

МАЗМҰНЫ / СОДЕРЖАНИЕ / CONTENT

Конференция атауы:

«Жастар мен ғылым: бүгінгі мен болашағы» халықаралық ғылыми-тәжірибелік конференция материалдар жинағы

Название конференции:

Сборник материалов Международной научно-практической конференции «Молодежь и наука: настоящее и будущее»

Conference name:

International Scientific and Practical Conference "Youth and Science: Today and the Future" Proceedings

Жинақ / сборник:

II том, 5 сәуір 2024, Атырау

ISBN:

978-601-262-550-9

Секция:

IV.I ЖАҢА ҚАЗАҚСТАННЫҢ ЭКОНОМИКАЛЫҚ БАҒДАРЫ / ЭКОНОМИЧЕСКИЕ ОРИЕНТИРЫ НОВОГО КАЗАХСТАНА

Жинақтағы жариялану нөмірі:

№ 1

Мазмұндағы беті / жинақтағы беттер:

3 / 3-6

Автор(лар):

Adilbekkyzy Gulnaz

Мақала атауы:

PROMISING DIRECTIONS FOR BANKING DEVELOPMENT

СЕКЦИЯ IV

ЭКОНОМИКА ЖӘНЕ ҚҰҚЫҚ ҒЫЛЫМДАРЫ

ЭКОНОМИЧЕСКИЕ И ЮРИДИЧЕСКИЕ НАУКИ

ECONOMIC AND LEGAL SCIENCES

Секция IV. I ЖАҢА ҚАЗАҚСТАННЫҢ ЭКОНОМИКАЛЫҚ БАҒДАРЫ

ЭКОНОМИЧЕСКИЕ ОРИЕНТИРЫ НОВОГО КАЗАХСТАНА

ECONOMIC GUIDELINES FOR THE NEW KAZAKHSTAN

UDC 336.71

PROMISING DIRECTIONS FOR BANKING DEVELOPMENT

Adilbekkyzy Gulnaz

Gapurova1997@mail.ru

master's student, Kh. Dosmukhamedov Atyrau University, Atyrau, Kazakhstan,

Scientific supervisor: **Kadyrbergenova A.K.**

Doctor PhD, Kh. Dosmukhamedov Atyrau University, Atyrau, Kazakhstan,

asel-k-80@mail.ru

Typically, there are multiple controls associated with each regulatory requirement throughout the banking business process. Testing all these controls requires a huge amount of time and resources for a banking organization. Each control is documented and its level of effectiveness is qualitatively assessed (although the definition of “effectiveness” is often ambiguous and varies from person to person). Unfortunately, the overall assessment of control effectiveness does not correlate well with the outcome - it is not unusual to see critical audit findings in areas where most controls are considered effective.

Principle integration with overall risk management, regulatory affairs and issues management process.

Compliance risks are driven by the same factors that influence other banking risks, but their stakes are higher in the event of unfavorable outcomes (for example, regulatory actions that could lead to restrictions on the bank’s business activities and large fines). It is therefore logical that a modern compliance detection framework should be fully integrated with operational risk. Integrating the management of these risks produces tangible benefits and results.

First, it ensures that the bank has a truly comprehensive view of its risk portfolio and an understanding of any systemic issues (eg cross-product, cross-process) and that no material risk is left unattended by bank management [1,2].

Secondly, it reduces the burden on the business (for example, no duplicate risk assessments are required), as well as on the bank’s services classified as the second line of defense, that is, the bank’s control functions (for example, there is no separate or duplicate reporting, training and communication).

Thirdly, it facilitates the allocation of bank resources based on a risk-based approach.

The following practical steps can help a bank fully integrate compliance controls into its overall risk management, regulation and issues management process:

- 1) develop a single integrated list of risks;
- 2) develop and centrally maintain standardized risk controls;

- 3) coordinate the methodology and frequency of risk assessment, reporting, ensure consistency of compliance monitoring and testing processes with quality control;
- 4) define clear roles and responsibilities between the second line of defense to ensure there are no gaps or duplications;
- 5) develop and co-manage integrated training and communication programs;
- 6) create clear risk management processes in each structural division of the bank, ensuring sufficient responsibility and participation of all stakeholders;
- 7) constantly involve and timely coordinate actions with the bank's management when determining action plans, deadlines for their implementation and determining the priority of issues in general, as well as issues requiring attention;
- 8) contact government agencies.

