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TRANSFORMATION OF THE WORLD FINANCIAL SYSTEMIN TERMS OF GLOBALIZATION

Abstract. *The modern tendencies of development of the world financial system are considered. The dimensions of its transformation in terms of globalization are researched.*

Keywords: financial system, world financial system, financial market, measurements of transformation.

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ТРАНСФОРМАЦИЯ МИРОВОЙ ФИНАНСОВОЙ СИСТЕМЫ В УСЛОВИЯХ ГЛОБАЛИЗАЦИИ

Аннотация. *Рассматриваются современные тенденции развития мировой финансовой системы. Исследуются измерения ее трансформации в условиях глобализации.*

Ключевые слова: финансовая система, мировая финансовая система, финансовый рынок, измерения трансформации.

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ТРАНСФОРМАЦІЯ СВІТОВОЇ ФІНАНСОВОЇ СИСТЕМИ В УМОВАХ ГЛОБАЛІЗАЦІЇ

Анотація. *Розглядаються сучасні тенденції розвитку світової фінансової системи. Досліджуються виміри її трансформації в умовах глобалізації.*

Ключові слова: фінансова система, світова фінансова система, фінансовий ринок, виміри трансформації.

Problem formulation. The current state of development of the world financial system is formed, first of all, under the influence of changes that characterize its functioning. Among them, it is necessary to highlight, firstly, the globalization of the world economy, which contributed to the emergence of a new class of international investors, while operating in several emerging markets and capable of destabilizing the financial situation in countries where investments are made; and second, the discrepancy between the high level of development of the international financial market and the lack of an adequate institutional structure for its regulation; thirdly, the recurrence of financial and currency crises in recent years, increasing their depth and intensity; fourthly, an increase in the number of offshore financial centers that reduce the effectiveness of state regulation of financial markets in developing countries; fifthly, the weakness of the financial sector in emerging markets, which was clearly manifested in the recent crises; sixthly, the limited capacity of international institutions to provide financial support to developing countries compared to those of private capital flows and their inability to withstand recurring crises, and to limit the scope of spread; seventh, the deepening of conflicts of interest arising from the implementation of IMF and other international institutions funding programs that adversely affect the behavior of private investors and borrowers in the course of financial crises; eighth, an increase in the number of investment institutions, financial instruments and volume of transactions in financial markets, especially in the debt market, which complicates the interaction of investors in overcoming crises; in the ninth, the general decline in the rate of world growth.

The urgency of the research is the need to find directions for reforming the world financial system, taking into account the current trends in the development of the world economy.

An analysis of recent publications. The mentioned issues are the subject of research of many Ukrainian and national scholars. In particular, the problems of the development of the world financial system are considered in the scientific worksof such scholars as S. Borinets, A. Galchinsky, V. Heyets, G. Klymko, P. Krugman, D. Lukianenko, S. Lutsyshyn, R. MacKinnon, J. Stiglitzand V. Fedosov. Particular attention in these works is drawn to the peculiarities of the development of the financial system, the specifics of the formation of the world financial market as an important component of the world economic complex. However, the issue of modern priorities and future prospects for the development and reform of the world financial system, taking into account the constantly changing conditions of the global economic space, requires considerable attention.

The purpose of the study is to justify the measurement of the transformation of the world financial system. This implies the presence of the following tasks: the definition of the nature and dimensions of the transformation of the world financial system, the study of priorities and deterrent factors for its effective development.

