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PROBLEMS OF INVESTMENT ACTIVITY DEVELOPMENT FACED BY COMMERCIAL BANKS ON THE SECURITIES MARKET

The objective of investment activities of commercial banks on the securities market is not only to achieve the planned result for the bank, but also to create a positive effect for the whole economy, by providing long-term investment and innovation resources of economic entities.

The main problems of development of banking investment activity:

1. threatening level of investment risks;
2. low level of capitalization of banks and the securities market;
3. the presence of territorial disproportion in the development of the banking system;
4. low share of securities in the total assets of the bank;

The activity of banks in the stock market of Ukraine is associated with a number of problems caused by the imperfection of the stock market of the country and insufficient legal regulation of the financial sector of the state. Banking institutions, conducting a significant amount of investment operations, are very cautious about their investment policy-making in view of the high level of risk. For this reason they create a portfolio of securities carefully. To form a bank's securities portfolio, above all the ratio of such basic characteristics of the security as profitability and level of risk are to be analysed. [2]

Securities risk is not homogeneous in its content. In the process of purchasing and storing securities the investor is exposed to a set of major risks, namely:

1. the level of liquidity of securities;
2. risk of early withdrawal of securities;
3. inflation risk;
4. interest, credit and business risk;
5. risk associated with the length of the securities circulation.

In order to effectively manage risks, banking institutions first need to know which risks their activities are most associated with. An objective assessment of all major risks reveals which types of risks can be minimized as much as possible. As a rule, each bank forms and implements its own investment risk management policy, which includes the following measures:

- assessment of the completeness and accuracy of the information required for determining the level of risk;
- selection and use of appropriate methods for assessing the probability of occurrence of a risk situation;
- determining the amount of possible losses from the occurrence of a risky situation;

- analysis of factors influencing investment risk;
- the choice of means to eliminate the negative consequences of possible losses.[1]

Despite the intensification of banks' activities in the stock market and the growth of the banking system, part of banks' investments in securities is still a rather insignificant component of bank assets. Cautious attitude to securities activities is a relevant reaction of banks to the insufficient level of stock market development, weak legal support of securities transactions and the economic situation in general. Among other things the imperfection of existing methods of decision-making by commercial banks on investment in securities. At the same time, many banks do not have an adequate effective risk management system which means a threat of untimely adequate response. Therefore, to improve the investment performance of banks it is important to establish methods for assessing the attractiveness of securities, as well as to avoid or reduce the impact of risks.

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