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## **REGULATORY FRAMEWORK IN EMERGING MARKETS: OUTLINING THE CRISES IMPACT**

For the past few years the financial sector in many countries has undergone significant transformations that affected the activities of financial regulators.

To ensure the efficiency of the financial sector in the context of the new financial architecture it's useful to study the foreign experience of financial systems supervision organization.

From the very beginning there are some distinctions of terms interpretation in Ukrainian and foreign scientific literature. In research papers of Ukrainian scientists the term “banking regulation” is different to the “banking supervision”. On the contrary Western scientific world do not discriminate these concepts, combining them in the common term “banking supervision”.

In international practice it's used to identify three basic models of supervisory systems: sector, task model and a single supervisor (mega-regulator).

Countries with bank-oriented financial architecture tend to chose sectoral model of bank regulation and the majority of market-oriented countries prefer models based on the division of tasks. Ukraine is also a representative of this group of countries and that's all is about Russia, Kazakhstan and others.

The Central Bank carries out supervision of private banks activities, their branches, and representative offices on territory of Ukraine. The Bank is directed to provide the banking system stability, defense of depositor's interests by risks diminishing in activity of private banks. The content of supervision is determined by permissions, set by the law of Ukraine “On banks and banking”. The system of supervision is directed on reduction of external and internal bank risks.

At the regional level as at the central one the system of banking supervision is represented by the Commission for Banking Supervision and Regulation at the Regional Office and the relevant departments.

However, despite the quite extensive and powerful network of regulators and a system of state control of financial sector development by individual ministries, it was failed to predict the financial crisis and on time take measures for reducing its impact in Ukraine.

And the reasons of Banking System collapse in Ukraine were rather different to the ones in developed countries.

It should be noted that the Ukrainian banking system historically was formed on the principles of national capital involvement in the banks resource base and capital transformation for the economic growth. But since 2005, the active national banking system absorption by foreign capital began. As a result the foreign speculative capital injected to the financial system of Ukraine, which led to the creation of price bubbles in real estate and land.

Besides, the powerful impact of the crisis on the financial sector indicates the imperfection of the banking supervision system. As the main problems which

characterize its development could be identified lack of institutional, operational and financial independence, which do not allow avoiding the impact of legislative and executive authority on the process of decisions making on the one hand, and the other one significantly limit the ability of regulators to implement the available regulatory measures.

Another problem of banking supervision in Ukraine is the lack of independent auditors' involvement in banking supervision.

Consequently, banks' regulators and supervisors should deal with complicated issues: they are not only to look for the ways out of urgent banking problems, but are also to work out the strategies for the national banking systems' development.

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