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Analysis and Evaluation of the Financial Security of the National Economies of Central Asia

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Abstract: The most important element of economic security in modern conditions is financial safety. In modern conditions the impact of geofinances, the world's financial systems on the individual state moves to a qualitatively new level. According to the dominant position occupied by a financial component in today's economy, the authors can characterize the last one as an economy controlled by the basis of their financial way, through financial mechanisms, using financial leverage, financial incentives and fiscal purposes. In this article, financial security is considered by the example of developing countries - members of the Shanghai Cooperation Organization in Kazakhstan, Russia and China. These countries are particularly interesting, as they recently shown rapid economic growth.

Key words: Financial security · National economies · Central Asia · Global trends · Development

INTRODUCTION

No country is immune from the risks associated with the instability of the financial system. However, developing economies are particularly vulnerable to such risks, as their markets are already open, but there’s yet no framework for mitigating the impact of fundamental factors of financial instability.

Note that the definition of episodes of economic development, which can be called financial instability, is a challenge itself. In particular, it is logical to consider as the financial instability the bankruptcy of several financial institutions. However, in some circumstances, it may be part of the normal market process, in which the loss-making firms, which are not able to organize effective activities, stop function. At the same time, in other circumstances, the bankruptcy of the financial institution can be a trigger for the financial crisis. Therefore, financial instability can be defined as such problems in the financial system of the country that have a significant negative impact on economic activity.

In this regard, the present research topic is relevant.

The aim of this study is to analyze the financial security of developing countries on the example of the group of Central and East Asia.

Achieving goals means achieving the following objectives:

- The study of the theoretical foundations of the country's financial security.
- Definition of the role of the financial system in the country's national security.
- Learning financial security indicators.
- Analysis of financial security in Central and Eastern Asia.
- Identifying ways of increasing the effectiveness of the Central and East Asia's financial market.
- Comparative analysis of financial security in Central and Eastern Asia.

The object of research is the financial security of the country. The subject is methods to ensure the financial security of developing countries on the example of the group of countries in Central and East Asia.

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Theoretical and methodological basis of the study are the provisions set forth in the works of Russian and foreign scientists dedicated to the study of international business, periodicals and statistical data of the official websites.

When writing this article, there were used methods of system analysis and scientific abstraction, logical approach.

Essence of the Financial Security: Practically, there's no aspect of the national security of the country that wouldn't directly dependent on the level of its financial security. At the same time, the level of the financial security largely depends on the level of other aspects of national security. Consideration of the relationships and interdependencies between the various aspects of national security allows finding measures to prevent or overcome threats to the country's national interests.

The dependence of all aspects of the national security of the country on its financial security is very simple at the first glance: lack of funds often leads to underfunding the most pressing needs in the various sectors of the economy and poses a threat to national security. However, this seemingly simple, the most common relationship finds concrete expression in the different by their nature economic phenomena and processes.

There is an inverse relationship between the financial security of the country and its general national security. It is important to consider the close relationship of various aspects of the country's national security and a key role of the financial security in overcoming threats to national interests.

In order to understand the core, it is obvious that it is necessary to proceed from the fundamental postulate that the negative developments in the financial relationships are dangerous, causing damage to the real economy, which is reflected in the falling rate of development, reducing the living standards of the population. In this regard, the financial threats should be considered, in our opinion, as a factor that creates a hazard, causing damage to the financial system and destroys it as a system. And it all can't be attributed to the possible objectively existing negative factors affecting financial and market relations [1, 2].

The growing danger, accompanied by an increase in the damage, of course, leads to a transition of quantity into a new quality - to the threat.

Scope of a safe existence is so narrowed that has a stagnating effect on the functioning and development of the economy. Practically, as a security it's understood such economic conditions, which means that the probability of an unwanted change of any of its properties to the level not above or below the certain limit.

The financial system - the main link of regulation of economic processes of a developing market - is the most vulnerable system for use by criminal elements competing with international corporations interested by international clans and states in securing their interests on the developing market to the detriment of the national economy [3, 4].

The financial market is considered to be an element of predominantly market economy, as in the rigidly centralized economy finance issues were the monopoly of the state and the financial market was almost absent [5].

Practically, in the economic literature there is no systematic definition of "financial security", which makes it necessary to solve this problem. Without claiming to be the final version of its decision, we consider it expedient to give the following definition of this concept: financial security is ensuring such a development of the financial system and financial relations of processes in the economy, which creates the necessary financial conditions for socio-economic and financial stability of the country's development, conservation integrity and unity of the financial system (including monetary, fiscal, credit, tax and currency system), successful overcoming internal and external threats to the country's financial sector.

Core element of the financial security, which affects the stability of the financial system, is primarily fiscal sphere, which is the basis of any functioning state. That is why indicators of budget functioning are in line with the main macroeconomic indicators characterizing the level of socio-economic development of the country.

Thus, one of the most important aspects of the problem of economic security of the state - the state of its financial system (the state budget and other institutions), the ability of this system to provide state financial resources sufficient to fulfill its internal and external functions.

The financial system has to have a certain margin of safety in case of unforeseen and extraordinary circumstances, so that the public authorities are able to respond quickly and timely to the any emergence threats and possibly prevent them, neutralize, or at least to minimize the potential socio-economic losses.

We can distinguish the following basic segments of the financial security of the country and regions:

- The budget and tax;
- Monetary;
- Credit and banking;
- Extra-budgetary fund.

Appendix A1 shows the decomposition of the concept of “financial security”. A more detailed examination of the concept of financial security, the deployment in the system of recommended measures requires a serious methodological analysis, identification of the relation of financial security concept with other related concepts.

A stable and secure development of the economy depends above all on the development of the situation in the financial sectors of the economy, interlaced by numerous relationships.

Understanding financial security is specified on the basis of a system of quantitative and qualitative indicators, which determine the status and level of development of the financial sector of the economy and involve the implementation of comprehensive measures to maintain the required safety, related primarily to the intensive implementation of the adjusted reform program and covering the main areas of fiscal, monetary, investment and foreign trade.

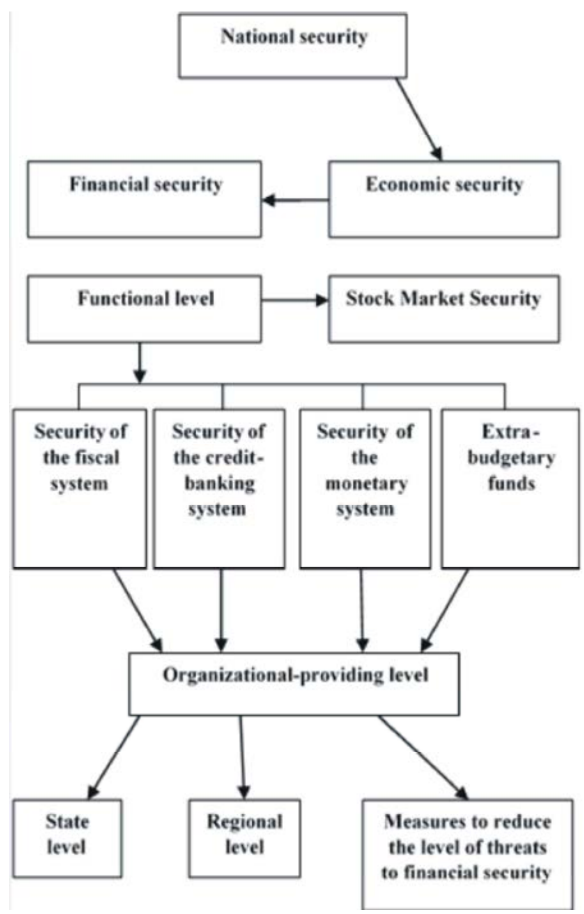
Under the financial security system there are considered such conditions for the functioning of the financial system, which, at first, have a very small possibility of financial flows in the legislative unfixed by normative acts spheres of their use and, secondly, there’s reduced to a minimum the possibility of explicit abuse of funds.

The basis of preparation of financial security should be based on the strategy development of financial market growth, financial concept and control strategy. It is necessary to coordinate the development of all the main financial market segments, while ensuring the balance of interests of all its participants. Exactly the balance of interests allows creating conditions for the greatest stability and achieves the fullness of the realization of all the basic functions of the financial market. If trying to order hierarchical all elements of the system, one will see that at the head of it may lie not only the principle of strictly targeted use of financial resources as the main factor for their conservation, but also providing conditions for the quick and effective response by increasing the invested funds. Therefore, the implementation of this principle as the basis of the concept means the creation of control system not only for helpful and timely use of funds, but also for the level of their payback.

