

National Bank of Ukraine  
Ukrainian Academy of Banking

# 8th International conference "International Competition in Banking: Theory and Practice" REPORT



Sumy, May 23-24, 2013



Before the conference



Professor Serhiy Kozmenko



Professor Alexander Kostyuk

The VIII international conference "International competition in banking: theory and practice" was held on 23-24 May 2013 at the State higher educational institution "Ukrainian Academy of Banking of the National Bank of Ukraine". The conference was the initiative of Serhiy Kozmenko, Professor and Acting Rector of the Ukrainian Academy of Banking of the National Bank of Ukraine and Professor of the Academy - Alexander N. Kostyuk. Co-organizers of the conference were the National Bank of Ukraine, the State Higher Educational Institution "the Ukrainian Academy of Banking of the National Bank of Ukraine", International Center for Banking and Corporate Governance, International Centre for Global Risks Economic Research, the publishing house "Virtus InterPress" and the publishing company "Business Perspectives".

The plenary session and four thematic parallel sessions were conducted during the first day of the conference. Nearly 40 papers were presented. Participating in the conference were representatives of universities, business structures and regulators from 20 countries.

The plenary session was opened by Professor **Serhiy Kozmenko**, who greeted the participants of the conference, wished them success and scientific achievements. He expressed the hope that the conference would provide a platform to discuss and address the relevant issues of the banking and financial markets on a global scale. In addition, he emphasized that the participants would be able to initiate new joint projects, share their experiences and discuss

opportunities of scientific research development. Professor **Alexander Kostyuk** in his welcome address also greeted participants and expressed special gratitude to the keynote speakers for their contribution and to PhD students for their active role in the preparation of this scientific event.



The floor was given to the keynote speakers. Professor **Donato Masciandaro** from Bocconi University (Italy), Director of the Paolo Baffi Centre on Central Banking and Financial Regulation, Member of the Management Council of SUERF. He is also the advisor for Economic Affairs of UN, Interamerican Development Bank and World Bank. He is actively involved in academic and regulatory projects within the topic of financial regulation and financial markets in Italy and Europe. His work focuses on three main themes: central banks, financial regulation and supervision, illegal transactions in financial markets. Professor Masciandaro is always a highly anticipated speaker at prestigious conferences worldwide.



Professor Donato Masciandaro

In his report devoted to the activities of central banks and financial supervision Donato Masciandaro presented a fundamental analysis of the functioning of central banks, national and international regulatory institutions before and after the crisis, highlighting the important changes that occurred in the procedures and models of financial regulation and supervision. He pointed out that after the financial crisis regulatory processes have been transformed from convergence to the opposite approach of wider use of political economy, law & economics, rather than economics per se. The current issues covered in the presentation of Professor Masciandaro caused a lively discussion among the audience.



Participants of the conference



Participants of the conference



Dr. Előd Takáts



Participants of the conference



Participants of the conference

Then the floor was given to Dr. **Előd Takáts**, Senior Economist of Bank for International Settlements (Basel, Switzerland). Before joining the Bank for International Settlements Dr. Takáts also worked at the IMF and his interests are mainly related to emerging markets. In his presentation he addressed the issue of international bank lending and the activity of Bank for International Settlements in this respect in the context of the global financial crisis. He concluded that a country risk of a borrower is a significant factor in reducing the cross-border bank lending. The report was interesting to many participants leading to a constructive dialogue among the audience. Professor Masciandaro noted that national and international regulation can make a significant impact on the international capital movement. **Sebastian Uremadu** from the University of Covenant (Nigeria) said that to improve this situation it would be necessary to increase the international sharing of risks and sharing of financial “know-how” so that sovereign risks tied to a particular country could be reduced. **Andriy Radchuk**, Chief Consultant of the monetary policy strategy department of analytical Centre for Monetary Policy Office of the National Bank of Ukraine raised the question of wealthy families influence on international capital flows. **Olga Kuzmenko**, from the Ukrainian Academy of Banking was interested in mathematical calculations presented on the slides and pointed to the possibility of abnormal levels of distribution in the model, which could influence the adequacy of the results. **Roberto Violi** from the Central Bank of Italy drew attention to the shadow banking and its impact on international banking transactions, to which Dr. Takáts replied that today the effects of shadow banking are not significant on the international scale. Professor **Alexander Kostyuk** raised the issue of the feasibility of a global

megaregulator with stronger powers than the existing transnational institutions. As a result of the discussion the participants concluded that the global financial system is not ready to accept and work by the rules of a single regulator, but there is a possibility of providing the existing international regulatory organizations greater influence on the decisions of national regulators. Participants had an opportunity to continue the discussion during the coffee-break that followed.



