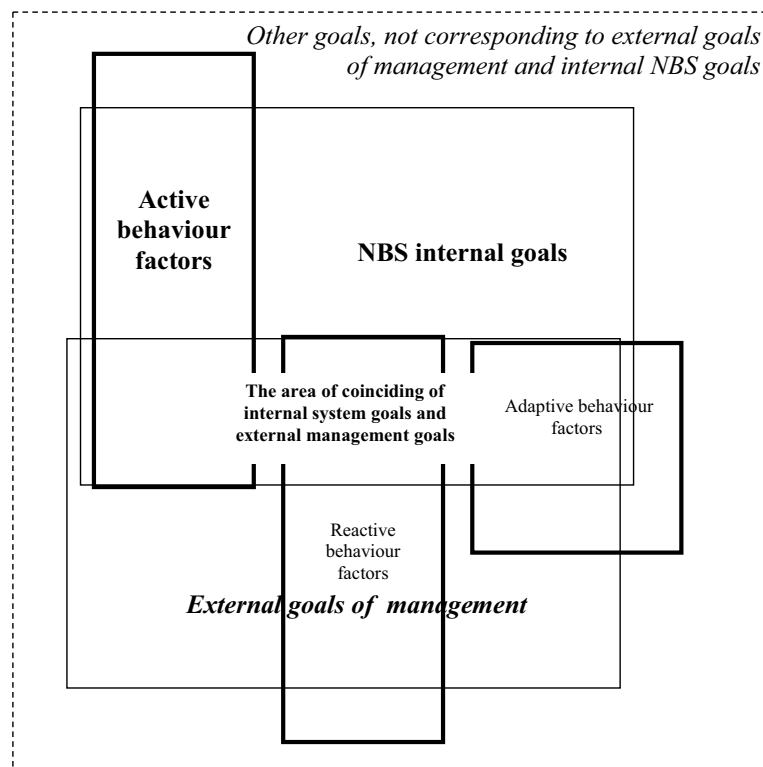


Fig. 1. The field of NBS management goals

For internal control centres NBS itself is a priority. During the various periods of time the internal purposes can be corrected. It reflects continuous process of development of system and, hence, change of representation of the internal managing centers about that optimum condition for system which is the purpose of management. Multipurpose NBS character allows to allocate a number of the positive purposes (for example, safety of system, financial result, creation of conditions for effective NBS activity through innovative-investment development of key economic branches of economy and others).

Let's formulate theoretical approaches to research of NBS development:

- ◆ NBS possesses all attributes of system object. It is the system having hierarchical structure, capable to self-organizing and active influence on an environment;
- ◆ Factors of NBS behaviour represent processes and the phenomena observable as inside system, and occurring out of its limits, but connected with it;
- ◆ The uniform criteria, allowing to characterize considered processes, the phenomena and connections, are type of behaviour of system to which they promote and confor-

mity of these processes, the phenomena and communications to the external and internal purposes of system;

- ◆ The type of NBS behaviour determines a direction of its development, investment opportunities and activity and is formed as a result of simultaneous influence on system of factors of reactive, adaptive and active behaviour which can not only compensate each other, but also stimulate simultaneous presence at system differently directed types of behaviour;
- ◆ Research and classification influencing the NBS processes on the basis of their influence on behaviour of system and to conformity of these processes to the external and internal purposes of system, and also allocation of dominating factors is base for an offered method of the factorial analysis of NBS behaviour and formation of an information basis of management of its investment activity;
- ◆ As a rule, dominating factors are factors of reactive NBS behaviour. At the same time factors of adaptive behaviour provide expedient reaction of NBS to changing external conditions. Factors of active behaviour reflect performance by banks of the basic functions and create necessary conditions for realization of the internal purposes of system;
- ◆ Factors of NBS behaviour cannot be divided according to types of behaviour to which they promote, on conformity to the external and internal purposes of system. Therefore the analysis of these factors provides not only their estimation by behaviour, but also to value for results of activity of system.

On the basis of NBS research as behavioural system specification of definition “bank system” is possible.

The bank system is complex, included in systems of higher level, self-organizing and historically developed under influence of external and internal processes system representing complete set of establishments carrying out bank activity and carrying out function of internal management of bank institutes characterized by reactive legislative and adaptive internal orderliness of connections between separate elements and with an environment, and also capable to influence actively it and its regulating influences.

Let's point out the following basic periods of structurally functional NBS formation on the basis of application of the developed theoretical approaches to research of NBS development of many countries:

- ◆ The period of isolated deregulated banks;
- ◆ The period of concentration of issue functions in the uniform center, unessentially state;
- ◆ The period of mobilization of financial-credit establishments on financing of the state concentrating in the hands all completeness of authority, or the priority branches of economy determined by it;
- ◆ The period of nationalization of all or significant part of NBS;
- ◆ The period of NBS privatization;
- ◆ The period of a rigid monetary and credit policy;
- ◆ The period of NBS crisis;
- ◆ The period of stability and growth;
- ◆ The period of integration NBS with key economic branches of the industry.

Development NBS has the certain cyclicity and is connected to change of approaches for a place and NBS role in innovative-investment process. Preconditions and the reasons for transition from one periods of development to others are defined by strengthening of factors of various types of behaviour. All periods have objective terms of the beginning and the termination. Subjective actions of authorities can lead to their postponing, however at an output for an allowable time interval the system starts to lose stability, the evolutionary way of smooth transition to the following stage becomes inconvenient and there are preconditions for development of crisis and, as consequence, decrease in innovative-investment opportunities of system. Therefore as one of main prin-

principles of NBS management it is possible to recommend observance of conformity of the organization of system and methods of its management to a condition of national economy and tendencies of change in it.