The three principles outlined above imply a multifaceted transformation of the bank's compliance function.

Materials and methods / theoretical basis. Compliance officers note that efforts to identify and address compliance risk are driven by regulatory requirements and the extent to which banks manage regulatory risks. In their view, regulatory requirements do not control the compliance function, while deliberate management of regulatory risks takes time. In our opinion, the key to sustainable development of a compliance function is how well the compliance function meets these requirements.

Below we outline five practical measures that can be taken to develop compliance.

These proposals are an analysis of the activities of leading foreign banks operating in the United States, China, and European countries. This advanced experience of international financial organizations is necessary for the activities of the National Bank of the Republic of Kazakhstan and second-tier Kazakhstan banks.

It should be noted that the experience of the world's leading banking systems is enshrined in the relevant regulations, international agreements and legislation of these states. For our research, it is important not only to analyze this legislation, but also the forms and methods of organizing the compliance control service in international banks.

These recommendations are aimed at creating an optimal system of internal banking control, compliance control and internal audit, which should subsequently be used in the activities of Kazakhstani banks.

As a first measure, it should be stated: banks need to create a front office for the bank's business divisions, turning them into an effective first line of defense [3,5].

In many banks, business units have "outsourced" a significant portion of their compliance responsibilities to a second line of defense, relying on the compliance function for day-to-day business and compliance-related control decisions. In other agencies, both lines of defense are engaged in similar activities, resulting in duplication and fragmentation of efforts. These two misconceptions can be avoided when roles and responsibilities are properly defined. There is real value in having a strong first line of defense managing day-to-day business and online operations. The role of the second line of defense depends on the type of compliance requirements. Some rules can be translated into a set of clear requirements provided for by the bank's internal documents - this is called "rules-based compliance". Other rules, such as consumer protection, reflect regulators' regulatory requirements regarding the desired outcome when providing financial services to consumers. This is called "principles-based compliance," which is not easily translated into specific operational and control requirements.

For compliance-based claims, the second line of defense should define clear standards and defer real-time execution and approval (such as customer disclosure) to the first line of defense. For decisions based on compliance principles (for example, the suitability of marketing materials or the implementation of checklists) should be implemented as a first line of defense with proper training, certification and monitoring by the compliance function.

Compliance control also requires the definition of standards for training and certification (including in such areas as the development and use of a banking product, as well as ethical behavior

in relation to the client and the method of providing a banking product or service). That is, those responsibilities can be transferred to the first line of defense, the sequence of actions of which can be provided for in the bank's internal documents [4,5].

The second line of defense will exercise independent judgment and testing of identified risks to ensure that risk controls are actually working as intended.

As a second line, the compliance function defines and monitors risk management standards; an additional role for the first line is to more effectively manage these controls. Accordingly, the compliance function in each business unit identifies how the first line of defense manages its functions - the first line of defense analyzes the business's setup against controls in the context of the inherent risk profile and complexity of the business. As global banks optimize their business (for example, by offering products in different markets or different business profiles to customers), associated business processes and systems become important to manage the inherent risk profile.

The second activity concerns risk reduction in business processes.

Labor and costs for the bank as a whole can be significantly reduced by redistributing labor-intensive activities in core compliance processes, such as transaction approval. To control violations, critical analysis is very important. This will ensure that the true root causes of violations are identified for efficient and smooth functioning. Further similar disruptions and consumption of additional resources are eliminated through automation and reorganization of impact areas. Another important measure is the development of consolidated risk assessment requirements as part of control functions for key business decisions.

The third activity is to rank the risks by significance.

Compliance with laws, rules and regulations is considered by banks as an activity that must be complied with and violations in this area will not be tolerated, the so-called zero tolerance or tolerance of risk. However, the time spent on each compliance request should be differentiated according to the bank's highest risks and greatest non-compliance risks. Time and resources must be allocated to the risks that matter most. Usually at the top of the list are prudential regulations, financial reporting, and provision of services to clients in accordance with legal requirements.