Another key-note speaker was Dr. **Kenneth Spong**, a Senior Economist at the Federal Reserve Bank of Kansas City (USA), who in raised the issue of deposit insurance in the banking system. Dr. Spong has extensive experience as a regulator of the financial system. He is a well-known expert in the field of corporate governance in banks and financial regulation. He stressed the increasing importance of corporate governance in banks and the necessity to develop a model which would facilitate the long-term commitment of bank managers. Moreover, he considered the problem of "too-big-to-fail" banks and shared his views on the necessity to control the risks of the insured banks' operations, because according to his research they conducted riskier activity in comparison with banks that were not members of the Deposit Insurance Fund.

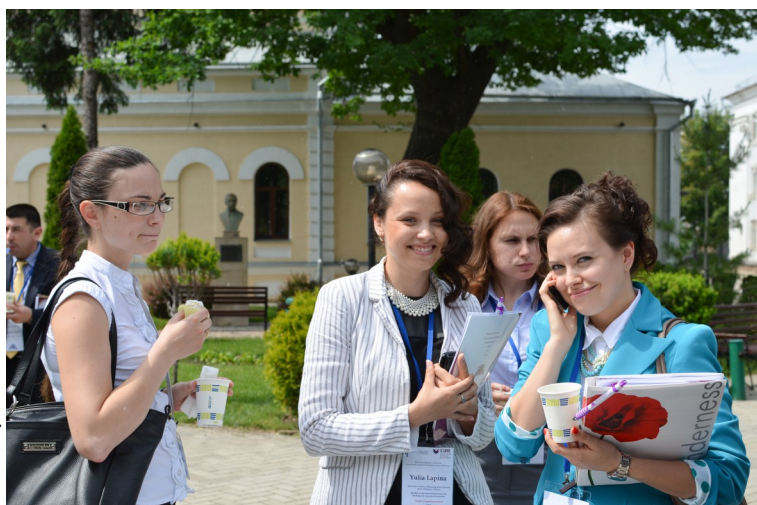


Dr. Kenneth Spong

Plenary session was completed by presentation of senior vice-president of the German DVB Bank SE (Frankfurt am Main, Germany) - Dr. **Borislav Bjelcic**. The main shareholder of DVB Bank is a powerful DZ bank, which is one of the five largest banks in Germany. Dr. Bjelcic from the practitioner's point of view talked about the specifics of his bank activity before and after the crisis. Given the special focus of the bank - financing infrastructure projects, the institution began more intensive activity after the crisis, when other financial institutions had problems. The reason for this was professional vision and strategy of the bank's management and fundamental analytical work which helped to avoid significant losses on financing expensive infrastructure projects that lost about half their value in crisis period. Features of the German banks were very interesting for the audience but Dr. Bjelcic in German tradition of punctuality did not want to break time framework of the conference and offered to continue discussion during the lunch break where participants were able to enjoy music of the orchestra and calm atmosphere of the Academic park.



Dr. Borislav Bjelcic



Participants of the conference





Participants of the conference: parallel session 1



Dr. Olga Afanasieva and Yulia Lapina



Dr. Pavel Shevchenko

Four parallel sessions started after the lunch break. The first session was devoted to the discussion of corporate governance in banks and financial institutions. Six reports were prepared by foreign scholars as well as representatives of the Academy. Session began with the presentation of **Olga Neselevska** from Hanken School of Economics, Finland. The study concerned the nature of the impact of political factors on the quality of corporate governance, the dynamics of capital and the development of national economy. The speaker stressed that the study of politicization of the economy is an important task that allows making a deeper analysis of the relationship between the political sphere and the behavior of investors. As a result, it will help to develop reforms aimed at improving living standards in countries with low levels of economic development.

With the next research presented by Dr. **Olga Afanasieva** and **Yulia Lapina** from the Ukrainian Academy of Banking studied interdependence between the quality of risk management and corporate governance on the one hand and the financial condition of banks that are dedicated to providing investment services, on the other hand. Based their conclusions on the research that was made in collaboration with Dr. **Tatiana Scherbina** presenters stated that the largest investment banks in the world have shown that the presence of CRO and separated Committee on Risk Management, whose members are independent and non-executive, reduces the riskiness of the banking business and have a positive effect on the resulting indicator of the financial standing of the banks.

Urgent problems of operational risk assessment of the bank in accordance with the recommendations of the Basel Committee was raised by Dr. **Pavel Shevchenko** from Mathematics and Statistics UNSW School of Mathematics and UTS (Australia). He considered a

number of approaches that are often used in modern studies to measure the operational risk of the bank and are based on various information sources - external, internal data, scenario analysis. Author paid special attention to cost allocation approach (LDA), as proposed in the Basel II document.



