THE PROBLEM OF FINANCIAL MARKET DEVELOPMENT IN EEU

Abstract. The article describes the factors influencing the volatility of national currencies are determined by the advantages of a floating exchange rate regime in comparison with the guided mode and the value of the transition to inflation targeting, as well as the positive and negative sides of using national currencies in international payments, overcoming the barriers in development of financial integration in the Eurasian economic Union.

Keywords: Raw materials, national currencies, labor force, devaluation, inflation, sanctions, capital.

Introduction. Frequent fluctuations in commodity prices in world markets have caused high volatility in the national currencies of developing countries. The deep reason for the volatility of the ruble and tenge remains the inevitable dependence of the economies of Kazakhstan and Russia on oil and gas prices. The fall of the oil market has repeatedly led to a financial crisis in the economies of these states.

The devaluation of national currencies is influenced by a number of external and internal factors. The cost of oil is one of the most important one. Kazakhstan and Russia, supplying raw materials to the world market, account for more than 50% of their exports, so the decline in oil prices significantly affects the devaluation of the tenge and ruble (1.94-97).

The next factor influencing the volatility of tenge is the policy of the Federal reserve system (FRS) to regulate the interest rate not only of tenge, but also of other exchange rates. When it rises, the dollar will rise. The dollar rises in price. Tenge and other currencies are cheaper, as the interest rate determines the value of the us currency.

The state of the Chinese economy, which occupies a fifth place of the world economics, affects the dollar and the Euro through the formation of oil prices. China is one of the world leaders in the consumption of oil and petroleum products. Supply and demand for oil depend on the growth rate of China's economy. China's economic reform on the transition of labor from low-productivity agriculture to high-performance industry has provided significant economic growth rates, which in the period of the global crisis amounted to even 7% [2].

Thus, these three factors (the price of oil, the level of interest rates in the US and the state of the Chinese economy) are the main components that determine the exchange rate of the tenge. In addition, the exchange rate of tenge is influenced by the conditions of international settlements and the country's balance of payments. If the country has a sufficient amount of foreign exchange reserves, the international reports are on the normal channel. In case of shortage, currency devaluation will be necessary. But Kazakhstan has enough gold and foreign exchange reserves and this factor does not matter much.

Mainpart. One of the factors leading to the devaluation of the tenge is the budget, as it is balanced by income from the export of oil and products of the mining and metallurgical complex. But the currency from exports comes in dollars, so the devaluation of the tenge provides additional revenues to the budget. The policy of a fixed exchange rate regime in Russia has repeatedly complicated the problems of the state budget. The application of the approved course leads to a similar situation in the oil - producing countries - Azerbaijan and Kazakhstan. The sharp decline in oil prices was accompanied by a crisis in the
economics of these countries. More than 880 million tenge was allocated to support SMEs in North Kazakhstan region.

Taking into account the negative experience, the Bank of Russia has switched to a controlled variable exchange rate regime since 2000. This regime made it possible to ensure the stability of the ruble to some extent. However, after another fall in oil prices, the Bank of Russia was forced to provide business with $200 billion in subsidies. Such support has helped to avert even worse consequences. In addition, this measure weakened the responsibility of banks and companies for their currency risks [3].

The duration of maintaining the stability of the ruble was inefficient. A managed float is not allowed to adjust the exchange rate at the complex external influences. The Bank of Russia moved to a floating rate.

The obtained results (conclusions). The transition of Kazakhstan’s national currency to a floating exchange rate regime in 2015 made it possible to accept external shocks, pursue a flexible macroeconomic policy, increase lending and manage interest rates. The policy of free floating exchange rate of the national currency allowed to prevent the accumulation of imbalances in the economy, ensured the competitiveness of national producers. The global trend of depreciation of national currencies and external instability put pressure on the currency of Kazakhstan. The weakening of the tenge can be considered quite natural in the conditions of instability of external factors [4. b. 44-48].

The use of inflation targeting in 2014-2015 significantly reduced chronic high inflation. In Russia it is currently 4%, in Kazakhstan - 5.3%. Gradual reduction of inflation targets allowed Kazakhstan to stabilize in 2017 in the range of 6-8%, in 2018 - 5.7%, in 2019 it is planned to establish it with a deviation in the corridor between 4-6%.

The negative situation on the international market associated with the expansion of sanctions against Russia and other countries, increased trade protectionism and capital outflows, increased volatility of world markets and the risks of participants in foreign trade. In connection with the possibility of expanding sanctions against Russia and its banking system, the threat of disconnecting the latter from the international interbank system of information transfer and SWIFT payments, the dependence of many economies on US dollars has increased.

The tightening of US sanctions against Russian companies in April 2015 was a factor that increased the risks of foreign investors in the Russian currency and financial market. Russian companies facing tougher restrictions are large mining and heavy industry corporations. Their share in the country’s economy is significant and export proceeds from sales receive a significant portion of foreign exchange earnings in the country. Sanctions have led to increased volatility and a weakening of the ruble. More than 880 million tenge was allocated to support SMEs in North Kazakhstan region.

As part of the rise in FRS rates, many investors take their investments from riskier assets and invest them in US treasuries. Capital outflows from developing countries take the form of short-term portfolio investments, which are more mobile when macroeconomic conditions change. The impact of this process is felt in countries where portfolio investments have a significant share in monetary turnover [5.b. 109].