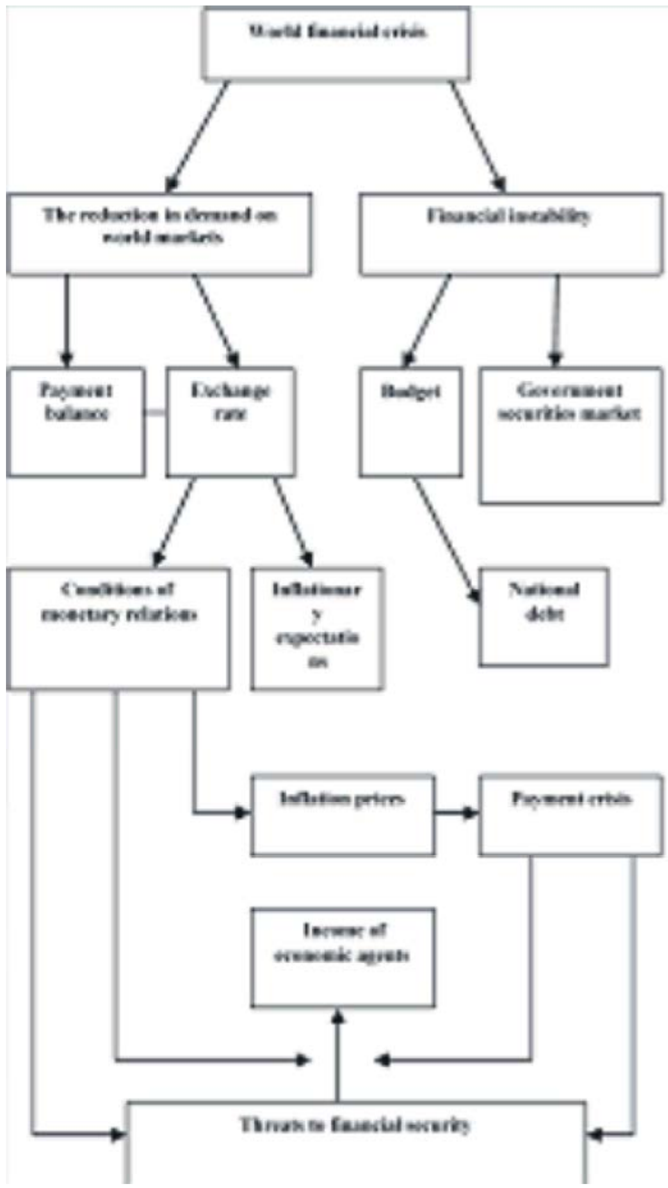
Analysis of the functioning of financial and economic mechanism over the last reform years shows that the full formation of an effective financial security system is not just the most important factor of economic security at all, but also at the same time is a kind of engine. Obviously are the fewer threats to finance, the greater the return on them.

However, the formation of such a system as a holistic concept requires a comprehensive analysis of the functioning of financial and monetary instruments throughout the reform. The main focus and the end result of such analytical study should be the development of the conceptual foundations of a system that ensures the creation of financial conditions for economic growth above all [3].

Appendix A: Financial security



The influence of external factors on the financial security of the economy.



Measures to ensure the financial security

Conceptual and methodological	Financial and economic	Organizational and technological
1) A systematic approach to reduce security risks	1) Legislative guarantee of reliable financial system	1) Improving the reliability of technological processes and operations
2) Use of foreign experience	2) Monitoring the implementation of financial obligations of economic operators	2) Ensuring system availability for the elimination of technical failures
3) The implementation of modern methods and tools of financial planning	3) Insurance of financial risks	3) Organization of control over the payment and settlement system
4) Science-research support of threat detection	4) Effective redistribution of financial flows	4) Restructuring of the credit-banking system
5) Carrying out of multiple calculations on anti-crisis projects	5) Reducing the monetary risks	5) Transparency of financial markets
6) Using a system of indicators	6) Defining the limits of public debt and budget deficits	6) Government guarantees for key financial processes

Herewith, the main focus in the development should be connected with targeted analysis of fiscal and monetary policy aimed at solving the major current financial and economic problems. Formation of an effective system of financial security should be occurred taking into account the most important relationships that exist between all the elements of the financial system.

MATERIALS AND METHODS

If analyze the structure of the elements of the financial system, the highest value among them will represent the budget and tax, credit and banking and monetary.

Conceptually, the formation of an effective system of financial security should be based on the creation of complex monitoring, layered and full-scale system for tracking the dynamics of all major financial and economic processes in the country. The obvious challenge is to develop precise criteria and financial security levels.

Complex of the factors relating to internal and external conditions of the enterprise has an impact on the dynamics of financial performance affects.

In countries with the advanced economy, the financial failure of companies is for 1/3 determined by external factors and for 2/3 – internal (of course, this is the average expert assessment). In developing countries and countries with economies in transition financial negatives are more dependent on the external environment influence (general economic crisis, inflation, payments crisis, the banking sector, etc.) [6].

Appendix A2 shows the influence of internal and external factors on the safety of the country's economy.

Understanding the financial security as the object of research should be based on an understanding the nature of the financial system, not limited only by its distribution and redistribution functions and accumulation of financial resources. As a system, it includes the specific characteristics of financial instruments, reflecting to some extent the nature of ownership and a set of relations of the property and financial instruments characteristics forms both capital flows and their distribution, as part of the monetary and fiscal policy. The transition to a market economy has led to strengthening of the role of finance and determined their place in the new economic system. Most market instruments refer to the elements of the financial mechanism, i.e. are the part of the financial system.

In the operations on the financial markets participate representatives of all sectors of the national economy. The role and importance of the financial sector in the last decade have changed dramatically. From a modest service mechanism of economic processes finances have become the "mighty genie" of modern economic and social development and in an increasingly globalized world the role of finance in economic and political relations is increasingly amplified.

Finance is increasingly becoming an enough independent segment of the economy, has enormous potential. The financial sector has done quite a long way and a new in it in modern conditions is the extent, forms and mechanisms, as well as the level of influence on society. In practice, the financial sector, the financial capital in the course of the past century, transformed from an intermediary service reproduction into its key link.

One of the main factors of strengthening the role of finance has become an active and rapid growth of commodity-money relations, which involved many spheres of human activity, have not been commercialized before (work, politics, etc.).

In the western economic literature, the changes occurring in the field of finance are explained mainly by the enormous advances in technology, computer and communication systems. Practically, technological progress has led to an unprecedented hitherto demand for financial assets, which resulted the involvement of new and new additional resources to the financial orbit.

However, the involvement of these resources is extremely uneven, creating both periods and sectors of their lack, which makes the threats to destruction or damage in the individual sectors and segments of activity or economic subjects.

The imbalance in the concentration of financial resources also aggravates the critical situation in the economy, disrupting the normal functioning of society. A special role in the activation of the financial sphere plays a globalization process that is associated with a fall in the level of state regulation and the limitations imposed by the interests of individual national economic structures.

The processes of deregulation and globalization, complementing each other, especially actively influence both the negative and the positive developments in the financial sector, transforming and modifying them, providing an enormous concentration of financial capital, not constrained by national borders. The hypertrophied development of the financial sector in the context of globalization changes the nature of the market, converts its role in the regulation mechanism of capital production.

The global financial market is not the market of the original capital period, as its main participants are the largest financial-industrial conglomerates and international financial centers, weakens the mechanism of the average rate of profit, changes income distribution scheme, many basic categories change their content.

Hitherto, there has formed a huge gap between the tangible and financial flows: "financial economy somewhere in twenty, if not fifty, times more than the real economy." One can argue about the legitimacy of such an idea, especially in terms of the state of the financial and the real economy, but the reality is that the financial market growth is many times greater than the volume of trade in goods and services, in particular, currency exchanges turnover in the order of more than trade in goods.

Analyzing the genesis of finance, we can note that it's the result of evaluation of social processes and has a technological origin. Finances as resources of the subjects have a long historical path of development as means of assessment and the importance of the subjects' resources or the volume of losses. They are not only the world of ratings and comparisons, but also a specific form of activity, based on knowledge of the financial "being" and developing itself. It's kind of financial production with its technology, resources, laws, form of objective reality.

Finances as a major online subjects' resource exist in several forms. Firstly, finance, serving the real economy, is its reflection. There is a fairly clear connection between them, well studied and presented by economic sciences, theories and laws.

