The Central Bank of the Russian Federation as a mega-regulator of financial markets
El Banco Central de la Federación de Rusia como megaregulador de los mercados financieros

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Abstract
The article discloses the concept and types of financial markets. The article analyzes the reasons for creating a mega-regulator of the financial market of Russia and the prospects of its development. The investigation focuses on the functions and powers of the Central Bank of Russia as a mega-regulator of the financial market. As a result of the research, the prospects for the development of the Central Bank of the Russian Federation as a mega-regulator of the financial market are revealed.

Keywords: Financial Market Mega-Regulator, Analysis of the State and Development Prospects, Central Bank of Russia.

Resumen
El artículo da a conocer el concepto y los tipos de mercados financieros. El artículo analiza las razones para la creación de un megaregulador del mercado financiero de Rusia y las perspectivas de su desarrollo. La investigación se centra en las funciones y poderes del Banco Central de Rusia como megaregulador del mercado financiero. Como resultado de la investigación, se revelan las perspectivas de desarrollo del Banco Central de la Federación de Rusia como megaregulador del mercado financiero.

Palabras clave: Megaregulador del mercado financiero, Análisis del estado y perspectivas de desarrollo, Banco Central de Rusia.

Introduction

The welfare of business entities and citizens, as well as the investment attractiveness of the state, depends on the level of development of the country's financial market. The authorization of the Bank of Russia to control, supervise and regulate the financial market (Samorukova, 2019) indicates that the state is interested in creating a mega-regulator in the integrated and systematic implementation of the tasks and goals of coordinating the financial market, which is also a global trend in the development of financial markets. The adoption of such measures indicates the underdevelopment of the financial system in Russia, which has a still large number of shortcomings. Currently, there is an urgent need for a qualitative reform of the pricing mechanism of securities, as well as their liquidity in the financial markets (Akhmadeev et al., 2020).

The purpose of this article is to study the activities of the Central Bank as a mega-regulator of financial markets. The objectives of this study are: to reveal the concept and types of financial markets; to show the need and economic basis for the functioning of a single financial market regulatory body; to consider the history and reasons for creating a mega-regulator of the financial market of Russia; to analyze the state and prospects of development of the financial market of the Russian Federation; to identify the goals of the activity, functions, and powers, as well as to explore the prospects for the development of the Central Bank of the Russian Federation as a mega-regulator of the financial market.

Materials and Methods

The authors used the following research methods: observation of phenomena, accumulation, and selection of facts, establishing relationships between them, analysis and synthesis, comparison. A review of secondary data sources was carried out in order to collect information on the current state of the financial market of the Russian Federation. In the process of searching for information, the main attention was paid to materials analyzing the need to predict risks and minimize problems caused by crisis situations, which is associated with the need to see a complete picture of the economic situation in the country. Peer-reviewed journals, books, statistical analysis data, and information from the Bank of Russia annual report were used as sources of information to study the state and prospects of development of the financial market of the Russian Federation.

Discussion

Financial market

The need to integrate financial market supervision and control into a single body is caused not only by the development of the market and the consolidation of financial services in one organization but also by the need to predict risks and minimize problems caused by crisis situations, the need to see a complete picture of the economic situation in the country (Antipov et al., 2019; Rahman, 2018; Gapsalamov et al., 2020).

The Bank of Russia seeks to stabilize the situation in the financial market, as well as to clear the market of entities violating the law (Vedenina, 2019), therefore, there has been a significant reduction in the number of such entities. New priorities and goals appear, while one of the new priority areas is to attract people to the stock market, increase the interest of individuals and legal entities in insurance services, optimize approaches to the securities prospectus, and improve credit institutions (Bachaev et al., 2018; Abdikeev et al., 2018).

The concept of *the financial market* can be defined as a set of market institutions in which trading processes are carried out for transactions with financial assets (securities, foreign currency, deposits, loans, derivative financial instruments). The financial market includes the credit market (in the form of investment and dealer companies, banks, pension funds), the stock market, the mortgage market, the interbank market, the capital market in the form of an insurance market, and the global financial market. The main contractors are exchanges, commercial banks, collective investment companies, savings institutions, and other financial organizations. In practice, the financial market has the form of a combination of financial and credit institutions that directs the flow of assets from the owner to the borrower and in the opposite direction. In a developed financial market, funds are transferred from those who do not know how to invest effectively, to those who can realize them productively. This process increases the productivity of the country's economy.

It should be noted that the financial market performs a number of functions: activating temporarily free financial resources from numerous resources; distributing financial capital between a large number of end consumers (the financial market must identify the demand for financial assets and satisfy it); determining the most promising investment areas; providing market

prices for certain services and tools; showing the relationship between supply and demand. At the same time, financial markets are distinguished by the method of obtaining financial resources for direct financing markets (market for services of professional subjects, securities market) and indirect financing markets (non-government pension services market, banking services market, insurance services market).