The analysis of the periods of NBS development allows to draw a conclusion on a leading position of factors of reactive behaviour above factors of adaptive and active behaviour in NBS development. Sociopolitical factors in their set determine reactive type of NBS behaviour. They include: dominating social and economic, home and foreign policy factors.

Dominating socio-economic factors take into account structure of the property in economy and NBS, the purposes of economic development, a role and a place of a bank complex in a national economy, the public relation to methods of management of economic processes and, hence, dominating methods of management of economy and NBS. As a result of the analysis it is proved, that the organization of NBS of the country is connected to dominating socio-economic factors.

Internal political factors are determined by the form of the the state, a degree of participation of NBS in realization of a social and economic policy of the government, itegration of political parties to NBS, a level of independence of the central bank.

Foreign policy factors are subdivided and analysed by us: by result of influence on NBS – on favorable and negative; on a source of influence on NBS – on initiated by own government and external, is compelled to be taken into account; on position of the country in the international system of economic and military-political relations.

The analysis of factors of influence of national economy development on principles of NBS functioning allows to formulate some positions and conclusions:

- ◆ Theoretical regulations about necessity of equation of structure of NBS property and economy as a whole. Significant difference in structure of NBS property and national economies generates the conflict of interests, discrepancy of the offer and demand in the market of bank services and interferes innovative-investment development of the industry. Creation of system of financing of public sector of economy, as a rule, demands adequate participation of the state in NBS;
- ◆ Conclusion about influence of branch structure of national economy and uniformity of territorial distribution of the enterprises of key economic branches on territorial NBS structure;
- ◆ Theoretical regulations about nonlinear dependence of level of NBS development from a level of a national economy development. Higher level of development of national economy acts some kind of the multiplier of its subsequent growth, including financial-credit system. It is caused by the best reactance of perception by banks of positive tendencies at decrease of their sensitivity the negative information. Therefore the NBS of countries having higher level and rate of development of economy, has primary advantages over other with equal conditions. Among other reasons it speaks increasing rise of the world financial market leaders from its outsiders.

Thus, NBS enters into an infrastructure serving real manufacture and consequently directly depends on a level of development of key economic branches of economy, and itself renders strong influence on national economy. Weak NBS development does not allow to realize an opportunity of growth of manufacture in a full degree, constrains its innovative development, limits opportunities of attraction of means of national and foreign investors.