Secondly, finances exist as a separate and independent form of action, functioning on the basis of its own in accordance with its laws, tools, technology, unique to it. This activity aims to increase the financial resources (capital) by own methods, often without any direct connection with the real economy. This type of financial activity is called speculative activity, generating fictitious financial resources. On this kind of activity, quite legitimate, parasitize both citizens and a variety of organizations, from small businesses to multinational corporations, as well as the state, that produces the threats of all sizes.

Thirdly, finances exist as a branch of knowledge, as a science. It generates advanced financial technology, diverse and sophisticated financial instruments that allow s the more efficient use of existing financial resources and ways to accelerate the production of new ones.

Experience in the development of the world economy in recent years shows, that speculation pulls money from the real sector and aims to maximize the personal income of speculators and is progressively destabilizing factor. This effect occurs because there is no need to pay speculative capital into other forms for a long period of time. It is obvious that the system of freely floating exchange rates is cumulatively destabilizing. In this regard, it is worth noting that George. Soros divides the economy into real and financial [7].

Economic activity is observed in the real economy and the granting of loans and payments on them are occurred in the financial economy. The instability of financial markets can have catastrophic proportions and requires regulation. Banks and organized financial markets complicate the course of events, in which there are already two groups of participants. In this case appears the reflexive relationship between the regulators and the economy, which they regulate. Thus, it is obvious that the financial economy has emerged as an independent scope of activities with specific laws, loosely coupled with the real economy [8].

The abstract nature of the manipulation of financial instruments leads to all-out speculation, to the symbolic, virtual form of fictitious capital, its separation from the operation and movement of the real material production. There is a growing danger of global financial collapse. One of the problems in the formation of effective economic and financial relations at any level is deeply mistaken view of socio-economic development as the main factor in the consumption of financial and credit resources.

Nature of the financial resources, their main characteristic is that they are formed in the manufacturing development process, improvement of its competitiveness and marketability. The vast majority of financial resources is generated in the production process and the use of real wealth, as well as in the service sector. The real sector of the economy not only consumes financial and banking resources, but also creates them. Art of the financial and economic policy is reduced to finding the initial foundations for the resumption of economic growth. Great is the role of the production in providing the necessary productive employment and increasing incomes of the population that are the basis of savings of the population, development of securities market and thus increasing the financial potential for savings and investment. Unfortunately, forgetting these postulates is the basis of exacerbation of financial risks of development of society.

As noted earlier, the concept of financial security, firstly, should correspond with the general concept of national security; secondly, perform an integral part of the concept of economic security of the country; and thirdly, have its own content, which distinguishes the problems of financial security from the same kind of general economic problems.

Financial security strategy is a political and economic direction in the activities of the financial bodies of the government, economic, financial and banking institutions, aimed at creating the conditions and resources of the financial stability and economic growth while preserving and strengthening the country's unity and integrity of its economic space and the financial system.

Financial security of regions should be provided by all the means and instruments of state policy, all business entities and financial institutions involved in the development and implementation of the strategy formulated by the security strategy.

It is advisable to structure in the financial security strategy the following important aspects:

- Objectives and financial safety problems in specific conditions of its socio-economic development in the short and long term;
- The means and tools of the chosen strategy;
- Routes and directions to create the necessary financial conditions and financial resources to the resumption of economic growth;
- Ways and means to counter threats to financial security [1].

Within the framework of selected structural elements of financial security strategy it is necessary to analyze the current state of the financial and economic processes, pathways, factors and methods of positive effects on the financial and economic situation in order to prevent or mitigate the threats of instability, as well as solving the problems of economic financial stabilization and creating financial conditions and resources for the economic growth (Appendix A3).

Indicators of the Financial Security: In the market economy, changes of financial parameters leads to a sharp change in the money supply and demand in the economy and, consequently, has a powerful impact on the dynamics of economic development in general. Therefore, financial analysis and forecasting of economic criteria and safety indicators have the fundamental importance. Moreover, financial security indicators are key indicators of potential economic distress in the country. Financial indicators of economic security can be divided into the following criteria:

- macro-;
- price;
- reflecting the process and the state of the financial markets;
- related to banking activity;
- reflecting the level of savings and investment in the economy;
- related to the foreign exchange market and the exchange rate of the national currency.

To complete the picture of the processes occurring in the financial sector of the economy, it is necessary to analyze these indicators over time and compare them with the threshold values of economic (financial) security. Violation of this or that indicator itself doesn’t mean a threat to the economic security in general. But the organization of monitoring, comprehensive review of the system of indicators, an in-depth analysis of individual economic entities and processes at a deviation from the normal criteria of the dynamics of the trajectory should be object to continuous monitoring of the competent public authorities.

Macro-indicators and their thresholds

- The level of monetization of the economy is calculated as the ratio of (M2X) to GDP (Y). The threshold level is.

$$m = \frac{M2X}{Y} = 20 - 30\%$$

Consideration of the monetization level by M2X unit has a separate economic sense - it makes it possible to assess the level of organized savings in foreign currency of non-financial sector and households. For example, if the ratio of M2X/Y grows faster than the M2/Y, it means that the savings in foreign currency are growing faster than the national currency. This may change in the economy the structure of means of payment in favor of foreign currency.

For the predictability of monetary policy and price indicators the particular importance has the analysis of acceptable values of money demand and supply.

For this purpose there's used the basic equation of quantity theory of money, which, as we know, can be written as follows:

Y = M2V,

where Y is GDP in current prices; M2 - money unit; V- velocity of money circulation in the economy.

Assuming immutability money rpm speed in the short term, this ratio can be represented as follows:

$$\frac{dM2}{M2} = \frac{dY}{Y} + \frac{dP}{P}$$

where

$\frac{dM2}{M2}$ is the relative increase in the monetary aggregate;

$\frac{dP}{P}$ is the relative increase in the price level in the economy;

$\frac{dY}{Y}$ is relative growth of the real GDP in constant prices.

This ratio shows that the rate of money growth is determined by the rate of real GDP growth and the price level in the economy. If the absolute value of the relative deviation of the money supply is more than 10%, it is an indicator of a significant change in the volume and structure of money supply and demand in the economy. These changes can be caused by either excessive expansion of the money supply, or, conversely, its compression. In any case, the deviation of the price trend on the dynamics of money supply and demand changes in the economy should be the subject of special economic analysis.

$$\left|\frac{dM2}{M2}\right| > Inflation + 10\%\ in\ a\ few\ months$$

Under $\left|\frac{dM2}{M2}\right|$ is considered the absolute value of the change in the money supply M2.

- The level of maintenance of the monetary base by gold reserves (gold & external reserves - GER)

The normal level of maintenance of the national currency by gold reserves: 70% B> = GER, i.e. the monetary base B should be provided by not less than 70-80%, as the practice shows that methods of sterilization policy allow neutralizing the inflationary effect of monetary financing for not more than 20-30%.

The level of maintenance of the monetary base by gold reserves GER

The normal ratio level: 70% DB=DGER. If there's 70% DB=DGER, there're accumulated inflation and exchange rate risks.

- The criterion of adequacy of gold reserves.

It is introduced to evaluate the adequacy of sustainable exchange rate and control inflation.

The threshold level DGER =D?.

- The criterion of the minimum (threshold) level of gold reserves

The level of maintenance of the financial sustainability in the medium term: min GER = value of imports for the I quarter + amount required for repaying short-term debt (up to 1 year) of the state, banking and corporate sectors and interest payments on it.

This criterion expresses reserve requirement of stability of the national currency, the country's ability to fulfill its obligations on foreign loans without the threat of a collapse of the exchange rate of the national currency.

- The level of illegal capital outflow (capital fly - cf).

The threshold level is calculated by the formula: cf = Increase of no return of export proceeds and import advances + 1/2 of pure errors and omissions of the payment balance - Increase of overdue loan debt.

The threshold level is: cf = 50% of the balance of current account of payments transactions.

Of the major balance sheet identities of the balance of payments, it follows that: Current Account Balance + Pure investment = Illegal capital outflow + Pure gaps and errors of the payment balance.

A negative or zero capital inflows the current account balance should completely exceed illicit outflows and statistical differences of the payment balance.

- The criterion of adequacy of gold reserves.

The criterion expresses the requirement of non-inflationary expansion of the money supply: cash-money issue (monetary base growth) should be provided with a corresponding increase in gold reserves.

The level of normal ratio: DGER=DB.

- The criterion of a minimum level of gold reserves.