Presenting main material. An important feature of the global financial system is its considerable amount of subject, which means the absence of an international fund of funds concentrated in a particular place and owned by the specific entity of the world economy. The financial resources of the world are predominantly in circulation, forming the global financial market. As any multi-subject category, the global financial system needs constant reform through the influence of changing factors of the internal and external environment. In addition, the significant influence on the development of the world financial system makes changes in the directions and trends of the international capital movement. The author agrees with the following tendencies: the growth of the pace and scale of international financial and credit operations, which in recent years almost 40 times exceeds the scale of world trade; emergence of new segments and instruments of the world financial market; the growth of the value of networked business groups whose purpose is to support a continuous active flow of financial rent and value added in the long run; deepening in the mentioned processes the role of the state, interstate and supranational institutions; reduction of the share of loans in the structure of the international capital movement with the intensive growth of the share of portfolio foreign investments and more slowly - direct; the development of processes of private capital migration between developed countries, in particular the US, EU countries, Japan, as well as South-East Asia and Latin American countries with high economic growth rates (China, Singapore, Malaysia, Brazil); aggravation of competition for attracting foreign investments, which leads to the development of special national programs for their stimulation [2; p. 5].

The change in the growth rate of foreign direct investment is due not only to the temporary deterioration of the investment climate in many developing regions, but also to the development of cross-border mergers and acquisitions. The change in volumes of foreign direct investment is due to the following reasons. First of all, the globalization of the economy and the liberalization of trade and, accordingly, the expansion of an easily accessible world market space, the struggle for which requires a significant strengthening of the positions of its potential participants. The rapid shift of the center of gravity of international competition into the sector of high-tech goods and services, as well as the increase in research spending, which prompts corporations through mergers and acquisitions to distribute such costs among themselves and thereby reduce their burden. The integration of financial markets has led to a simplification of the flow of capital. It is difficult for key monetary authorities to timely predict or detect flows of capital capable of destabilizing financial markets in order to adjust supply volumes. Market integration enhances the vulnerability of the financial market and complicates the control of its activity.

All of the above-indicated requires a reform of the global financial system. The decisive influence on the shifts in the infrastructure of the global financial system is carried out by the processes of globalization. In this aspect, the forms of its manifestation are as follows. First, the growth of the global financial market, financial transactions carried out between different subjects of world economic relations, a change in the structure of the main importers and exporters of capital. The main exporters of capital are Germany, China, Saudi Arabia, Japan and Russia [5]. If we take into account their regional affiliation, then such a division characterizes the shift of financial capacity in the world economic space in favor of these countries. Secondly, the global financial sector is out of the reach of control, which requires, first of all, the reform of the existing control system by shifting the emphasis on the coordinating component. Thirdly, a common strategy for regulating and coordinating the world market is a need to develop. This is about the elaboration of common legal rules, in which it would be possible to control the functioning of financial institutions. The European Union, which not only created a single currency system, but also laid the foundations for harmonizing the financial and, more broadly, the economic policies of the member states, is a successful example of effective coordination and management. Not relying on a regional or supranational solution, and based on the current trends in the world financial system, the European stock exchanges realized the latest trends in the formation of a rational mechanism of the world financial system. Fourthly, the development of agreed schemes for the development of the world economy, primarily at the level of international financial institutions, in particular, the IMF and the World Bank, with a clear division of functional responsibilities and strategic and short-term plans for the development of the global financial environment [6].

In general, the basis of the globalization of the financial system is the interaction of the following elements:

a) Technical progress that allows the implementation of international financial transactions in real time and significantly reduce the cost of transport and communication;

b) Increasing competition, on the one hand, between lending and financial institutions in the financial markets, and, on the other hand, between the financial markets themselves owing to the significant development of information technology and telecommunications;

c) Restructuring of credit and financial institutions through their mergers and acquisitions as a result of growing competition between them;

d) Wide internationalization of business through the strengthening of the transnational character of the activities of corporations;

e) Consolidation of regional integration associations (in Europe - Economic and Monetary Union);

f) Weakening of the rigorous control over the implementation of international treaties related to the movement of capital;

g) Macroeconomic stabilization and reform in a number of developing countries and countries with economies in transition that have created a favorable climate for foreign investors [6].