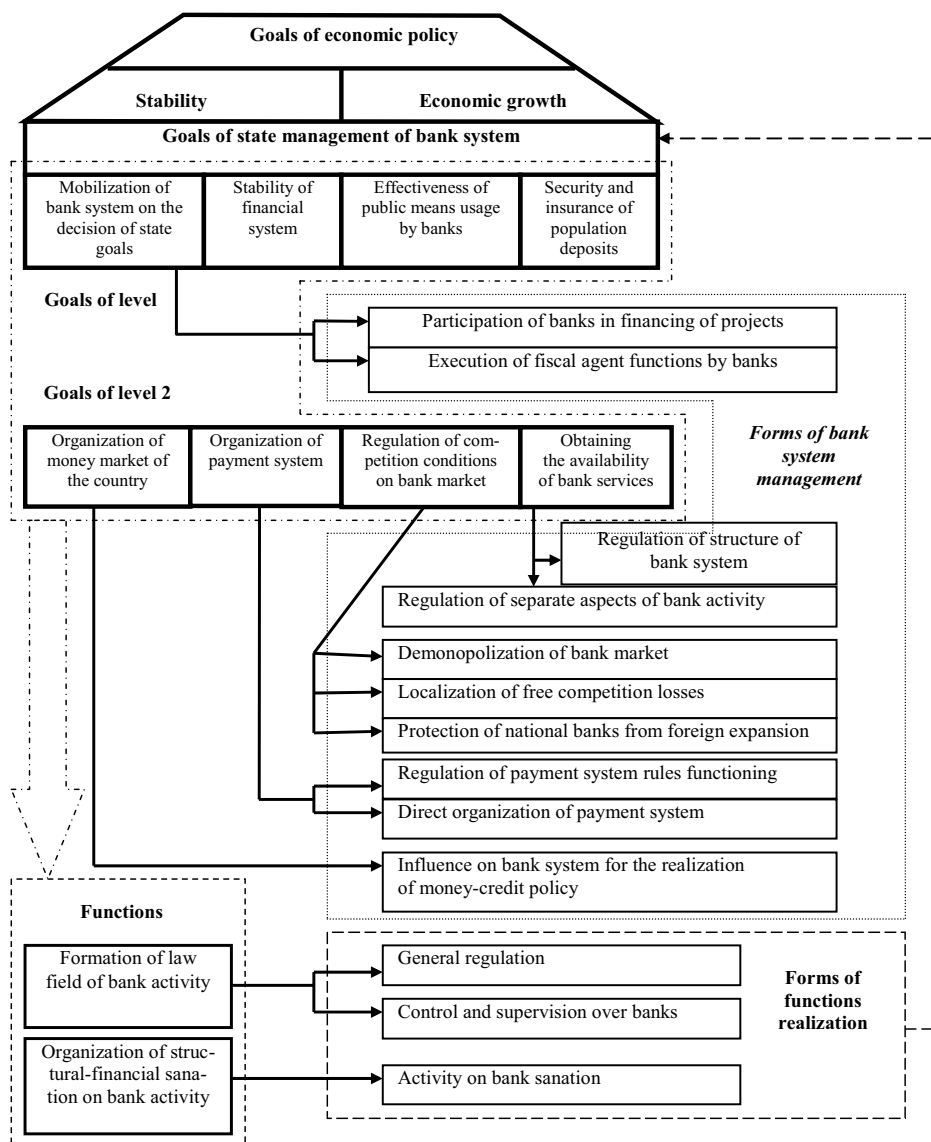


Fig. 2. Goals and functions of state regulation of NBS

The purposes, functions and forms of state NBS regulation are resulted in Figure 2. The analysis of the purposes as well as economic and socio-political factors allows to establish expediency of domination in NBS behaviour of reactive type of behaviour. It speaks value for the state, a society and national economy and, hence, hierarchical submission of NBS purposes as subsystems of national economy to the purpose of innovative-investment development of key economic branches in a pyramid of the purposes of NBS management.

Though the government management also has external character in relation to NBS, a part of the purposes, functions and forms satisfies the internal purposes of system, promoting its stabilization. It is a norm creation in bank sphere, supervision of banks, regulation of activity of payment system, the organization of financial and structural improvement, licensing and regulation of end of banks life cycle. A part of others (for example, performance by banks of functions of exchequer and regulation of competitive conditions in the bank market) can coincide with the internal purposes of system in part. For the purpose of long-term innovative-investment development of the

national industry maintenance of the maximal concurrence of the external and internal purposes of NBS management is favorable.

In Figure 3 mechanisms of the government are shown by bank investments. One of interesting methods of state NBS regulation in bank sphere is the method of the government management through public influence. It is realized by the state and a society due to high value of subjective factors in functioning of banks and, especially, the factor of trust of contractors and investors. It allows the state, alongside with other large participants of the market, to change behaviour of investors, rendering thus managing influence on NBS by means of the mechanism of direct and indirect influence.

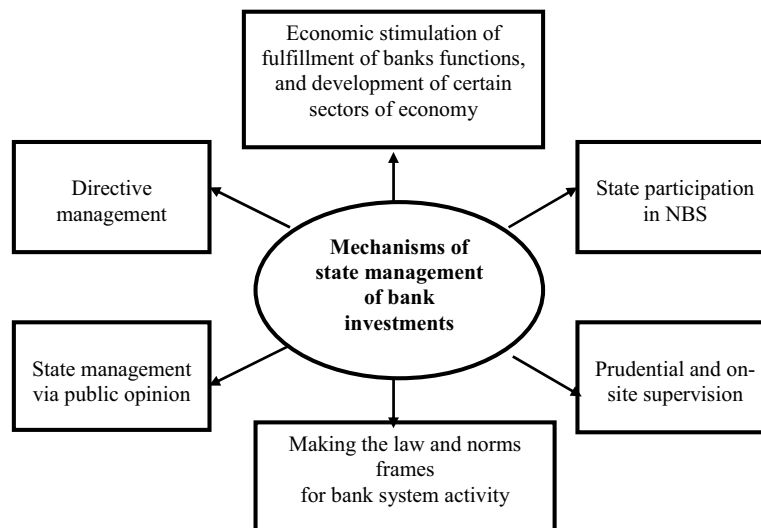


Fig. 3. Mechanisms of state management realization

Analysis of NBS of many countries allows to draw a conclusion that the state participation in NBS as the mechanism of its state regulation is typical for all world bank system and is not an attribute describing a level of economic development or a political system of the state, however the analysis of a share of the state participation, a source of the capital and a degree of participation of the state in operative management of banks possesses high level of information for forecasting NBS development.

Let's allocate two basic purposes of the state participation in NBS. In one case the state uses the participation with a view of the decision of own problems, external in relation to NBS. In the other – the state participation is for it is compelled and, as a rule, financial burdensome – deprivatization is used for sanitation of NBS which has lost by virtue of the various reasons ability to self-improvement. In both cases participation of the state in NBS is connected to strengthening of its influence on strategic planning of NBS development and operative management of it.

The analysis of the Russian and international experience allows to draw a conclusion on determining value for NBS purposes of participation:

- ◆ Aspiration of the state authorities excessively to subordinate NBS interests to the decision of own tasks mainly attracts negative consequences for NBS. The estimation of efficiency of the state participation is determined by the chosen criteria. Under conditions of "extreme" economy when the executive authority should solve the problems demanding the maximal mobilization of internal resources of the country, the state participation and direct NBS control are more effective for the decision of these tasks. But NBS as a result of such external rigid intervention loses flexibility and self-adjustability and as a separate system becomes less steady.

- ◆ Positive influence of the state participation on NBS as object of separate consideration is observed when this participation is directed on NBS itself, that it is the purpose, instead of means of achievement of the purpose. The compelled participation of the state in a bank complex with the purpose of its sanitation, as a rule, is a payment of the state (besides the highest) for the earlier made mistakes in management of financial-credit system, and is used in the absence of alternative at authorities.
- ◆ Possible negative consequences of the state participation are connected with traditional lower level of the management usually focused on administrative methods. At maintenance of a high level of bank management the state bank sector does not concede on efficiency private. Besides it can exercise functions of an internal regulator of the bank market. Presence in NBS an effective state segment has the serious stabilizing influence interfering development of destructive for it gregarious behaviour in the market.

On the basis of consideration of experience of some states participation in sanitation NBS we shall give the following recommendations:

- ◆ Participation should be limited to the certain time frameworks and to come to the end with process of privatization;
- ◆ Significant state investments in NBS are not the self-sufficient factor of its sanitation;
- ◆ The state participation in management of process of NBS improvement gives the best effect if it is limited to creation of legislative and economic preconditions for the beginning this process, and also maintenance of supervision of private managers realizing it.