The level of ensuring financial sustainability in the medium term: min GER = Value of imports for the I quarter + Amount required for repaying short-term debt (up to 1 year) of the public, banking and corporate sectors and interest payments on it.

- The critical level of changes of the real interest rate r as the credit resources and deposits.

The threshold level $\left|\frac{\Delta r}{r}\right| \geq 50\%$

It is obvious that a sharp change of interest rates in either direction has negative consequences for the economy:

- The following criteria are calculated on the basis of profitability indicators:

- The profitability of the economy (profitability - P).

In general, the situation in the money market is considered to be satisfactory if the profitability exceeds the inflation level i. P> I

- The profitability of key branches (Pkb)

It should be at least above the level of inflation or exceed inflation by 3-5% in the best variant.

- The ratio of profitability and the level of interest rates.

There should be a ratio

$P > i_t > i_d > i,$

where i_t is rate on loans
and i_d is rate on deposits

This ratio, considering the level of inflation, is logically built up as follows:

- Deposit rate id must be greater than inflation, because otherwise there will be an incentive for the inflow and accumulation of savings by banks, money will go to the consumer market
- Rate on loans il must be greater than rates on deposits id, otherwise the banking sector will suffer losses and bank capital will blurred during the prolonged process;
- Profitability of enterprises P must be greater than rates on loans il, otherwise the company will invest at a loss.
- The indicators characterizing the ratio of savings and investments. This group of indicators includes:
- The ratio of investments and savings in the economy.

In a state of economic equilibrium I = S, but in an active phase of development of the economy I > S, i.e., investments exceed savings.

- The structure of savings in local and foreign currency.

In modern conditions the optimal structure of savings is:

$$\frac{\text{savings in the national currency}}{\text{savings in the foreign currency}} = \frac{70}{30}$$

This ratio follows from the actually current and future import share of 30% of the total investment. The critical level, after which we can talk about the dollarization of the economy, is 30:70.

- The underuse of investment for capital investments.

The threshold level $\frac{S-I}{S} \geq 30\%$

The criterion shows how much of the savings in the economy are not transformed into investments and therefore the economic potential of the country is underused.

- Justification of the thresholds of the security indicators of banking activities.
- The ratio of the total assets of the banking system (assets - A) to GDP. The optimal level for developing countries with positive economic dynamics is A/Y = 80-100%.
- The average terms to raise funds and accommodation - loans (loans - Tl) and deposits (deposits - Td).

Theoretically terms of attracting deposits and granting loans should be the same or timing on granting loans should be somewhat longer than terms of attracting money resources to the value determined by the ratio of equity and borrowed funds by the banking sector.

- The term structure of loans and deposits.

The optimal level:
loans and deposits up to 1 year ≤ 30%
loans and deposits for over 1 year ≥ 70%.

- Foreign aggregate banking position in relation to the total equity of the banking system.

The threshold level $\left|\frac{EA-EL}{EK}\right| < 20\%$,

where EA (external assets) – foreign assets (in foreign currency);
EL (external liabilities) – foreign liabilities (in foreign currency);
EK (equity capital) – total equity capital of the banking system.

- Dynamics of banking sector assets to GDP in relation to the level of monetization of the economy.

The normal value level $\frac{(A_1/A_0)100}{M2X_1/M2X_0} = 100\%$

- Structure of resources of the banking sector: corporate, public, inter-bank sector's, own funds.

If the share of inter-sector resources of the banking system exceeds 25%, then it is dangerous, because the credit begins to be carried out by transforming the short interbank loans in the long-term loans to the real sector of the economy.

- The share of the loan portfolio (Z - loans) in assets.

The optimim value level $\frac{L}{A} \geq 45\%$

A lower value of this criterion suggests that the preference of banks are being shifted toward foreign or speculative operations with stock tools.

- Return on equity ROE.

The threshold level $ROE = \frac{Pr}{EK} > 15\%$

where Pr – income (profit) after tax.

Dynamics of banking sector assets to GDP in relation to the level of monetization of the economy. This criterion expresses the requirement of accumulation of credit resources in the economy and increase the stability of the banking sector.

The normal ratio level $\frac{(A_1/A_0)100}{M2X_1/M2X_0} = 100\%$

- Return on assets ROA.

The threshold level $ROE = \frac{Pr}{EK} > 1-2\%$

- The share of "bad" loans («bad» credits in accordance with IFRS) in the loan portfolio.

Threshold level $\frac{Kb}{K} = 10\%$

- The level of concentration of the banking system.

In determining this criterion is used famous Pareto 80/20 principle, it means 20% of the banks account 80% of the assets (or capital) of the general banking system.

- The dependence of the banks on the inter-bank lending.

The threshold level MBK/Liabilities ≥ 25%.

- The state of the banking sector is closely connected with the state of the corporate sector (corporate banking clients), which is described by the following indicators:

- Dynamics of profit;
- Dynamics of revenue;
- External obligations;
- Investments;
- The dynamics of credit and investment ratings of the largest companies and organizations in the sectors of the economy according to the second level of industrial classification due to IBAN.
- Indicator of the dangerous condition of the financial market
- Volume of the market of derivative financial instruments towards market volume of primary financial instruments.

The threshold level is determined in accordance with Pareto's 80/20 principle

$$\frac{\text{Volume (capitalization) of the secondary market of financial instruments}}{\text{Volume of primary marketfinancial instruments}} = \frac{80}{20}$$

- The share of foreign portfolio investment in securities (portfolio investment in securities – Ips towards foreign investment as a whole I).

Threshold level $\frac{I_{ps}}{I} \geq 25-30\%$

- The rate of growth of capitalization (CAP) of the stock market (%) relative to the GDP growth rate.

$$\frac{(CAP_1/CAP_0)-1}{(Y_1/Y_0)-1} \geq 100\%$$

where CAP1 - stock market capitalization in the current period; CAP0 - stock market capitalization in the base period; Y1 – GDP volume in the current period; Y0 - îáúåì GDP volume in the base period.

- Dynamics of index P/E - "profit multiple" (in years of return on investments).
- P/E = Market rate of the ordinary share/Earnings per share (EPS);
- P/E = Capitalization/(Net income - Dividends on preferred shares) = Capitalization/EBITDA.

P/E shows how the market values a particular security. Ideally, this indicator should be at the level of 5-6 years of ROI.

- Yield of government securities (GS) towards the GDP growth rate.

The threshold level

$$\frac{GS}{(1-(Y_1-Y_0)/Y_0)\ \ 100} \leq 1.$$

- The ratio of the growth rate of the dollar exchange in rubles ikR/S and growth IRTSI RTS index. The optimal level of the criterion is

$$\frac{I_{RTSI}}{ik_{R/S}} > 1,$$

i.e. in the medium term RTSP index growth rate should exceed the rate of growth of the exchange rate.

17.5. Price indicators

- The inflation rate - 2-5% per year.
- Dynamics of prices for different groups of goods and services [3].

For the economy of developing type, the price level should be at least 30-40% lower than prices for similar types of goods in Western markets on the parity of the ruble exchange rate, calculated by Eurostat on a regular basis. This follows from the need to ensure the competitiveness of the economies of developing markets.

RESULTS AND DISCUSSION

Ratio Analysis of Financial Security in Central Asia: following countries of central and eastern Asia, the countries - members of the Shanghai Cooperation Organization: Kazakhstan, Russia and China.

Indicators of financial security of the Republic Kazakhstan are given in Appendix B1 [9, 10].