The need and economic basis for the functioning of a single financial market regulatory authority

In the context of the development of the financial market and the mixing of various types of financial services, supervision on a functional basis (insurance, investment, and banking) indicates the need for multiple bodies (Fominskaya et al., 2018; Prodanova et al., 2020). This leads to inefficiency and it is expensive, while also the systemic vision of the situation in the financial market is being lost, these processes do not allow to quickly assessing the situation. The process of developing the financial market leads to the fact that in the developed countries, banks offer a single package, which includes insurance poles, loans, and securities (Morozova et al., 2020). It follows that the main goal of creating an integrated model and supervision is to ensure the stability of the financial sector, including minimizing systemic risks; ensuring the sustainability of individual financial intermediaries to protect the interests of all entities of the financial market.

Based on international practice, the Central Bank is involved in macroprudential policies aimed at minimizing the systemic risk of the financial sector as a whole, and microprudential activities are the focus of financial agencies. The distribution of

powers is influenced not only by global trends but also by the structure of the financial sector, historical development, business traditions, the political system and much more (Frolova et al., 2020), therefore it is impossible to single out a specific, most effective model, thus, it is impossible to confirm that the Central Bank can provide the best way to supervise market entities (Baidukova et al., 2016).

Financial Market Regulation Models

As the results of the study show, in the world, there are several models of financial market regulation. *The first model* is an industry regulatory model, where each element of the financial market is under the supervision of a separate regulator. *The second model* is a hybrid one, the essence of which is that there is a delegation of powers of the regulator between several sectors of the financial market, according to this model, the Russian economy functioned before the adoption of Federal Law of July 23, 2013, No. 251-FL (Federal Law, 2013). *The third model* includes a single mega-regulator independent of the Central Bank. *The fourth model* is the regulation of the financial market by the Central Bank. *The fifth model* is the so-called "twinpeaks", where the two structures are responsible for different areas of regulation. Thus, the national bank exercises prudential supervision based on verification of reporting forms, and the second selected body regulates the activities of market participants. It should be emphasized that these models are presented unevenly and the popularity of one does not indicate its effectiveness, as countries are not equally developed, and the industry model is presented among the lagging countries (Fig. 1) (The Central Bank of the RF, 2017).
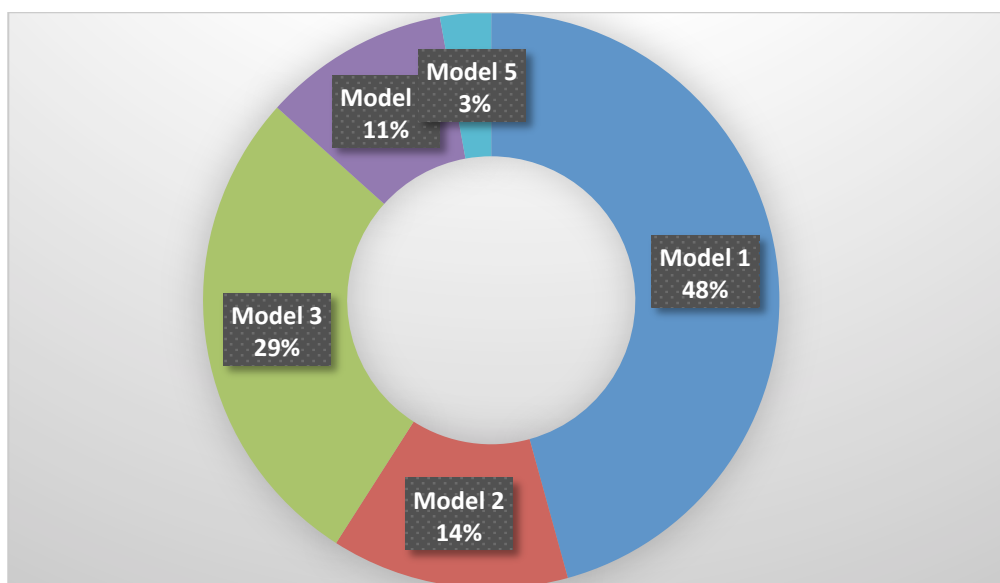

Figure 1. The structure of financial market regulation models in the Russian Federation

As a result, it should be noted that in the current situation of the financial market there is a need for a single center, and this confirms a number of advantages of a single mega-regulator: supervision of financial conglomerates at a consolidated level; monitoring the financial system and prompt reaction; development of a unified approach to solving problems of different financial institutions to reduce possibilities of arbitration; concentration of information for the application of targeted supervision, taking into account the specifics of underdeveloped and newly created sectors, as well as economies of scale.