Classification of subjects of NBS management in view of their attitude to it and the state is resulted in Figure 4. Such principle of classification is proved by necessity of an estimation of influence of subjects of management on NBS behaviour.

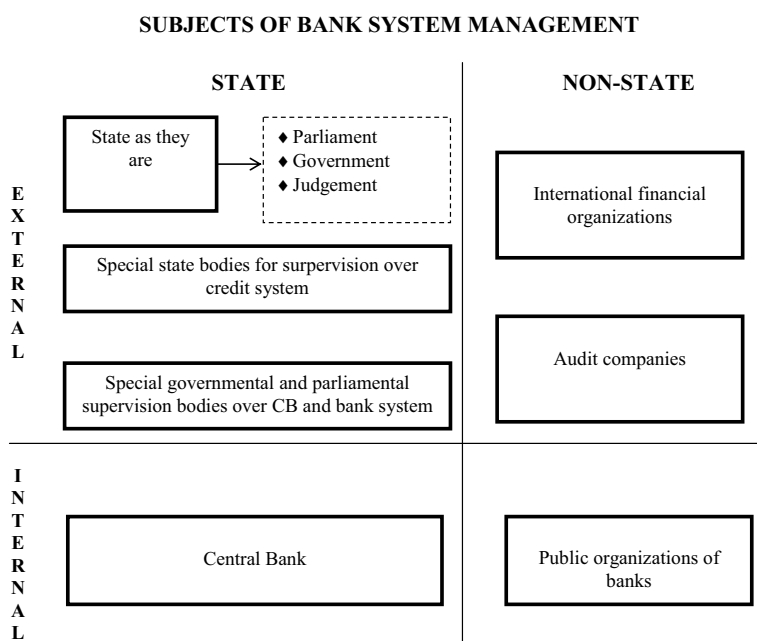


Fig. 4. Subjects of NBS management according to their relation to NBS and to the state

The analysis of functions and mechanisms of influence of subjects of NBS management allows to draw the following conclusions:

- ◆ Internal subjects of management determine in the greater measure adaptive and even active behaviour of system.

- ◆ External subjects of management form reactive NBS behaviour and are submitted by both state, and non-state bodies.
- ◆ The problem condition of a bank complex, as a rule, is reflection of a state policy in relation to NBS as there are no free-of-charge sources of a covering of the State expenditure and programs of financing of development or functioning of prior from the point of view of authorities branches of economy.
- ◆ Penetration of the state into system of administration managerial control by a bank complex for the limits determined by economic safety of the country, NBS stability and creation of conditions for innovative-investment development of the industry, makes the state participant insider of the investment market. NBS is rigidly built in the mechanism of the government management of economy, that in long-term prospect conducts to NBS destabilization and its negative influence on an investment climate.
- ◆ Elimination of arising danger or consequences of system NBS crisis demands big state investments from authorities or the radical decentralization of management accompanied with creation of circuits of attraction in bank sphere of private investments, including foreign.
- ◆ Managing influence of the international financial organizations in many respects lays outside a sphere of influence of the state and is more higher, the weaker NBS is. Their policy is substantially determined by the countries-world economic leaders that creates the mechanism of the international management of national financial systems.
- ◆ Rating agencies and auditor firms indirectly render managing influence on NBS as, carrying out information function, promote standardizations of process of decision-making by contractors and clients of banks. Improvement of quality of audit of banks and their clients raises the general level of trust in the financial market and has economic effect as allows financial steady borrowers to cut expenses under loans, and to investors to lower risk of loss of investments.

The basic tendencies in change of approaches for a question of state NBS regulation are:

- ◆ Reduction of use of direct directive methods of a management by an investment policy of banks and expansion of legal and economic regulation.
- ◆ Tightening of the state control over legality of operations of clients made by banks with attraction of banks to supervision of the clients.
- ◆ Decrease in a share of the state participation in NBS.
- ◆ Allocation of supervising bodies from the central banks as NBS subsystems.
- ◆ Increase of operative independence of the central banks at strengthening of parliamentary and governmental supervision.
- ◆ Strengthening of regulation of electronic bank technologies.

The central bank is the basic internal subject of NBS management. Besides from internal, it is the unique state subject. In this connection as a way of an estimation of factors of influence of the central bank on NBS investment activity it is offered and executed its positioning in system of mutual relations of the state and NBS. Criterion for definition of a place and a role of the central bank in this system of mutual relations is its independence.

Independence of the central bank is the factor of adaptive NBS behaviour. Presence of two independent and equilibrating each other centers of realization of a policy of the state in financial-credit sphere – the central bank and the government – reflects independence of NBS position from the state economic policy. Therefore the higher the level of independence of the central bank is, the more opportunity of self-regulation NBS has.

The inefficiency of independent central bank from the point of view of enforcement authorities speaks delay of reporting to NBS elements of their managing signals as these signals are preliminary analyzed and can even be transformed with a view of controlled system. However decrease in efficiency of external management of system is compensated by internal mechanisms of self-

regulation of system. The mechanism of interaction of independent central bank with NBS and bodies of the government is presented in Figure 5.