Among other external factors of influence on shifts in the global financial system, the proxies of the past emphasize the general tendencies of the development of the world economy, namely: the growth of its transnationalization, which requires the formation of rules and procedures for the free movement of foreign investment; the development of information revolution, the creation of global information systems and global electronic networks; the spread of processes of financial globalization. First of all, it is about on increasing the intensity of cross-border financial transactions of transnational corporations and banks, the emergence of new mechanisms and instruments for international financial transactions, and the formation of a global financial market through which a large part of financial resources is redistributed [1; p. 345].

The main measurements of the transformation of the mechanism of the world financial system should include, firstly, the internationalization of economic life, which has a major manifestation in the intensification of economic ties between countries, national companies and the intensification of international production of transnational corporations. This leads, first of all, to qualitative changes in international monetary and credit relations; interweaving and additions to national markets of loan capital; integration and globalization of stock markets; growth of international banking operations.

Secondly, it is a development of scientific and technological achievements. It is the computerization of the financial sector and the dynamic progress of telecommunications that leads to the forced development of the global financial system. The dissemination of advanced technologies enables to significantly improve the quality of processing financial information in the first place, to ensure the extraordinary speed of international operations and the transfer of resources between individual segments of the financial market. The information revolution on the basis of microelectronics causes the transformation of a wide range of banking services, enables to effectively implement the latest financial instruments and ensure the trans-national nature of banking activities.

Thirdly, it is a liberalization of international monetary and credit relations and financial markets. The tendency to reduce the state's interference with finance has manifested itself in recent decades in different levels of development of groups of countries. This applies to industrialized countries with market economies (primarily the USA, Japan, UK), and developing countries (for example, new industrialized countries in Asia or the Latin American countries) and countries with economies in transition (the Baltic States or Eastern European countries) [6]. Financial competition between countries is increasing the trend of liberalization. This process involves an increasing number of countries that are reviewing their regimes of the international economic relations system, refusing protectionism and rigorous measures to regulate global economic ties. It also extends to new, more complex areas of economic relations.

Fourth, it is a deepening of the integration of national money and capital markets. The progressive interpenetration of national financial markets, the reduction of barriers between domestic and international financial markets, has allowed enormous resources of money and capital to move freely between different segments of the world financial system. In general, the current stage of the development and functioning of the infrastructure of the world financial system is accompanied by rapid growth of global financial flows, a sharp increase in the volume of interstate capital inflows, a significant expansion of international credit and equity markets.

Fifthly, the revolutionary transformations caused by the introduction of modern technologies and the development of communications, exacerbate the competitive struggle in the financial market. Its tools are reducing operating costs and cost of financial services; improvement of quality and diversification of services provided; development and improvement of financial risk management systems. The liberalization of financial markets, according to leading researchers in this area, adds to the competitive struggle of the international scale. The volume of international operations is growing. The share of US multinational corporations' branches exports increased in terms of sales. Industrial companies whose shares are set according to the national stock index of France, 70% of their operations are carried out outside the country. Most companies listed on the stock markets of Western Europe, half of the profits are derived from foreign activities [4; p.231].

Sixth, the change of traditional trading systems (stock and non-exchange) under the influence of modern technology, which generates new automatic trading systems (automatic trading systems), which are traditional competitors. Exchange trading systems complete the transition to electronic technology. Through the network of foreign terminals, stock trading activity goes beyond national boundaries. It is growing requirements for investment reliability. Reliable investments are considered government securities of leading countries, as well as the securities of the largest industrial companies.

It should be noted that there is a significant interest in securities of promising companies in such fields as communications and communications, production of construction materials, electronic equipment, and pharmaceutical products. The creation of a pan-European securities market changes the structure of investment portfolios in Western Europe, which, in turn, requires securing, at the interstate level, a more rigorous regulation of monetary and credit relations between countries. In 2012, China became the second largest economy in the world, second only to the gross domestic product (GDP) of the US economy; Japan ranked third. Over the past three decades, agricultural and industrial production in China has surpassed the dollar in terms of US production in 2012. However, some experts point out the prediction of certain problems in the development of China's financial space in the future [6].