Above-mentioned presentation was followed by Dr. Gareth Peters from the Department of Statistical Sciences, University of London (UK). He presented a study devoted to the operational risk modeling under the Basel III recommendations. The author summarized the role of the capital adequacy under the new version of the document, stressing the necessity to consider the impact of events that are associated with Basel II and Basel III with operational risk.

The issues of the intertemporal effect of capital adequacy on bank risk taking were highlighted by Prof. **George Morgan** from Pamplin College of Business, Virginia Tech (USA) and **Letizia Conversano** from the Università Cattolica del Sacro Cuore (Italy). The authors presented the analysis of the influence of capital adequacy requirements on the dynamic of decision-making in banks. The model caused much debate among the researchers in the session. It allows to consider various factors which affect the decision-making process in financial institutions after the introduction of stricter requirements to bank capital.

The final presentation of the session titled "Corporate governance and market position of European bank holding companies" was made by **Dmitriy Riabichenko** and **Tatiana Fedirko** from the Ukrainian Academy of Banking. The speakers made an overview of some qualitative characteristics of corporate governance in accordance with the level of performance. One of the main results of the study is that an increase in the attention of regulators and banks themselves to corporate governance, including risk governance issues, leads to a shift to the strategy in favor of a conservative approach to ensure financial stability, but most of "too-big-to-fail" banks can't change their policy radically in the short term

due to 1) sub-optimal asset structure; 2) existence of a large number of foreign branches, which leads to the necessity of taking into account the national circumstances of recipient countries; 3) legal constraints on the Board of Directors model choice.



Dr. Gareth Peters



Participants of the conference: parallel session 1



Participants of the conference: parallel session 1

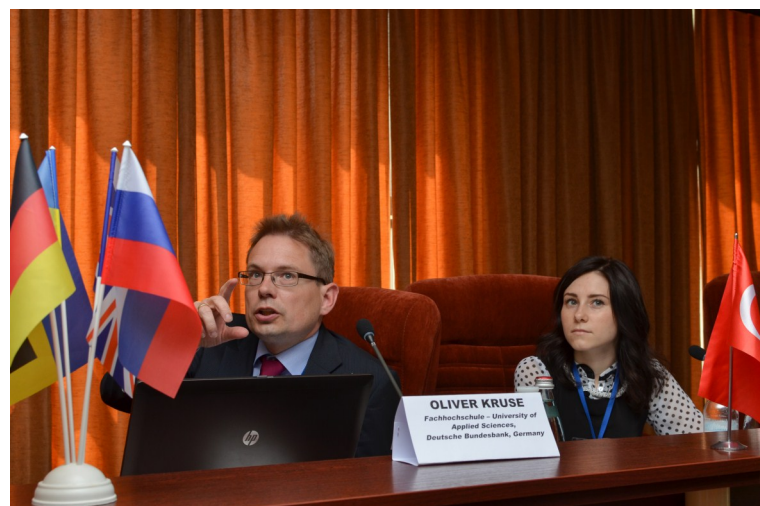




Professor Alexander Karminsky

The second session of the conference “Central banking and monetary policy: outlining an anti-crisis architecture” was chaired by the Deutsche Bundesbank representative – Professor **Oliver Kruse** from the University of Applied Sciences (Germany) and took place in the large conference hall of the scientific library.

The main presenters of the session were Professor **Alexander Karminsky** (National Research University Higher School of Economics, Russia), Professor **Olga Kozmenko** and Dr. **Olga Kuzmenko** (Ukrainian Academy of Banking of the National Bank of Ukraine), the representative of the Deutsche Bundesbank Professor **Oliver Kruse** (Fachhochschule – University of Applied Sciences, Germany), Professor **Bewaji Oluwasegun** (University of Essex, UK), Professor **Turhan Korkmaz** and Professor **Emrah I. Cevik** (Bülent Ecevit University, Turkey).



Professor Oliver Kruse and Dr. Anna Buryak

Presentations were devoted to the Russian default probability models for financial organizations; the modeling of dynamics stability of Ukrainian banking system; shadow banking regulation and its key challenges; the multi-agent model of RMBS, credit risk transfer in banks and financial stability in the context of subprime crisis; the measurement of systematic risk in the Turkish banking system with conditional CAPM.



Professor Turhan Korkmaz

Taking into account the mathematical and econometric techniques used in presentations, the participants' interest was focused on the issue of a proper balance between theoretical and practical aspects of banking regulation and supervision in the post-crisis period for the world financial system.