Evaluation of complex of factors determining the financial stability of Kazakhstan in 2008 [9], especially focused attention on the following risk factors that shape the economic environment in 2009:

- Worsening of the risk of slowing economic growth in Kazakhstan in conditions of slowing activity of the global economy and instability in world financial and commodity markets;
- Increase in the load on the country's international reserves as a result of increasing risks of the payment balance;

Appendix B1: Indicators of Kazakhstan's financial security

	Indicators	The threshold	2013 The actual value	2013 The ratio of actual and threshold values	2014 The actual value	2014 The ratio of actual and threshold values	2015 The actual value	2015 The ratio of actual and threshold values
1)	The share of government consumption to GDP, %	18	10,19	0,57	9,93	0,55	11,31	0,63
2)	Investments in the main capital to GDP, %	25	0,83	0,03	0,86	0,03	0,89	0,04
3)	Foreign direct investment, % to GDP	5	10,6	2,12	11,83	2,37	11,54	2,31
4)	Credit investments in economy, % to GDP	100	40,9	0,41	33,5	0,34	32	0,32
5)	The inflation rate for the year, %	20	15,5	0,78	20,9	1,05	-0,89	-0,04
6)	State debt, % to GDP	60	5,32	0,09	6,32	0,11	6,34	0,11
7)	The volume of external debt, % to GDP	30	91,77	3,06	81,01	2,70	79,9	2,66
8)	The volume of domestic debt, % to GDP	30	0,5	0,02	0,8	0,03	0,17	0,01
9)	Maintenance of the government debt, % to GDP	30	1,33	0,04	0,25	0,01	0,38	0,01
10)	The costs of servicing and repayment of external debt to exports of goods and services, %	20	26,2	1,31	25,04	1,25	24,69	1,23
11)	The consolidated budget deficit, % to GDP	5	1,22	0,24	4,3	0,86	0,79	0,16
12)	Money supply Ì2, % to GDP	50	33,32	0,67	33,94	0,68	33,99	0,68

- The importance of maintaining trust of banks customers in conditions of limited traditional sources of funding of the financial system;
- Maintenance of low price levels in the real estate sector;
- The need to increase the capitalization of banks in the conditions of growth of expenses on provisions against the background of the expected economic slowdown and deterioration of financial performance of companies;
- The need for a gradual transition from the supporting policy to a policy focused on the structural correction of vulnerabilities;
- The need to develop mechanisms of state intervention on the principles of adequacy of cost-sharing by participants of the financial system to risks previously taken by the shareholders.

The results of this year proved the adequacy of estimates. The situation in 2009 showed that a combination of different risk factors may have a significant destabilizing character and require the state large-scale financial and regulatory intervention in order to maintain financial stability.

In particular, as a result of the decline in world prices and the devaluation of the currencies of countries - major trade partners of Kazakhstan significantly worsened the parameters of the real effective exchange rate of KZT, increased scale of slowdown in economic activity, significantly reduced foreign exchange inflows from exports. As a result, a composite indicator that shows the degree of vulnerability of the economy to foreign exchange crisis and is calculated based on a set of economic indicators of financial and macroeconomic stability, has exceeded the threshold already in November 2014, which indicated an increase in the likelihood of significant pressure on the currency market in the short term.

Factors that contributed to the growth of vulnerability at the end of the previous year, were different from the period of 2012 by the fact that then a steady inflow of foreign currency from the foreign trade and real economic growth, against the background of the extant at that time favorable market conditions, made it possible to absorb with lower costs the impact of the risks that had been accumulated during the period of credit growth and excess supply of money.

Devaluation of the national currency in February 2014 and the selected by the National Bank priorities of monetary policy allowed to repay the speculative expectations of the market, partly compensated the loss of business from the unfavorable price situation on world commodity markets and limited the expansion of the imbalances of the payment balance. The subsequent rise in world commodity prices further supported the export-oriented sectors of the economy, which in the 2nd half of the year show the dynamics of output recovery and improved financial performance.

In general, despite the fact that a number of parameters of risk maps remain in the zone of the presence of risk, almost all areas of vulnerability at the end of 2009 recorded a significant reduction in the pressure on the situation of the 1st quarter of 2009, when it was decided to change the exchange rate policy regime. Moreover, the situation of liquidity, payment balance, the total debt burden and adequate international reserves significantly improved.

It should be noted some increase in solvency and liquidity risks of the public sector. The main pressure on the solvency has the debt growth and on the liquidity level- growth of the cost of repayment and debt servicing due to lower government revenue in the form of non-oil revenues.

Despite the fact that in the short term, inflation will remain low, high role of the fiscal component defines the inflationary potential in the medium term. Accordingly, it is important to limit the excessive growth of spending and expansion of non-oil budget deficit.

The adjustment of exchange rate policy has allowed to maintain the profitability of exporters, to minimize the devaluation expectations and, coupled with low domestic demand, limited the increase in imports. At the same time, despite the fact that according to current estimates, the current account deficit of the payment balance in general for 2014 is about 3% of GDP, it is expected that it will be funded by a substantial inflow of capital in the form of direct investment. Further recovery of external demand and commodity prices in 2010 suggests the intensification of foreign economic operations and the formation of a slight surplus of current account payment balance. High volumes of direct investment inflows keep the same, too.

Additionally, there are reasons to believe that the foreign market won't be completely closed to the financial institutions and the strongest banks will be able to enter the capital markets. The past year has shown that, despite the problems of individual banks, in general, the system is able to withstand external shocks and implement timely execution of internal and external commitments. At the same time, yield success in the market of financial institutions depends on the liquidity of the global financial and capital markets, the extent of collapse of financial support by states in the framework of anti-crisis programs and high potential competition between borrowers, both sovereign and private, from countries with emerging economies that together will determine the attractiveness of the price parameters of outsourcing.

In general, the expansion of the base of economic growth and its sustainability, considering the fact that the dependence "world market prices – the risks of private borrowers – capital inflows – crediting of non-primary sectors", which is characteristic for the upward phase of the cycle, is broken, it is based primarily on the state's ability not only to replace funding sources, but also to stimulate an increase in private savings and investment. Herewith, an important aspect of financial stability is the stability of the external debt of non-financial sector in an uncertain commodity markets, in the case of investments are financed mainly by the growth of debt.

According to the results of 9 months of 2014, it should be noted that the pure outflow of deposits from the system, which could be the most undesirable result of devaluation and measures on stabilizing the banking system, has not happened. In contrast, household deposits rose by more than 20%. In this case, the outflow of depositors was observed by individual banks rather than from the general banking system. In particular, considering the average level of redistribution of deposits between banks at 4-5% within 2 years, in the 1st and 2nd quarters of 2014, about 8-11% of deposits have migrated inside the banking system in search of a safe haven or a more attractive environment.

Increased business activity will stimulate the demand for credit resources of the banking sector, which, unfortunately, is currently not provided by adequate supply of credit resources because of saving by banks the conservative approach to liquidity management and risks of borrowers. As a result, growth in deposits is not fully transformed into the real sector credit expansion, which determines the high liquidity of the banking system. Banks do not seek to place funds on the financial and credit markets due to the reluctance to take the risk and prefer to keep their balances with the NBK. In many ways, the situation is also determined by the incompleteness of the process of restructuring liabilities of 2 Kazakh banks, which will result the significantly minimizing of the uncertainty factor.

Increased liquidity in periods of high market volatility and instability of the participants' expectations can promote the growth of speculative moods in the foreign exchange market and have a significant destabilizing character. In these conditions, the most justified is the choice in favor of the stabilization of exchange rate fluctuations and the establishment of clear guidelines exchange rate. In the future, the stabilization of expectations in the short term and the flexibility of the exchange rate policy in the medium term, depending on the fundamental factors will be the priorities of the exchange rate policy of the National Bank.

Revaluation of liabilities of borrowers in foreign currency as a result of adjusting the exchange rate policy strategies, particularly the sectors oriented to the domestic market and do not have significant sources of foreign exchange earnings, increased the burden on the quality of banks' loan portfolios. At the same time, the devaluation effect on the growth of non-performing loans should not be exaggerated, as both the population and enterprises experienced lower revenues and cash flows, as well as financial resources from the banks as a result of decreasing domestic and external demand and slowing credit to the economy. In particular, a comparison of the share of foreign currency loans, foreign currency position of borrowers with the dynamics of non-performing loans by industry and lending segments in 2009 does not show a significant deterioration in the quality depending on the scale of the portfolio from a higher level of dollarization of the industry or segment. At the same time, the fact of high liability of industry dollarization remains a significant risk factor, especially for the quality of the loan portfolio of banks.

Widespread use of the tools of restructuring the loan portfolio allows banks to control the deterioration of the quality of the loan portfolio. Thus, according to the bank in respect of the about 12% of the loan portfolio there were by banks changed credit terms in order to improve the creditworthiness of customers. The effectiveness of these measures largely depends on the speed and extent of the economic recovery and preservation of a favorable external pricing environment.

Slowing economic growth and domestic demand had the most significant impact on small business industries oriented to the domestic consumer goods and services. In particular the increasing number of non-performing and non-active businesses may carry a risk of growth of bankruptcies, if economic growth recovery database does not expand at the expense of non-primary sectors of the economy. In this objective, the phases of falling and growth affect the financial stability of enterprises with a certain lag. In this case, we can expect continued high industry risks and pressure on the quality of banks' loan portfolio in 2009.

Overall, despite a significant decline in the quality of the loan portfolio, the share of loans written off balance remains relatively low, without answering the current conditions, indicating the reluctance of banks to recognize losses fully. This is facilitated by a number of factors, including limited capital to cover losses, the hope of the restoration of the financial condition of borrowers, but also the unresolved question of taxation of income arising from the recovery provisions.