Seventh, it is an objective necessity to transform the mechanism of the world monetary system, as one of the key components of the global financial system. It is worth noting that the international community cannot determine the number of international currencies or "assign" currency to this role. The specific issuer may decide to support or, conversely, hinder the internationalization of its currency, but the emergence of international currency is ultimately the result of individual decisions of many public and private agents. In our opinion, the economic and financial weight of major currency issuers will continue to fluctuate rapidly and that several international currencies may coexist over a fairly long period. In these circumstances, the dollar may cease to be the only key currency after a certain period of time. All the above, requires the definition of the directions of a transformation of the world monetary system, taking into account possible problems of its development, the directions of reforming regulatory mechanisms and priorities of possible shifts. Thus, the priority directions of the transformation of regulatory mechanisms in the world monetary system should include the following:

1) The transition to greater flexibility of the rates of major currencies;
2) The creation of a foundation for overseeing restrictions on the movement of capital;

3) Optimization of existing mechanisms for providing global liquidity during periods of crisis;
4) Building a foundation for cooperation in managing global liquidity.

Note that while this flexibility does not mean non-interference. It should be accompanied by the recognition that exchange rates may be subject to excessive deviations, and this may justify limited foreign exchange interventions, preferably coordinated, and restrictions on the movement of capital. Since capital constraints are traditionally recognized as a legitimate policy tool, it is necessary to determine when and how they can be applied. This implies extending the mandate of the IMF to include them in overseeing financial accounts and increasing the effectiveness of overseeing exchange rate policies.

It is expedient to supplement multilateral agreements with regional and bilateral mechanisms, which will reduce the desire to accumulate reserves for the purpose of self-insurance. Since projects aimed at creating a global supranational currency, designed for a long-term perspective, the institutionalization of cooperation and dialogue between central bank governors whose currencies are included in the Special Drawing Rights (SDR) could be a more realistic goal, so that the global monetary situation and global liquidity were taken into account when conducting the national monetary policy. Among the problems of the transformation of the world monetary system, first of all, are the following: the lack of effective measures for global regulation, the volatility of exchange rates, the presence of deposits in the management of global liquidity, management problems associated with decision-making and the functioning of the financial system.

The directions of the solution of these problematic aspects may consist in the provision and implementation of the following measures. IMF member countries should commit themselves to a policy that will contribute to the stability of the global economic, monetary and financial system. In overseeing compliance by countries and groups of countries with obligations under the Charter, the IMF should set standards for key indicators for its members that reflect external economic activity. Repeated violations of the rules should lead to consultation procedures and recreational measures if necessary. For systemically significant countries whose policies do not meet the standards, the fulfillment of obligations should be monitored by a special IMF body. The latter should identify positive incentives that encourage countries to comply with their obligations in full compliance with the requirements of an enhanced supervisory system.

Central banks and macroeconomic regulators of systemically significant countries should pursue their policies, taking into account the need for acceptable global liquidity conditions. From the perspective of many scholars, the IMF must work with governments and central banks of major countries and regional currency pools to create a permanent crisis financing mechanism with the necessary guarantees as a model for a global lender of last resort [3; p.45]. To ensure efficiency and legitimacy, it is advisable to consider managing an international monetary system based on a united three-tier structure. Along with the above-mentioned directions of the transformation of the mechanism of the world financial system, its adaptability and ability to respond to the impact of the crisis phenomena of the development of the world financial space are of special importance.

Conclusion. The main measurement of the transformation of the mechanism of the world financial system at the present stage of its development include the internationalization of economic life, the development of scientific and technological advances, the liberalization of international monetary and credit relations and financial markets, the deepening of the integration of national markets of money and capital, revolutionary transformations caused by the introduction of modern technologies and the development of communications, exacerbate the competitive struggle in the financial market, the change of traditional trading systems (exchanges under the influence of modern technologies generating new automatic trading systems, the objective need to transform the mechanism of the world monetary system as one of the key components of the world financial system.

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