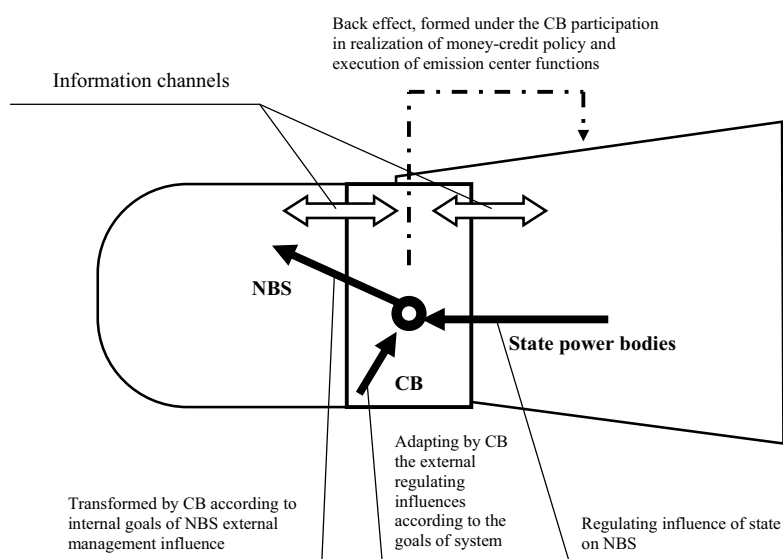


Fig. 5. Mechanism of cooperation of independent CB with NBS and state bodies

In the scientific literature there are mentions only about the general character of a relativity of independence of the central bank from bodies of the government, but the aspect of sufficiency of independence and its preconditions is not opened. We offer the following methodological approaches to definition of an expedient level of independence of the central bank:

- ◆ Independence of the central bank is not a value itself, and matters only in a concrete situation, that is the certain limits of sufficiency;
- ◆ The expedient level depends on sold state economic policy, hence, for the different countries it is different.

On a basis on the given methodological approaches we shall allocate the following basic objective factors of influence of the central bank, determining independence of its sufficiency:

- ◆ The method of regulation of national economy chosen the state;
- ◆ The place occupied by NBS in realization of economic policy of the state;
- ◆ Rigidity of the state monetary and credit policy.

The independent central bank has objective preconditions to existence only in the states interested in preservation of not administrative mechanisms of economic stability, i.e. powers of executive authority meaningfully going on restriction concerning the central bank. In this case the independent central bank provides restraint of the government from the tactical actions going counter with the general direction of a long-term monetary and credit policy.

In the countries which authorities operate economy with the help of direct directive methods, compulsorily and widely involving NBS to realization of own purposes, independence of the central bank is inexpedient, as directive management is connected to suppression of ability of economy to natural self-control. In these conditions activity of independent central bank will not correspond to the general direction of spent economic policy, can lead to occurrence of inconsistency of actions of the central bank and the government.

The external control over activity of the central bank (first of all on the part of a legislative branch of authority) enables to soften legislative restrictions concerning the central bank and the government, that, not rendering essential influence on results of a monetary and credit policy, allows to reduce the price of the state loans.

Instability of position of the country's central bank renders destabilizing influence on NBS, reducing its ability to self-regulation and raising reactance of its behaviour. The information openness of the central bank and its ability to an independent expert estimation of social and economic processes in the country promotes adaptable NBS behaviour and can be realized only under condition of its independence.

The mechanism of influence of structure of second NBS level on its ability to self-regulation is shown in Figure 6. Despite the importance of the central bank of the country for NBS, condition NBS is determined, first of all, by development of its second level. The competition is a major factor of adaptive behaviour of second NBS level. However the analysis of influence of factors of the structure of second NBS level in view of a source of their occurrence allows to draw a conclusion, that both too much high, and an insufficient competition in system creates preconditions for intervention of external managing subjects, that is increases of influence of factors of reactive behaviour.