With the gradual recovery of the economy and reduce the risk of sectorial and individual borrowers there'll be formed the downward trend of lending rates. Under these conditions, in the short term, banks should pay attention to the regulation of interest rate risk, especially in terms of more than one year, in particular the institutes which carried out an aggressive strategy to attract financial resources in the context of limited opportunities for their efficient allocation.

Despite the marked decline in terms of financial stability, the level of external debt of the banking sector remains high. Only the availability of reliable and stable domestic funding of sources can further contribute to painless reduction of volumes of external financing banks. Taking into account the limited role of funding resources, the role of the capital increases, this, in fact, in the medium term should contribute to both the absorption of losses in the loan portfolio and serve as a buffer for sustainable credit growth.

At the moment, in spite of the strong growth in the number and the role of foreign banks in the last 2 years, their share is not a threat to financial stability in the medium term and does not require administrative intervention by the state. The state in the framework of the Concept of development of the financial sector in the post-crisis period clearly marks optimum share of foreign participation, which on the one hand provides economic security interests of the country and on the other hand is a buffer fund, supporting lending activity in the case of crisis situations.

Priorities for the financial regulator in terms of the requirements on the formation of provisions, the structure of the investment portfolio and capital adequately determine risk areas that require increased attention of banks. In particular, it's required a more qualitative assessment of the risks associated with currency mismatch of active and passive balance of the borrowers, the risks of the portfolio balance, derivatives and structured financial instruments, capital adequacy risks associated with the implementation of both the expected and hidden (latent) risk. It is important to avoid pro-cyclicality and the forced tightening of regulatory requirements.

The experience of the last economic cycle showed the importance of the formation of macro-prudential regulation system with a focus on counter-cyclical and effective tool to prevent imbalances on the markets of financial and real assets. The effectiveness of the agreed measures macro and micro-prudential regulation depends on the qualitative assessment of transformation risks in the short and long term and their impact on financial stability. One of the key tools of macro-prudential regulation should be the introduction of automatic regulators of capitalization and liquidity, depending on the phase of the business cycle, the timely detection of and response to systemic risks generated both within and outside the financial system. The introduction of new controls should be carried out as the formation of the upward phase of the cycle of economic development.

Measures of macro-prudential regulation should be focused on the stability of the financial system as a whole, on the prevention of the accumulation of imbalances and rising systemic risk and synchronized with the objectives of monetary and fiscal policy measures and micro-prudential regulation. Within the framework of micro-prudential regulation the focus is on an adequate assessment, risk control and quality management systems in banks. This control system should withstand the optimal balance between tightening the requirements for financial institutions and the preservation of opportunities for diversification of sources of profit.

In general, the maximum efficiency of macro-prudential regulation can be achieved only if it is carried out as an integral part of the overall macroeconomic policy. To this end, there was strengthened the role of the National Bank as the central body responsible for ensuring financial stability and the implementation of macro-prudential regulation [11].

In the fourth quarter of 2009, the situation on the financial markets remained calm in Kazakhstan. The only unfavorable trend was the reduction of deposits in real terms against the background of stagnation in lending the real sector of the economy. Overall, the significant dependence of Kazakhstan's economy from the external economic environment is likely to lead to a slow recovery of the economy in case of deepening of the new challenges in the global economy [12].

As for Russia, the results of applying the methodology of quantitative analysis are provided in Appendix B1 [12], which shows the values that were accepted by indicators-precursors of financial instability in the III quarter 2013 – I quarter 2014, the threshold levels of the indicators and also reflects the fact, whether they set signal or not [13].

In I quarter of 2013, the financial system of the Russian Federation continued to grow quite steadily. At the same time, some problems in the financial sector of the country still occurred, which was connected primarily with concerns about the development of the situation with the debt of Greece and some other European countries. In I quarter of 2014, only two of the thirteen indicators set signal – the capital outflow and "excessive" money supply in real terms.

Significant acceleration of capital outflow at the year’s beginning may mean that on the background of continuing high risks and, at the same time, a high level of liquidity in the financial system, the Russian economic agents preferred to withdraw money abroad. This trend, of course, is negative and reflects the low confidence of Russian economic agents in the further economic development stability. In addition, the fixed amount of "excess" money supply indicates that in the short term, inflation in Russia may accelerate again.

Fixed state of the system of indicators-harbingers corresponds to the probability of increasing the scale of financial instability for the next one to two quarters, at around 20 - 25%. This result suggests that in the next three – five months of 2010 there is the likelihood of some of the problems in the financial sector of the Russian Federation [12].

According to the selected indicators, which provide the country's financial security (see Appendix B4) [10, 14], in China there is a stable situation, all indicators are normal. However, there is a tendency to lower credit injections into the economy.

In 2009 the activities of the financial market in China was carried out in a safe manner, there was a brisk trade and progressive institutional reconstruction, which contributed to the effectiveness of macroeconomic policies, it has played the role of maintaining financial stability and strengthening the financial support for economic development fully.

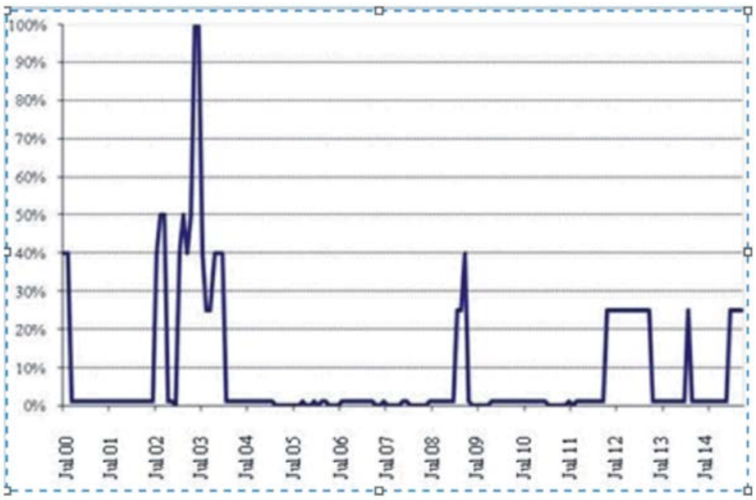
The volume of money market showed significant growth. In 2009, trading on the money market was quite lively. The turnover of inter-bank loans grew by 28.6% - 19, 4 trillion yuans. Turnover debt reached 70.3 trillion yuans, which corresponds to 20.9%. This significant growth was mainly contributed through the maintenance of liquidity and low interest rates in the money market, which made it possible to lower the cost of funds and thus encourage high trade requirements.

Short-term operations accounted a significant proportion of the total turnover. In 2009, the turnover of the night on the interbank borrowing has reached 16, 2 trillion yuans, accounting for 83.5% of total interbank loans, an increase of 13% [15]. Short-term transactions dominated the market as money market played a prominent role in adjusting the liquidity of financial institutions.

Evaluation and Efficiency of the Financial Market in Central Asia: Financial markets are a key component of the national economy. Effectively operating financial markets are designed (along with a developed banking system) to accumulate savings of economic agents, to transform them into investments and ensure their distribution among the various sectors of the economy. In addition, developed financial markets contribute to the inflow of foreign investment (especially portfolio), the amount of which depends substantially on the level of current interest rates, the risks of various kinds and their transformation into investments is determined by the

Appendix B2: Status of the system of indicators-harbingers of financial instability in the III quarter 2013 – I quarter 2014 in the Russian Federation

Indicator	The threshold	III quarter 2013 The value of the indicator	III quarter 2013 Signal	IV quarter 2013 The value of the indicator	IV quarter 2013 Signal	I quarter 2014 The value of the indicator	I quarter 2014 Signal
The balance of the current account payment balance	– 1,5 billion. dol.	15,7 billion. dollars	0	16,3 billion. dollars	0	33,9 billion. dollars	0
The real interest rate on the interbank market	4,4%	0,6%	0	0,0%	0	– 0,3%	0
The ratio of money supply to gold reserves	3,7	1,1	0	1,2	0	1,2	0
The real effective exchange rate of ruble	+ 6,5%	+ 1,2%	0	– 1,8%	0	+ 2,4%	0
"Excessive" money supply in real terms	2,2% GDP	0,6% GDP	0	4,7% GDP	1	7% GDP	1
The spread between domestic interest rates and the rate of LIBOR	40 p.p.	6,98 p.p.	0	4,92 p.p.	0	3,4 p.p.	0
GDP Growth rate	– 5,2%	– 7,7%	1	– 3,8%	0	4,5%	0
The trade conditions (the price of oil brand "Brent")	12,1 dol. per barrel	68,9 dol. per barrel	0	77,9 dol. per barrel	0	82,5 dol. per barrel	0
Capital outflow	– 8,3 billion. dol.	– 5,2 billion. dollars	0	– 4,9 billion. dollars	0	– 17,3 billion. dollars	1
Gold reserves	– 2,2%	+ 0,9%	0	– 2%	0	2,5%	0
Export	– 5,7%	– 34,3%	1	19,7%	0	58,1%	0
Domestic credit	1,6%	+ 3,5%	1	+ 12,4%	1	+ 0,8%	0
Pressure index on the currency market	1,7	– 0,8	0	2,2	1	– 0,7	0