Of course, as the research results show, there are also disadvantages of such a model: low efficiency in the transition period; spray of attention and less effectiveness in relation to a specific subject; "risk of abuse", as a single supervisor may not be able to ensure the equal sustainability of various types of financial institutions; bureaucratization of the body due to the large number of functions.

Results

History and reasons for creating a mega-regulator of the financial market of Russia

Supervision and regulation of credit organizations have always been carried out by the Central Bank of Russia, however, various federal organizations exercised control over the activities of non-credit organizations at different times. An example is *The Securities and Exchange Commission,* later transformed into *The Federal Commission for the Securities Market*, which exercised control over the securities market and stock exchanges; later, the supervision of exchanges was transferred to *The Ministry of the Russian Federation for Antitrust Policy and Entrepreneurship Support.* It should be noted that *The Ministry of Labor and Social Development* was responsible for monitoring the activities of microfinance organizations and a number of other financial agents, *The Ministry of Finance* controlled the formation and investment of pension savings, and *The Federal Service of Insurance Control (Rosstrakhnadzor)* - the insurance sector. Despite the fact that there are particularities in the considered non-credit financial institutions, they are all united by the provision of financial services that affect cash flow, the stability of the national currency, the stability of the financial market, the payment system and the economic situation in Russia as a whole. Thus, not one of the participants in the financial model had a holistic view of the state of the financial market and the risks involved, which clearly hindered the formulation of an optimal monetary policy. This was the reason for the creation of *The Federal Service for Financial Markets*, which began to control the securities and exchange markets, as well as the functions of two ministries: *The Ministry of Labor and Social Development* and *The Ministry of Finance*.

After the financial and economic crisis, the financial market was divided into a market regulated by the Bank of Russia, which deals with the services market of banks and non-bank credit organizations, and the Federal Service for Financial Markets (FSFM) of Russia, which deals with other financial organizations. Later it turned out that the FSFM of Russia and the Bank of Russia are not able to create a common financial and economic situation in the country, to minimize risks, while at the same time, companies were merged into holdings and groups (Buklemishev et al., 2015). For example, Vneshtorgbank (VTB), Sberbank were already multidisciplinary structures, which included insurance, banking, and other financial activities. There was a situation when organizations have already become consolidated centers, and the supervisory and control bodies did not see a holistic picture of the state of affairs and were not able to develop optimal regulation.

Therefore, the creation of a single mega-regulator should help manage risks, increase the competitiveness of the financial market and the stability of individual participants, while reducing regulatory arbitrage and the administrative burden on financial market participants. It is also necessary to improve the investment climate, to create a stable and flexible regulatory environment, to stimulate the development of modern services for Russian and foreign participants in the Russian financial market and to provide the creation of an international financial center in Russia. All this was the prerequisites for the adoption of Federal Law No. 251-FL in September 2013 and the establishment of the Central Bank of Russia as a mega-regulator of the financial market, as well as the abolition of the Federal Service for Financial Markets. It should be noted that this model continues to exist today (Federal Law, 2013).

Analysis of the status and development prospects of the financial market of the Russian Federation

In 2017-2018, a certain stabilization of the money market was observed, at first inflation was held back to 2%, then to 4%, as well as the key rate remained at 7.75%, which led to the formation of credit resources. Despite the certain stabilization in 2018 and the decrease in inflation expectations, at the beginning of 2019, the situation becomes unstable and uneven, and sensitivity to changes in price conditions increases. The ruble is stabilizing on the foreign exchange market, which is supported by the agreement between OPEC and Russia on a decrease in oil production. In the credit market, the trend continues to increase in assets, loan portfolio, growth of household