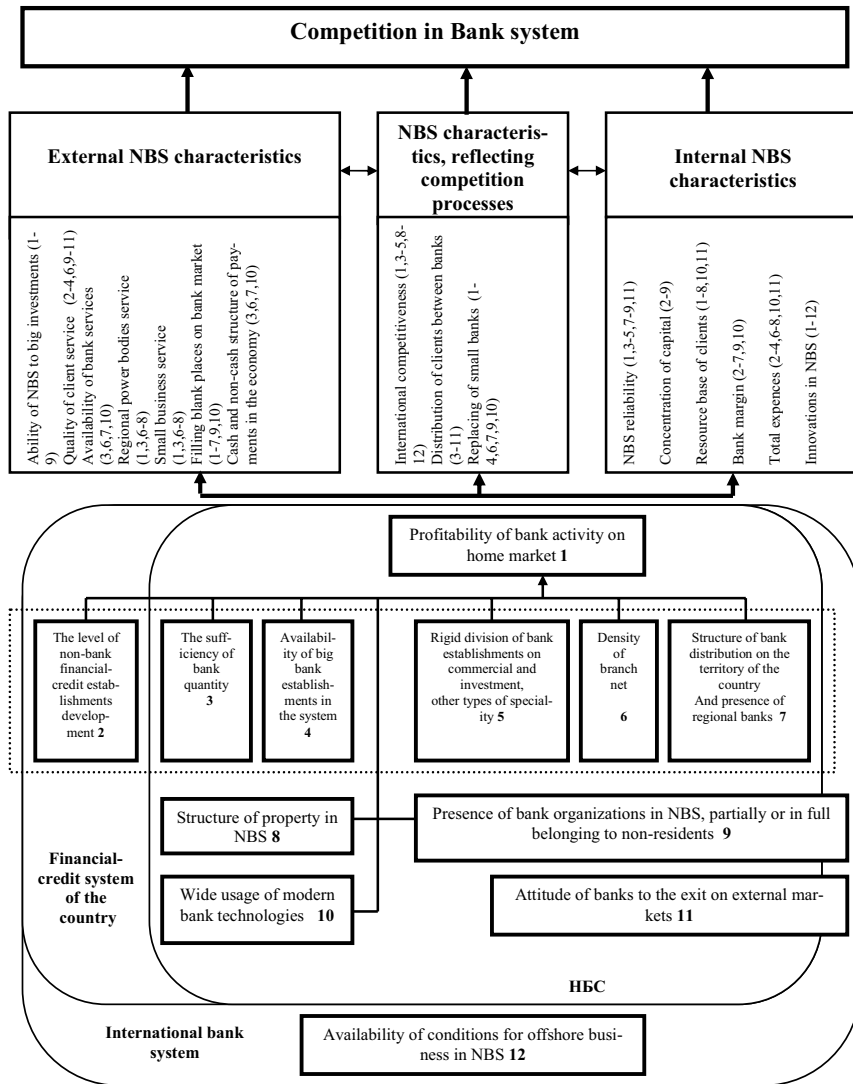


Fig. 6. The mechanism of influence of structure of second NBS level on its ability to self-regulation

Let's consider the mechanism and system of ways of influence of foreign financial-credit establishments.

The basic purposes of penetration of foreign banks in NBS are:

- ◆ Support of clients in the countries in which they carry out the business;
- ◆ Aspiration to expand own business for account of more profitable markets with weaker competition and a low level of taxes;
- ◆ Necessity to be submitted in the world financial centers;
- ◆ Rendering of financial and technical help to NBS of less developed countries and the countries with transitive economy.

The analysis of the purposes of penetration shows, that presence of foreign banks in NBS, as a whole, is the factor of increase of ability to self-regulation and adaptive behaviour of bank system.

Penetration of banks abroad is connected first of all to aspiration of banks to realization of own purposes that defines the cautious attitude to this process on the part of authorities of countries - recipients. In view of it, we shall allocate the purposes of restraint of penetration process by countries-recipients:

- ◆ Maintenance of national safety through preservation of influence on NBS;
- ◆ Protectionism in the relation of weaker domestic banks;
- ◆ Negative public opinion.

For mitigation of a position of the governments concerning the admission of foreign financial-credit institutes on a home market there exist financial crises and necessity of NBS sanitation, and also objective necessity of the international economic integration. The artificial restraint of the international bank integration which is not accompanying with increase of competitiveness of NBS and economy, is deconstructive and finally leads to a boomerang effect connected to mass penetration of non-residents into system. The following mechanisms of positive and negative influence of foreign financial-credit establishments on NBS take place.

The mechanisms of positive influence include:

- ◆ Additional investments in NBS and economy;
- ◆ Introduction of new bank technologies;
- ◆ Growth of level of competition in system;
- ◆ Increase of standards of servicing and innovative-investment activity of local banks;
- ◆ Independent external supervision for occurring in NBS processes;
- ◆ Introduction of the international standards of book keeping and the reporting.

The mechanisms of negative influence include:

- ◆ Replacement of local banks by more technological and reliable foreign banks from the most attractive segments of the market;
- ◆ Bringing of an element of external management to NBS, infringement of traditions developed in system and ideology of management (at the big share of foreign banks in NBS);
- ◆ Problems in the field of bank supervision (at occurrence in the advanced systems of banks from the countries with unstable NBS).

Let's consider principles of corporate bank culture in investment activity.

High value of image of the financial intermediary causes restrictions in interbank information interchange that raises a role of own experience of its managers and preservations of positive bank traditions. Their adaptive orientation shows that they:

- ◆ Promote formation of stable legislative base;
- ◆ Are reflected in NBS structure;
- ◆ Promote formation of an infrastructure;

- ◆ Promote perception by clients of bank innovations through increase of client bank culture;
- ◆ Promote formation of stable system of mutual relations of NBS and the state authorities;
- ◆ Form experience of anti-recessionary NBS management.

Direct dependence of condition NBS on developed bank traditions takes place – the more deeply tradition, the more favorably the precondition to a satisfactory current condition and prospects of development of a banking.

Let's briefly consider adaptive factors of management of the personnel, including its number, payment and professional readiness which allows to explain the reasons of cyclic fluctuations of number of the personnel and the general tendency of growth of charges on its maintenance.

The given aspects of corporate bank culture promote reduction of objective necessity of external NBS regulation and, hence, raise adaptability of innovative-investment behaviour of system.

The analysis of the Russian and foreign experience testifies, that NBS periodically experiences crisis of excessive number of the personnel which is overcome under influence of competitive factors of the bank market. Number of the bank personnel is determined by a level of development of bank technologies and features of NBS structure: high technology of banks creates conditions for reduction of number of employees and reduces operational costs, and the advanced branch network of banks demands the maintenance of significant number of employees. Also other reasons of growth of personnel number are established: a bureaucratic basis of a banking, high appeal of work in bank, lacks of management, steadfast legislative and public control above process of reduction of number.

High requirements of banks to vocational training the staff and their aspiration to preservation of constant personnel structure are proved by:

- ◆ Specificity of the bank activity caused by work with the large sums of means of clients;
- ◆ Abstract character of actions of the personnel, non-directly resulting finally to concrete financial result;
- ◆ Need for maintenance of a high level of commercial and bank secret;
- ◆ Necessity of a high degree of coordination of actions of the personnel;
- ◆ The importance of investment activity through development of the industry;
- ◆ Duration, high cost and requirements to practical skills of the personnel.

On the basis of authors' consideration of these reasons the feature of management by the personnel in NBS was established – readiness of banks to go on significant costs for preservation of constant personnel structure.