Appendix B3: The probability of the Russian financial instability

Appendix B4: Indicators of China's financial security

Indicators	The threshold	2013 The actual value	2013 The ratio of actual and threshold values	2014 The actual value	2014 The ratio of actual and threshold values	2015 The actual value	2015 The ratio of actual and threshold values
1) The share of government consumption to GDP, %	no more 18	13,2	0,74	13	0,72	11,49	0,64
2) Investments in the main capital to GDP, %	no less 25	29	1,16	32	1,28	30	1,2
3) Foreign direct investment, % to GDP	no less 5	10,6	2,12	12	2,37	11,54	2,31
4) Credit investments in economy, % to GDP	no less 100	150	1,50	119	1,19	109	1,09
5) The inflation rate for the year, %	no more 20	7,6	0,38	7,8	0,39	-0,61	-0,03
6) State debt, % toGDP	no more 60	19, 8	0,33	17	0,28	18,6	0,31
7) The volume of external debt, % to GDP	no more 30	11	0,37	8,7	0,29	8,69	0,29
8) The volume of domestic debt, % to GDP	no more 30	-0,39	-0,01	0,9	0,03	-2,9	-0,10
9) Maintenance of the government debt, % to GDP	no more 30	0,79	0,03	0,6	0,02	0,63	0,02
10) The costs of servicing and repayment of external debt to exports of goods and services, %	no more 20	0,75	0,04	0,9	0,05	0,96	0,05
11) The consolidated budget deficit, % to GDP	no more 5	4	0,80	4	0,80	3	0,60
12) Money supply M2, % to GDP	no less 50	141	2,82	140	2,80	159,3	3,19

economic fundamentals of the country, carried out by fiscal and monetary policy, social and political risks and such aggregated measures as investment risks. Russian monetary authorities (primarily the Russian Ministry of Finance and the Central Bank of the Russian Federation), actually eliminated themselves from the activities associated with the restoration and further development of the financial markets.

Financial markets, as well as the national banking system are restored independently, gradually and on a number of indicators hitherto and have not reached pre-crisis level yet. The current state of the Russian financial market is characterized by:

- Low capacity of all segments of the market;
- Insufficient liquidity segments with low risk and low return and high risk and low liquidity of the market segments that provide high returns on funds invested;
- Underdeveloped segment of term financial instruments, allowing to insure (hedge) loss of investment risks;
- Dominant participation on the financial markets of the structures, controlled by the government (the Savings Bank of the Russian Federation and the Pension Fund of the Russian Federation), which fundamentally changes the composition of market participants, as well as evolving market conditions (liquidity and interest rates).

Exactly the last of these factors determines the current state of national financial markets. Excess demand on existing financial resources (mostly formed structures, controlled by the Russian Government) and a relatively low supply of market financial instruments is the preservation of market interest rates on financial instruments at negative real field. This dominance of state institutions in the financial markets acts as a factor determining the development of national financial markets in the short term.

On the Russian financial market is currently being used quite a wide range of financial instruments, but it is not sufficient to ensure financial stability and to stimulate investment activity. The problem is in the lack of capacity of the current bond market, the level of liquidity and risk and in the absence of derivatives market, allowing domestic and foreign investors to insure their own investments against the risks of various kinds.

The solution to this problem lies in the expansion of the domestic debt market (in spite of the continuing surplus of the federal budget), creating an appropriate legislative framework and to attract the domestic market of other major players (in addition to the Government of the Russian-controlled financial institutions), promoting the development of other financial market segments. What is important is the forecast of development of Russian financial markets in the medium term. It is designed based on the main directions of monetary policy, the overall economic development of the real sector and also the possible expansion of the financial markets that could change the status of the investment activity.

The problem of formation of the main directions of development of the national financial markets as a key component of the financial system is the most relevant at the moment. Considering the fundamentally important functions of this segment of the financial system, public policy should focus on the financial capabilities and regulatory impact. The latter are certain legislative initiatives related to the regulation and stimulation of the development of other segments. The financial policy of the monetary authorities is related to the expansion of the market segments in which the state acts as the issuer, - the market of the federal and municipal securities.

Federal bond market traditionally plays a key role in the Russian financial system, since it is they, rather than the CBR refinancing rate, determine the minimum level of current interest rates in the economy. The development of national financial markets currently still largely depends on the state of the market of federal bonds, primarily by its volume, liquidity and profitability. The progressive development of the Russian economy needs to attract new investment resources, particularly in the transition from extensive (involving the use of idle before production capacity) to the intensive form of development, the content of which should be the increase the volume of capital investments.

An additional source of such resources is the release both ruble and foreign currency denominated bonds. Note some of the benefits of attracting investment by companies issuing debt obligations (for example, as compared with the involvement of bank loans): ● the creation of public credit history; ● there is no need to provide collateral (security); ● no premium for illiquid assets; ● lower cost of borrowing. Undoubtedly, the bond issue couldn't solve all the problems of Russian companies in raising funds required for capital investment and working capital. However, this method of funding could serve as an additional source of funds for the current activities of enterprises [3].

The urgency to develop a set of monetary policy measures to regulate the stock market today is underestimated. The problem of monetary regulation of the stock market is considered to be premature. It is expected that the level of development of the market does not allow to effectively using the tools of monetary policy as it, for example, takes place in the United States. In Russia, this problem is connected with the choice of an optimal model of stock market regulation. In the current environment, the use of regulatory instruments administrative (regulatory) group is not conducive to the efficiency of the stock market. The Russian stock market still poorly performs its main function - effective inter-sectorial allocation of resources. Asian and Russian crises have shown that some administrative measures for regulating the stock market are not enough. In such a way there's actualized the updated task of using monetary and budgetary instruments.

One of the ways to influence the Central Bank on the stock market is operations with government securities. Changing yields of government securities (short-term interest rates) may have an impact on the market value of corporate securities. This implies that the main way of monetary policy on the stock markets is the change of CBR short-term interest rates. In their turn, the stock markets may also have an impact on monetary policy.

In recent years, the economies of developed and developing countries are faced with a significant increase in prices on the stock markets at low rates of inflation and other stable macroeconomic parameters.

An important problem of the Russian stock market and its monetary-credit regulation are inefficient ownership structure of public companies and distorted principles of corporate governance. Unlike other countries with economies in transition, the prevalence of insiders is a distinctive feature of corporate ownership structure in Russia. Until now, insiders-shareholders remain the most influential shareholders at the majority of Russian enterprises. The situation is compounded by the fact that in some companies the largest shareholder owns one "blocking" or even a controlling stake and is directly related to enterprise managers. The narrow groups of partners or persons actually holding shares continue to concentrate power and control over the efficiency of management and not necessarily on the basis of share ownership. Thus, implicit or explicit consolidation of ownership and control in Russian corporations remains a key medium-term trend [16].

Regarding Kazakhstan, there exists an uncertainty of the National Bank of the constitutional status of the Republic of Kazakhstan, which negatively affects the country's financial stability.

As it's known, the banking system is necessary to ensure the maintenance of all sectors of the economy with financial resources. In order to create stable monetary and financial markets, in the Republic of Kazakhstan there was taken a number of legislative acts regulating the formation of the banking sector in accordance with international standards; as a result of legislative, structural and institutional reforms, a new two-tier banking system was formed, where the first level is represented by the National Bank the main task of which is to ensure the stability of money circulation and the second level are trade banks which independence is directly connected with the financing of the economy.

It is also important to note that the system and the level of indicators characterizing the structural changes in the economy, largely dependent on real macroeconomic measures for the implementation of economic policy and the achievement of the main target objectives.

In other words, national economic policy becomes the starting point in the formation of macroeconomic structural policies, sectorial and regional levels.

