THE IMPACT OF LCR ON THE CONTROL OVER BANKING LIQUIDITY

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The problem of payment ability and stability of the international banking system remains important. It is necessary to implement fundamental principles of regulation and methodology of banking risks. One of the Basel Committee's key reforms to develop a more resilient banking sector: the Liquidity Coverage Ratio (LCR).

The objective of the LCR is to promote the short-term resilience of the liquidity risk profile of banks. It does this by ensuring that banks have an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted easily and immediately in private markets into cash to meet their liquidity needs for a 30 calendar day liquidity stress scenario. The LCR will improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy. The difficulties experienced by some banks were due to lapses in basic principles of liquidity risk management. In response, as the foundation of its liquidity framework, the Committee in 2008 published Principles for Sound Liquidity Risk Management and Supervision. The Sound Principles provide detailed guidance on the risk management and supervision of funding liquidity risk and should help promote better risk management in this critical area, but only if there is full implementation by banks and supervisors.

This reform will fundamentally impact profitability and requires a transformation of the business models of many banks of Ukraine.