Klikunov ND, Ph.D., Vice-Rector of the Kursk Institute of Management, Economics and Business

Okorokov, VM, Ph.D., Vice-Rector for Economic Development of the Kursk Institute of Management, Economics and Business

The needs for creation a Russian-Ukrainian over-banking system for monitoring and / or insurance

The results of 2008-09 financial crisis showed that the banking systems are more interdependent than it has been assumed. This observation largely concerns the banking systems of Ukraine and Russia. There are stable economic ties between Russia and Ukraine formed over the centuries. These economic ties are served by the banking systems. Banks lend to each other, paying mutual obligations of its clients, remittances, foreign exchange transactions are carried out. With the development of Russian-Ukrainian relations this activity will only intensify.

The dependence of the banking systems of one another creates the demand for greater responsibility of each bank to each other," and "nationality" of the bank becomes less important. If the financial intermediator holds unresponsible policies, there might be a "domino effect", where problems have arisen at one bank, are thrown to the partner banks and in the end cover the entire banking system. A variation of this effect was observed during the financial crisis of 2008-09, and only money printing by national banks were able to prevent the collapse of payments. If there was a system of international monitoring and/or cross-national bank insurance than many problems of 2008-2009 years, could have been avoided.

Nobel Prize Laureate Eric Maskin, delivering a report at the annual conference of the Higher School of Economics in 2009," proposed to create such a system on a global scale [1]. We believe that the creation of a worldwide system of bank monitoring and / or insurance is a business of the future. However, it is clear that the creation of over-national-banking body is in process in the EU.

On the so-called post-Soviet area Russian and Ukrainian economies are the most important and biggest. It is obvious that the integration of our major economic systems benefits both Russians and Ukrainians and with the integration of the economies follows the integration of financial spheres. Creating over-national-banking body of international coordinating for monetary policy in Ukraine and Russia can bring benefits to both countries. They are follows:

1. Reduce the likelihood of unresponsible monetary policy in Ukraine or Russia. The authority may be a sort of "anchor" for the stability of the monetary and credit systems.

2. Decrease the likelihood of "domino effect" in which the problem of loan defaults, for example, for one bank becomes a big problem to both Russian and Ukrainian banking system.

3. Creation of the Russian-Ukrainian banking system for monitoring and / or insurance will allow our countries with less effort to join analogous system, created in the EU.

References:

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