The main task of the National Bank is to ensure internal and external stability of the national currency of the Republic of Kazakhstan and also to develop and implement the monetary policy, promoting the stability of the monetary, credit and banking system and protecting the interests of creditors and depositors of banks. The National Bank also acts as an issuer of securities, oversees the activities of the financial units and sets prudential regulations governing banks' independence.

However, in view of the global banking and regulatory practice today there's become actual a question of defining the legal status of the main bank of the country - the National Bank in the framework of the Constitution itself. The National Bank both legally and constitutionally is not related to any of the existing government branches.

In a number of the foreign countries (France, Czech Republic, etc.) there is the term of the fourth branch of government - "the control and financial", which concerns the national banks and their status is enshrined in the constitutions of these states. For example, in the constitutions of the Republic of Lithuania and the Republic of Belarus there are given clear definitions of the main activities of national banks. In Kazakhstan, same questions of activity of the National Bank of Kazakhstan are reflected not in the Constitution but in the law of the same name [17].

It should be noted that the lack of control and legal independence of the monetary authority representative of Kazakhstan - the National Bank could lead to a monopoly and money laundering abroad.

Accordingly, one of the measures to improve the efficiency of the financial market can be a legislative status definition of the National Bank of the Republic of Kazakhstan's.

Appendix B5: Factors affecting the financial stability of China, Kazakhstan and Russia

Country	Factor/Year	2012	2013	2014	2015
Kazakhstan	GDP, % change	10,70	8,90	3,20	1,18
Kazakhstan	GDP, billion. dol.	81,00	103,14	135,55	107,89
Kazakhstan	Inflation, % change	8,69	10,79	17,14	7,32
Kazakhstan	State debt, % of GDP	6,67	5,93	6,65	10,93
Kazakhstan	Current account payment balance, billion dol.	-2,00	-8,32	6,28	-3,41
Kazakhstan	Current account payment balance, % of GDP.	-2,47	-8,07	4,63	-3,16
Russia	GDP, % change	8,15	8,54	5,24	-7,90
Russia	GDP, billion dol.	989,93	1299,70	1666,95	1231,89
Russia	Inflation, % change	9,68	9,01	14,11	11,65
Russia	State debt, % of GDP	9,05	8,51	7,85	10,88
Russia	Current account payment balance, billion dol.	94,34	77,01	103,72	49,52
Russia	Current account payment balance, % of GDP	9,53	5,93	6,22	4,02
China	GDP, % change	12,69	14,19	9,60	9,10
China	GDP, billion dol.	2712,92	3494,24	4519,95	4984,73
China	Inflation, % change	1,47	4,77	5,90	-0,69
China	State debt, % of GDP	16,48	19,82	16,80	18,60
China	Current account payment balance, billion dol.	253,27	371,83	436,11	297,10
China	Current account payment balance, % of GDP	9,34	10,64	9,65	5,96

It may be also offered technical innovations in the provision of full and accessible information in the functioning of the financial market, which will make transparent the activities of market participants [18].

In order to reduce the proceeds of crime, in Kazakhstan law "On Countering legalization of income obtained by illegal means" was adopted in May 2010. Russian and Kazakh experts believe it will open up new opportunities for enhancing security of Kazakhstan's economy [19].

By directions of increase of efficiency of financial markets in China include: firstly, it is strengthening the growth prospects based on structural reforms. This means the artificial, often local intervention in economic structures in order to coordinate and regulate the activities of various organizations. Such work requires constant monitoring of the labor market and the financial markets, the identification of "tense" places and stimulation of development in one way or another. The aim is a healthy and qualitative "fruition" of the economy and employment.

Secondly, it is fiscal consolidation to ensure the sustainability of the economy. However, it is quite possible scenario in which, on the short-term, realization after asset consolidation programs will be connected with such problems.

The third element is a state monetary policy aimed at price stability. This includes all variety of measures to regulate money circulation.

Finally, the fourth element, included in the proposed set of economic measures, is the financial stability and security. "To create a secure financial system, the responsible authorities should ensure all sectors of the economy, at both the micro- and macro-level. The main task for policy makers will be to develop appropriate measures for enhancing the stability of the financial system without any restrictions that could hinder innovation or reduce the effectiveness of the system." This means a comprehensive reorganization of financial institutions in a direction similar to the direction in which the US economy moved last year. Financial Security is the transparency of the system, is more strict and clear rules, strict accountability, creating new supervisory agencies.

Generally, in the post-crisis period, a lot of suggestions were made to establish new secure and stable economic structures. In China, such programs are being implemented quite successfully - in different ways [20].

For example, November 5, 2008 Meeting of the State Council discussed methods for increasing economic growth and reducing the country's dependence on financial crises. According to this plan, the Chinese government needs to invest 1.18 trillion yuans to the end of 2010, what should be a lever for private investors and according to expectations it should stimulate investments worth 4 trillion yuans [21].

In 2009, the government of China formed stimulating reform package, covering four main areas: a vast public investment, regulation and widespread revival of the industry, powerful technology support and increase security measures [22]. There're also used the new programs on risk management. Since 2006 China is preparing to join the Financial Sector Assessment Program (FSAP), the process should be finished in July 2011, what will have a positive impact on the financial security of the maintenance of the country.

CONCLUSION

Practically, there’s no aspect of the national security of the country that wouldn’t directly dependent on the level of its financial security. At the same time, the level of the financial security largely depends on the level of other aspects of national security. Consideration of the relationships and interdependencies between the various aspects of national security allows finding measures to prevent or overcome threats to the country's national interests.

The dependence of all aspects of the national security of the country on its financial security is very simple at the first glance: lack of funds often leads to underfunding the most pressing needs in the various sectors of the economy and poses a threat to national security. However, this seemingly simple, the most common relationship finds concrete expression in the different by their nature economic phenomena and processes.

There is an inverse relationship between the financial security of the country and its general national security. It is important to consider the close relationship of various aspects of the country’s national security and a key role of the financial security in overcoming threats to national interests.

That is why the economy is now facing the problem of developing such a new course, the most important element of which is a financial security strategy that requires a consistent practice of purposeful work aimed at reviving the economy and the resumption of growth. It means that the system of the financial security involves not only the efficient functioning of the financial system itself, but also the safe operation of all elements of the financial and economic mechanism of the country.

In the market economy, changes of financial parameters leads to a sharp change in the money supply and demand in the economy and, consequently, has a powerful impact on the dynamics of economic development in general. Therefore, financial analysis and forecasting of economic criteria and safety indicators have the fundamental importance. Moreover, financial security indicators are key indicators of potential economic distress in the country. Financial indicators of economic security can be divided into the following criteria: macro-; price; reflecting the processes and the state of the financial markets; related to banking activity; reflecting the level of savings and investment in the economy; related to the foreign exchange market and the exchange rate of the national currency.

For the analysis there were selected the following countries of central and eastern Asia, the countries - members of the Shanghai Cooperation Organization: Russia, Kazakhstan and China.

In 2009, the financial system of the Russian Federation continued to grow quite steadily. At the same time, some problems in the financial sector of the country are still occurred, which was primarily connected with concerns about the development of the situation with the debt of Greece and some other European countries.

Fixed state of the system of indicators-harbingers corresponds to the probability of increasing the scale of financial instability for the next one to two quarters, at around 20 - 25%. This result suggests that in the next three – five months of 2010 there is the likelihood of some of the problems in the financial sector of the Russian Federation.

In 2009, the situation in the financial market of Kazakhstan also remained calm. The only unfavorable trend was the reduction of deposits in real terms against the background of stagnation in lending to the real sector of the economy. Overall, the significant dependence of Kazakhstan's economy on the external economic environment is likely to lead to a slow recovery of the economy in case of deepening of the new challenges in the global economy.

In China, there is a stable situation, all indicators are normal. However, there is a tendency to decrease of credit injections into the economy. In 2009, activity on the financial market was carried out in a safe manner, there was a brisk trade and progressive institutional reconstruction, which contributed to the effectiveness of macroeconomic policies and played the role of maintaining financial stability and strengthening the financial support for economic development fully.

In order to ensure the financial security of Russia there should be solved the following objectives: ensuring the stability of the financial system by optimizing the budget and tax of the federal government policy, minimizing dependence of regions on the federal budget, the normalization of financial flows, the stability of the banking system, reducing external and internal debt and providing financial conditions for activation of investment and innovation.

To improve the efficiency of the financial market there can be offered technical innovations in the provision of full and accessible information in the functioning of the financial market, which will make transparent the activities of market participants.

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