Research NBS of the various countries also has shown that:

- ◆ In comparison with other branches in NBS stronger dependence of a payment on the experience of the worker is traced;
- ◆ In private NBS sectors system of a payment is more flexible, than in the state banks. However it is compensated by greater reliability of preservation of employment for the personnel of the central banks, and also other social guarantees and privileges;
- ◆ In the different countries approaches to a question of organizational-personnel work are differentiated and are defined by a condition of the labour market, developed traditions, and also the problems facing NBS;
- ◆ In advanced NBS the system of payment of experts has more weighed character, and the system of professional training has the pragmatism character, allowing to reach an optimum level of readiness of the personnel, sufficient for qualitative performance of tasks.

Let's consider essence of NBS integration and forms of its realization.

The country's NBS enters a component into a financial infrastructure of a national economy and among other functions is a link between subjects of economy. Minimization of administration managerial control by operative NBS activity on the part of the state strengthens market motivation in work of banks. In these conditions performance by banks of the usual functions in the field of work with clients determines active NBS behaviour which as a whole has constructive character and renders favorable influence on other branches of a national economy. From variety of aspects of such influence we shall allocate the following forms of realization of integration:

- ◆ Attraction by banks of means of clients in the turnover;
- ◆ Carrying out by banks of the active operations connected to time granting of assets to clients in their turnover;
- ◆ The investigation-statistical and consulting activity of banks creating reference points for financial and economic activities of the enterprises of the industry and other subjects of economy;
- ◆ Granting of guarantees on performance of obligations of clients before the third parties;
- ◆ Investment of means in the capital of the enterprises of real sector of economy and confidential management of their shares on behalf of clients;
- ◆ Settlement-cash service of the enterprises.

“Bank lobbying” is the factor of active behaviour of investment establishments.

Success of economic activities in many respects depends on their external conditions. Therefore subjects of economy, not relying on uncertainty of a natural course of events, traditionally try to transform these external conditions into more favorable. Lobbying by investment establishments of own purposes and interests, formation of favorable public opinion on the important questions for them, maintenance of trust to NBS are directed on creation of a favorable atmosphere for primary NBS activity, and consequently they are objectively necessary.

Bank lobbying is an active influence of system on an environment for reduction of influence of the factors causing reactive behaviour of system, in that its part in which it does not coincide with the internal purposes of the system. The high degree of the state participation in the external NBS regulation determining reactance of its behaviour, sets the basic direction of bank lobbying-managing decisions of the state bodies and departments of all branches of authority and levels in relation to NBS.

The circuit of process of bank lobbying is shown in Figure 7.

Let's allocate the reasons of lobbying with banks of the investment purposes:

Objective

- ◆ Imperfection of the mechanism of state regulation;
- ◆ Necessity of maintenance of a positive information background around of bank which can be broken owing to acceptance in relation to it of adverse decisions of regulating bodies.

Subjective

- ◆ Aspiration of banks to receive competitive advantages in the markets of bank deposits, credits and bank services;
- ◆ Not connected directly with a level of a competition desire of bank managers to raise an overall performance of bank.

Lobbying by bank establishments of own interests in legal sphere is directed on creation such, optimum for banks, legal base which would promote creation of external conditions for forward development of a bank complex and elimination of contradictions between the sold purposes of state regulation and internal investment NBS purposes.

