

## **IMPLEMENTATION OF COMPLEX SYSTEM OF CRISIS MANAGEMENT OF BANKING ACTIVITY**

As the events of last years in world and Ukraine in particular testifies, it appeared that commercial banks and banking systems of many countries were not prepared to crucial crisis influence. It rises the necessity of thorough analysis of peculiarities and instruments of crisis management and regulation of banking activity, and also the necessity to take into account introduced errors in future.

At the time there is no effective working mechanism of crisis management of banking activity oriented towards prognostication, overcoming, limitation of crisis spreading in banking system at all levels (micro and macro). Essential gap in crisis management of banking activity at the time is absence of systemacy and of clear definition of crisis management levels with determining of its types, instruments and specific objectives, that leads to unaccounting of interconnections between elements of the system, to lack of single purpose, and, consequently, to low efficiency of taken measures.

Regarding to this, we consider necessary to propose the concept of multilevel system of crisis management of banking activity. As is known the process of exclusion and overcoming of crisis isn't a short-term temperate phenomenon, but a complex system of crisis management on the level of separate bank and crisis regulation on the level of responsible state bodies. It allows to affirm about presence of multilevel system of crisis management of banking activity. Depending on the subject of crisis management of banking activity one can define three levels of this system:

- 1) crisis regulation at the level of government;
- 2) crisis regulation at the level of central bank;
- 3) crisis management at the individual banking institution.

In turn, each of these levels depending on the stage and depth of the crisis may be divided into preventive, reactive and stabilizing crisis management.

Fig. 1 reflects the sequence of implementation of the measures of anti-crisis influence on the banking activity.

Measures of crisis management of banking should be investigated in interconnection of crisis management realized in bank with state crisis regulation realized be central bank and government. Bank's crisis management is connected to state crisis regulation and is defined by its instruments to some extent.

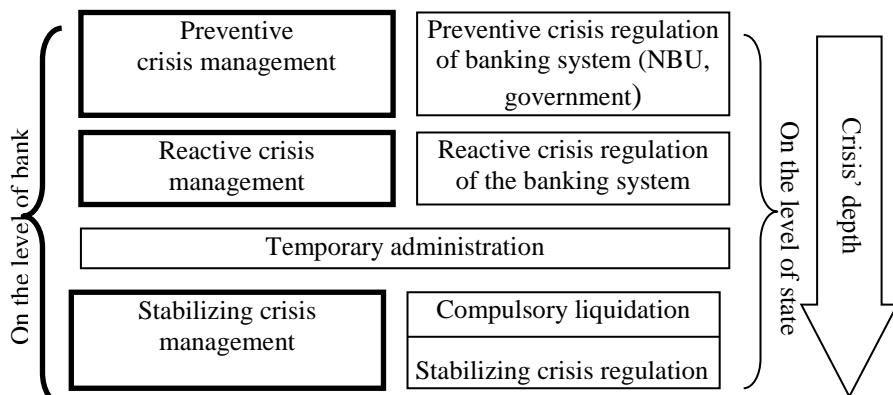


Fig. 1. The sequence of crisis management and regulation of banking activity

Among the main issues of coordination of crisis management and crisis regulation one can define the following:

1. An important condition for the combination of interests of the state and banks is the development of normative bases of banking. Setting mandatory standards, reserve requirements as tools of anti-crisis banking regulation provides for compulsory satisfaction of the requirements by the banks.

2. The crisis regulation tools used by the central bank and other government agencies are targeted at stability of commercial banks. These tools are aimed at specific banks, and therefore, crisis regulation is in close correlation with crisis management in the bank. For example, appointment of temporary administrator by NBU in bank provides crisis management to implement appropriate measures and apply such tools that would help for effective rehabilitation of the institution and return it to normal activity.

3. Crisis regulation of the banking system may also have an advisory nature: NBU develops recommendations for responding to some negative factors of environment, banks, in turn, can use them while implementing crisis management.

As we see a lot of anti-crisis measures are realized in banks according to decisions or assignment of NBU or government. It concern to both – crisis prevention and crisis neutralization. Thus, it shows that there is rather conditional distribution of crisis management and crisis regulation.

In our opinion, one should consider state crisis regulation and crisis management as complementary banking categories. Focusing on the standards and requirements of the central bank during stable operating, as well as on measures of anti-crisis regulation application during crisis, banks have to establish and implement a system of crisis management.

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