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INSTITUTIONAL AND REGULATORY DIMENSION OF THE FINANCIAL SYSTEM SAFETY

B. Swat, Ph.D., Prof., Wrocław School of Banking, b.swat@wp.pl

Research methodology. The paper is based on the results of researches with institutional approach to the study of economic phenomena and processes, positive and normative analysis. The following methods are used: equilibrium approach in determining the stability of financial system; system analysis in revealing the sources of system risk of financial sphere and ways of its regulation.

Results. Stable financial system is considered as the necessary condition of economic growth, prices stability and reaching goals set by state economic policy, while its destabilization has negative impact on economy. In these circumstances financial institutions aimed at effective risk management should be stable. The analysis of recent papers shows that crisis of financial system has always been connected with considerable economic costs.

The main role in ensuring financial stability is deposit on the banks, but one bank's crisis may initiate a chain reaction leading to a crisis in other, even appropriately managed banks. In this case the origins of system risk should be sought at the foundations of strong correlations existing between banks via interbank deposits (unsecured), settlement systems and services rendered by a correspondent bank; transactions in derivative instruments.

The peculiarities of the banking sector in appearing and overcoming the financial crisis were defined: faster spreading; affecting larger number of entities; causing more bankruptcies; doing more harm to creditors; spreading upon other sectors to a larger extent.

The contemporary safety net system architecture and the trends of necessary changes are discussed. The main points were made on institutional structure of the financial safety net, supervision of credit institutions, new capital accord, role and basic functions in financial structure building of central banks, deposit guarantee schemes.

Novelty. It is revealed that the former system redesigning, differing from one country to another, have additionally succumbed to yet other pressures, namely the

effects of the financial crisis, the latter being only strengthened by the transformations the global financial system undergoing all around the world within the recent years. At the same time, both the international practice and the historical experience imply that the financial system verifies former solutions in the scope of regulations every now again. The necessity of modernizing legacy systems of regulation in different countries of the world is emphasized.

Practical value. The following trends were substantiated: transition to market-oriented economy; consolidation; globalisation. The basic principle that should apply to all systems comprises maintaining suitable proportions between the market discipline and protection as well as collaboration between the safety net institutions, both on the national and international level.

Keywords: financial safety system, credit institutions, capital, central banks, deposit guarantee schemes, financial stability.

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