To prioritize risks, banks must independently identify residual risks and be aware of processes that have weaknesses. Understanding this problem is important and imperative. For risks that are difficult to quantify, banks can develop their own indicators.

The fourth measure is aimed at actual control management.

To implement this measure, it is necessary to constantly improve the forms and methods of control and risk management. Outdated controls, testing strategies and information management systems should be promptly replaced when they are no longer needed or when they are considered ineffective. Eliminating unnecessary controls saves compliance and business resources and helps avoid financial losses. The analysis shows that for many business processes, compliance risk management elements are redundant.

By streamlining the management and control mechanism, most banks will be able to significantly reduce the time spent monitoring and testing compliance risk. Compliance risk controls should be automated where possible. Built-in quality controls, such as information on the quality of bank documents, can replace non-automated checks that cannot be fully automated.

The fifth measure concerns the optimization of testing and monitoring activities.

Duplications and overlaps should also be eliminated from testing and risk assessment, including AML/CFT, operational risk, and information technology risk in first line of defense activities. In addition, control and testing standards in the first line of defense should be agreed upon by the compliance function. They must be clearly linked to the inventory of material risks, associated key risk indicators, and risk markers. These measures will provide a clear understanding of the risks the bank should focus on, what is being measured and how the information will be used to make management decisions and prioritize resources [5,7].

Results and Discussion. In international practice, over the past ten years the financial cost of compliance control has increased. In particular, the costs of maintaining the first and second lines of defense have increased sharply. As a result, the banking industry has become more resilient and risk

management has improved. These five practical steps can optimize banks' operations and significantly improve the quality of the compliance function.

I would like to highlight the issues of compliance and execution by banks with the main international requirements for capital regulation, since today any national banking system follows international standards in the field of banking activities.

The stability of the banking system is closely linked to the economic well-being of each country. The recent downturn in the global economy was caused by the crisis in the banking industry. We know that the Basel Committee's banking rules are aimed at stabilizing banking worldwide. Besides the fact that this standard implementation is mandatory for members of the Basel Committee, it is also voluntarily applied by countries that are not members of this Committee as an international experience [6,8]. Capital control under the Basel System for banks provides for two approaches to capital regulation, risk-weighted and unweighted capital ratios. To implement capital regulation requirements, banks can either increase their capital, adjust their risk-weighted assets, or combine both actions. The first action can be achieved by issuing shares and accumulating retained earnings; the second action is by adjusting assets within the bank portfolio.

List of sources used

1 Bulyga R.P., Kupriyanova L.M. Corporate risk management // Economics. Business. Banks. - 2015. - No. 3 (12) // rimuniver.ru/wp-content/uploads/2015/10/Bulyga-i-Kupriyanova.pdf. 05.11.2017.

2. Kalymbek B. Theory of banking law in the book: Financial law of the Republic of Kazakhstan / Ed. A.E. Zhatkanbaeva. - Almaty: Kazakh University, 2018. - 290 p.

3. Kuznetsova O.A., Vasyukova E.E. Methodological aspects of internal control // Scientific and methodological electronic journal "Concept". - 2014. - No. S14. - P. 6-10. // <http://e-koncept.ru/2014/14679.htm>. 08/30/2017.

4. Kabashkin V.A., Myshov V.A. Increasing the role of internal audit and control in a market economy // International accounting. - 2011. - No. 13(163). - P. 36-46.

5. Turbanov A., Tyutyunnik A. Banking: Operations, technologies, management. – M.: Alpina Publishers, 2010.- 682 p.

6. Simanovsky A.Yu. Basel Principles for Effective Banking Supervision, Second Edition // Money and Credit. - 2007. - No. 2. - P. 11-22.

7. Malykhin D.V. Strategic risk management tools: the internal auditor's view // Otrashi prava.rf/article/5502. 10.10.2018.

8. Basel Committee // <https://economics.studio/ekonomicheskije-voprosyi-obschiie/bazelskiy-komitet-40502.html>. 05/03/2017.