deposits, investments in securities, reduction in the number of credit institutions (Fig.2) (The Central Bank of the RF, 2017).
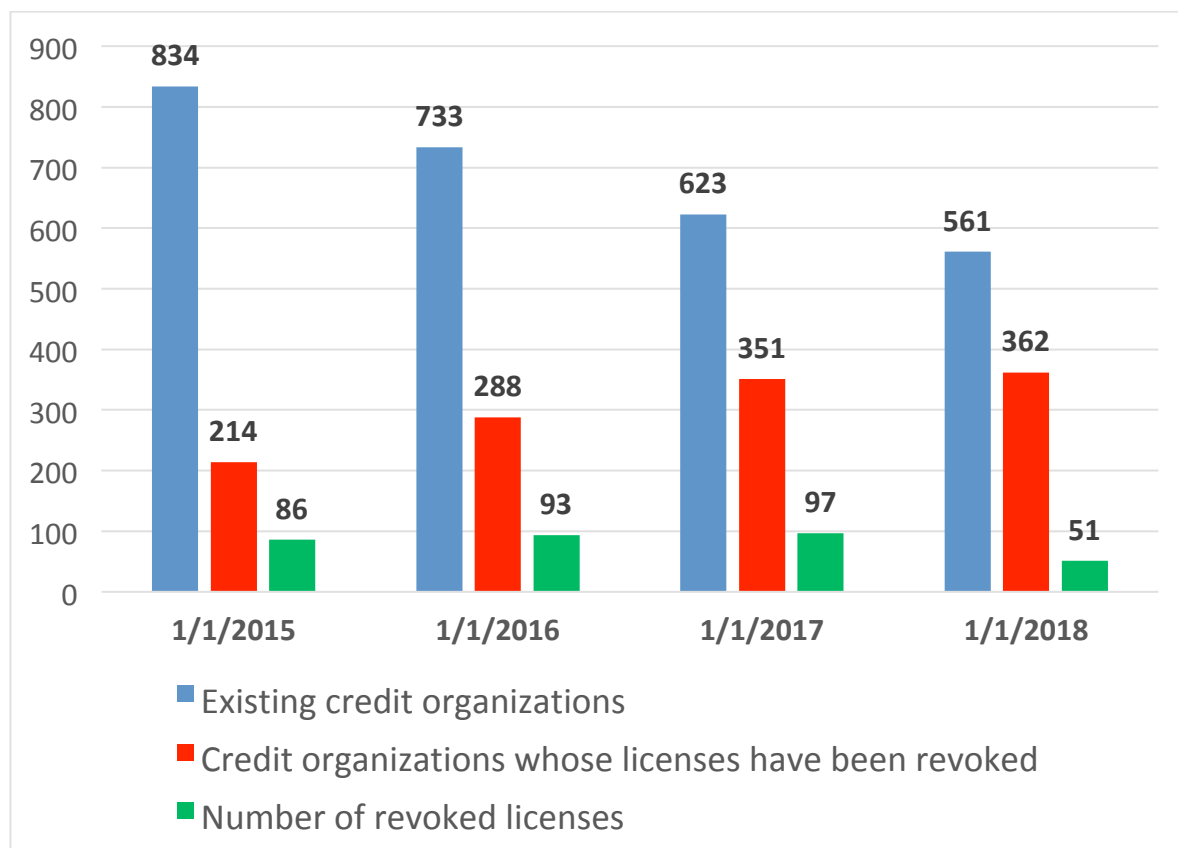
Figure 2. Credit market for securities in the Russian Federation

In accordance with the graph, it can be determined that the number of existing credit organizations decreased by 273 organizations or by 32.73% (The Central Bank of the RF, 2017).

The Central Bank of Russia sought to improve the financial system of Russia; as a result, a lot of banks lost their licenses. The reasons include the inaccuracy of the information required to issue a license; conducting banking operations that do not comply with the license; unauthorized reduction of the authorized capital; violations related to non-compliance with the law, inability to satisfy monetary claims of creditors, inaccuracy of reports (Bank of Russia, 2017a; Karaev et al., 2017).

It should be noted that there is a reduction in the number of organizations in the insurance services market: self-regulatory organizations are being created; requirements for solvency and financial stability are being strengthened in the formation of insurance reserves, requirements for insurance market entities, which are aimed at achieving stability in the insurance market and improving consumer protection. These actions reduce fraud. For example, an insurance company must independently send a car to a car service, that is, the

priority of in-kind compensation under compulsory motor third-party liability insurance over cash payment. The priority area is the improvement of agricultural insurance, the development of electronic insurance, the creation of a system of state co-financing of the housing insurance mechanisms.

Following the adoption of the Bank of Russia Ordinance "On requirements for the implementation of dealer, brokerage, securities management and Forex dealers in the calculation of capital adequacy ratio" (Bank of Russia, 2017a), there was a reduction in professional participants in the securities market, the reason for this was, first of all, reduction of banking organizations.

Conclusion

In conclusion, it should be noted that the financial market has a complex structure and includes both state and non-state institutions. The need to integrate supervision and control of the financial market into a single body is caused not only by the development of the market and the consolidation of financial services in one organization but also by the need to predict risks and minimize problems

caused by crisis situations, as well as the need to see a complete picture of the economic situation in the country. The Central Bank of Russia seeks to stabilize the situation in the financial market, as well as to clear the market of entities violating the law, so there has been a significant reduction in their numbers. New priorities and goals appear, one of the new priority areas is also to attract the population to the stock market, increase the interest of individuals and legal entities in insurance services, optimize approaches to the securities prospectus, and improve credit institutions.

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