The third session, which was devoted to the development of the financial market in post-crisis period was chaired by the Head of the Finance Department, Professor **Serhiy Leonov**. Dr. **Guglielmo Maria Caporale** (Brunel University, London, UK) and Dr. **Luis A. Gil-Alana** (Universidad de Navarra, Spain) presented the report about the Ukrainian stock market. The presentation was very informative and statistically proven, which provoked a keen interest and discussions. The most active participant of the q&a part was Dr. **Oleksiy Plastun** from Ukrainian Academy of Banking whose research was similar in some aspects to the research of the Spanish colleagues.

The next report, presented by Dr. **Michael Frommel** (Ghent University, Belgium), was devoted to the analysis of the financial systems in Central, Eastern and Southeastern Europe. The report caused a chat between the author of the research, the representatives of the Ukrainian Academy of Banking, Dr. **Roberto Violi** (Banca d'Italia, Italy) and Dr. **Alicja Brodzka** (Wrocław University of Economics, Poland), who underlined possible threats from the foreign capital to the domestic financial system.

In the next presentation Dr. **Alicja Brodzka** (Wrocław University of Economics, Poland) focused on the perspectives of FATCA in Europe.

After a short coffee break, the participants of the sessions had an opportunity to listen to the interesting report of Dr. **Roberto Violi** (Banca d'Italia, Italy), which was devoted to the credit risk assessment. The author presented a chronology of the existing research framework and his own achievements.

A discussion of the determinants of the Central Asian banks' efficiency (banks in the countries of the former USSR) was also very interesting. This is an open research of Dr. **Khurshid Djalilov** from Bournemouth University, UK.

The last presenter was Dr. **Manuel Leon Navarro** (Centro Universitario Cardenal Cisneros, Spain), who studied the influence of interest rates shock on the level of consumption in Spain. During his speech the author mentioned derivatives igniting an interesting dialog with Professor **Fedir Zhuravka**, a representative of the Ukrainian Academy of Banking.



Dr. Michael Frommel and Dr. Khurshid Djalilov



Participants of the conference: parallel session 3



Dr. Alicja Brodzka



Participants of the conference: parallel session 4



Dr. Pinar Özlü



Dr. Stefano Bosi

The fourth parallel session “Central banking and monetary policy: outlining an anti-crisis architecture” took place in the literary parlor of the Scientific Library of the Ukrainian Academy of Banking.

Professor **Iryna Dyakonova** acted as a session chair. Scientists presented papers that aroused great interest and intense discussions. Among the presenters were Dr. **Stefano Bosi** (University of Evry, France), Dr. **Zeynep Erdinc** (Anadolu University, Turkey), Dr. **Sebastian Uremadu** (Nigerian Institute of management, Nigeria), Dr. **Pinar Özlü** (Türkiye Cumhuriyet Merkez Bankası, Turkey), Dr. **Krzysztof Biernacki** (Wrocław University of Economics, Poland) and Dr. **Vladislav Dombrovskyy** (Ukrainian Academy of Banking of the National Bank of Ukraine, Ukraine).

Reports of the participants were dedicated to the issues of the banking efficiency and financial intermediation in Nigeria and Turkey, banking taxation in the EU, the use of innovative methods of research and forecasting in economics, the emergence of economic “bubbles”.

There was a heated debate about the model used by Dr. **Sebastian Uremadu** to determine the relationship between the level of financial depth and GDP growth as well as the recommendations of the financial regulation authorities in Nigeria.

The presentation of Dr. **Pinar Özlü** offered a detailed explanation of the research methodology for the study of the shadow economy and demand for currency in Turkey based on the monetary approach that, unlike the existing ones, uses the “streaming” data.

The report of Dr. **Krzysztof Biernacki** analyzed the problems concerning the need to reform the tax system institutions on the basis of determining the amount of VAT by calculating the ratio of the incoming and outgoing financial flows.

A speech delivered by Dr. **Vladislav Dombrovskyy** was characterized by original views regarding the solution of the traditional economic problems, particularly, unemployment prediction, by using new methods offered by modern systems data search. In general, the session was fruitful and interesting.





Ukrainian Academy of Banking of the National Bank of Ukraine

A conference dinner arranged in the traditional Ukrainian style by the organizers and accompanied by live performances of folk bandura musicians became a pleasant completion of the conference. In an informal atmosphere, participants continued to discuss various interesting issues raised during the conference, made contacts and thanked the organizers for the well-planned scientific event.

The conference organizers have received many positive comments regarding the conference, the level of organization, presentations and the general significance of the conference.

The organizers would like to express their gratitude to all participants who took part in the conference!



Ukrainian Academy of Banking of the National Bank of Ukraine - Scientific Library, Conference venue

Conference Host:



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