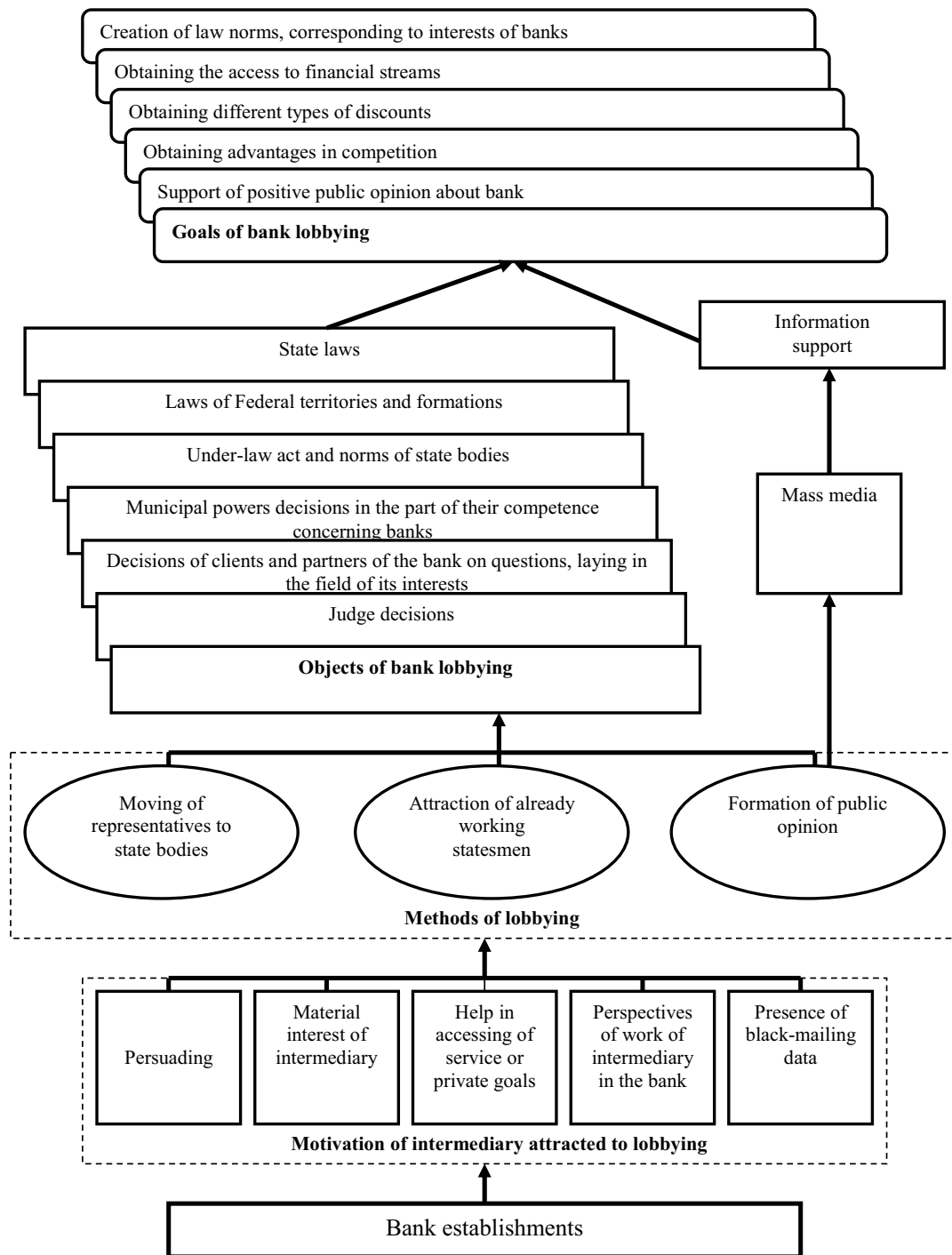


Fig. 7. The circuit of process of bank lobbying

Motives of intermediaries are subdivided into: legal (belief and achievement of the service purposes due to the compromise), illegal (material stimulation and use of compromising data), bound-

ary, breaking the ethics of business relations accepted in a society (the help in achievement of the personal purposes and prospects of transition to work to the customer).

Let's fix on the mechanism of influence of mass media on relations of clients to bank. They do not make the decisions concerning activity of banks, but form stereotypes of the attitude of potential clients to banks. Break or reduction of connections with bank concerning which the negative information is published in press, expresses aspiration of clients and partners of bank to remove an opportunity of distribution of system risk on them. Therefore work of bank on creation of public opinion is connected not only to aspiration to stimulate realization of its products and services, but also with objective necessity to form trust and a positive stereotype of the relation of clients to bank, to prevent and neutralize the negative information on bank.

Principles of a safety of investment institutes in integration process through influence on a level of trust to them.

Trust of partners and clients to bank is an attitude to bank on the part of cooperating with it or considering an opportunity of such interaction of subjects of the economic activities, formed by bank on a background of objective, not dependent on its political and economic processes which is capable to influence actively behaviour of partners and clients of bank, determining thus position of bank in the market of bank products and services.

Let's allocate external conditions of trust to the investment institutes, determining a base background which banks can correct by active actions:

- ◆ The general economic and political condition of the country;
- ◆ Degree of perfection of legislative base;
- ◆ Used mechanisms of state regulation of activity of subjects of economy;
- ◆ The operational experience saved up by the client with other financial-credit establishments.

Factors of bank active influence on formation of the trust attitude to it:

- ◆ Maintenance of satisfactory formal economic parameters;
- ◆ Accumulation of clients who have a positive operational experience with it;
- ◆ Information work of bank;
- ◆ Lobbying of the decisions, capable to improve image of bank;
- ◆ Granting to the client greatest possible within the framework of the current legislation guarantees of confidentiality of attitudes of the client and bank.

Activity of investment institutes on a safety through influence on a level of trust to them in integration process is based on the following consistently coming one from another base principles:

- ◆ Influences of trust to bank on its competitiveness;
- ◆ Financial interest of bank in trust to it of partners and clients;
- ◆ Validity of requirements of clients to preservation of bank secret;
- ◆ Opportunities of an active position of bank on a question of observance of bank secret within the framework of the current legislation;
- ◆ Observance by banks of bank secret not only proceeding from requirements of the legislation, but also reasons of profitability;
- ◆ Validity of expenses of bank on increase of trust to it;
- ◆ Validity of expenses of bank in the field of maintenance of a high level of bank secret.

The executed analysis of legislative approaches to a question of bank secret in Russia and many other countries allows to draw the following conclusions:

- ◆ The general world tendency in 1990s, and nowadays, was legislative easing of institute of bank secret and forcing to banks as a duty to initiate disclosing the information on clients that testifies to local increase of reactance in NBS behaviour.
- ◆ The countries which with restraint concern to a question of the clients' rights restriction on bank secret, receive advantages over other countries.

- ◆ Presence of competitive advantages of banks in the countries in which more liberal norms of the state control over made by banks operations are observed, explains the international pressure upon these countries.
- ◆ By-effect of simplification to law-enforcement and fiscal bodies of access to the information on clients of banks and their operations is occurrence of additional channels of the non-authorized information leakage. Legislative managers of the enterprises are compelled to take it into account, in result finding mechanisms of leaving from disclosing the information.

Thus, both investment establishments, and their clients are equally interested in preservation of mechanisms of bank secret and actively lobby the position in bodies of the government. Thus they pursue various purposes: clients are interested in guarantees of confidentiality of the financial activity, and investment establishments in maintenance of own competitiveness. However interests of the state control are in this case prevailing and everywhere lead to deterioration of guarantees of observance of bank secret that reduces a level of trust to financial-credit establishments and a level of safety of large investors in integration process.

References

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