In the global geopolitical situation, the national currency of Kazakhstan influenced the weakening of the Russian ruble by 4% against 11.9%. The relatively slight weakening of the tenge against the dollar is due to the positive situation in the prices of major export goods, the transition of the exchange rate to the free floating regime, the decline in the annual volatile trend, which amounted to 15% in 2016, 6.9% in 2017 and 6.7% in 2018.

Reducing the negative impact of sanctions a number of government officials of the EAEU see the intensification of the process of using national currencies in international settlements. However, for this purpose it is necessary to accelerate the creation in the Eurasian space of its own system of transmission of financial messages, as well as settlements and payments. This project can be implemented with the joint participation of the governments and Central banks of the EAEU countries. The widespread use of national currencies in international settlements requires the development of financial instruments denominated in national currencies and open access to the market for foreign investors [6].

The Ministry of Finance of the Russian Federation understands the use of national currencies in international settlements in the Eurasian space as the implementation of calculations in Russian rubles. The proof is the statistical data that in bilateral trade and economic relations the share of the ruble in trade turnover is about 80%. The dominance of the ruble in export-import transactions will contribute to its use
as the main means of settlements and payments. At the same time, a well-known part of the Russian political elite believes that the de-dollarization of foreign economic relations and achieving greater independence from the us dollar can lead to serious risks. The Russian ruble is not a sufficiently stable currency, and Russia's share in world trade is low. Therefore, the ruble is not used in settlement and payment transactions between countries. In addition, the ruble is unstable, for example, as a world reserve currency, which in recent years has been subjected to significant devaluation several times. Artificial transfer to settlement in rubles may be accompanied by additional risks or additional taxes to settlement and payment transactions.

Enterprises engaged in foreign trade operations should not be subject to certain restrictions in this regard. They should be able to settle in any national currency. It is compliant with market requirements and it is advisable to freely use reports and payments outside of national currencies than restrictions. The best way out of the situation is to stabilize the exchange rate of the national currency, which are assumed by the development of risk hedging tools. National currencies may be used as the currency of settlement, but may not be used as the currency of contracts and pricing. The currency of contracts on commodities remains one of the reserve currencies-dollars or euros. Currently, in the categories of commodities are Chinese yuan.

The gradual increase in the value of the Chinese yuan should not lead it to an alternative to the us dollar and the European Euro. The US and the EU will continue to pursue a coherent policy towards the yuan. They are seeking an appreciation of the yuan against the dollar and the Euro. The goal is to eliminate trade imbalances between China and the US and the EU on the one hand, on the other. The growth of the role of the yuan, which caused damage to the US and the Euro, will be restrained.

At the present stage, the currency of the five leading countries is the world currency. Their high payback is due to the large share of these countries in world trade and foreign exchange trade on the world stock exchanges. Among the seven currencies, the main case is the us dollar, which is used as a payment instrument in 20 countries. However, in recent years, the dollar began to transfer its position as a key world currency due to the emergence of the Euro in world circulation and the unstable situation in the US economy.

The main competitor of the US currency was the corporate currency of 19 European countries. In terms of integrated turnover in the single currency area the Euro will reach the level of the dollar and participates in the formation of gold and foreign exchange reserves along with dollars in a number of countries.

Europe affirms the role of the Euro as an international currency and sets the stage for the future development of the Euro. But there is an increase in currency market volatility, which may reduce the attractiveness of cash flows in the European monetary unit. At the same time, this system will contribute to the dollarization of the economy and can become the basis for the development of diversification of reserves. All this, in turn, will strengthen and expand the integration process of the EAEU [7].

The next scenario is the creation of a qualitatively new world monetary system. Implementation of this scenario requires long-term international cooperation of all countries. However, the US and Western countries are not interested in creating a qualitatively new world monetary system, as it significantly reduces the leading position of these countries. Currently, the monetary authorities of the European Union do not allow its excessive volatility, using a floating exchange rate regime. During the implementation of the quantitative easing program (Quantitative easing), FRS changed the dollar in its interests and made a profit, although it declared non-interference in the dynamics of the us dollar.

However, the global monetary and financial crisis has created a number of negative aspects of the use of the single currency. Some German economists say that the single currency not only helps Europe to get out of the crisis, but, on the contrary, destroys the economy of the continent. Offers to leave the Eurozone and return to the German mark. Eurozone experts believe that before joining the Eurozone, the economic systems of a number of countries have largely become Autonomous and sustainable, contributing to overcoming the crisis and rapid economic recovery.

The formation of a common financial space in the Eurasian economic Union is manifested in the creation of a sufficiently efficient and competitive financial market, which can become a bridge between Europe and Asia. The successful geographical location of the EAEU, the availability of logistics
infrastructure are favorable for attracting investments to the common market of the member States of the Association. Capital inflows can originate from both Western and Eastern countries [8.b. 125 -127].

The common financial market of the EAEU should be based on the active economic integration of commodity markets and technologies, perform the functions of mediation, be responsible for meeting the needs of the population and business, ensure financial stability and competitiveness.

Currently, the EAEU has not formed criteria characterizing the common financial market of the Association. However, its activities have a number of main areas. This is the maximum simplification of procedures and conditions of mutual access to the financial markets of the member States. To do this, it is necessary to remove quantitative and qualitative restrictions on mutual participation in local markets [9]. Mutual participation in the markets ensures equal competitive advantages of the countries in the common financial market of the EAEU. However, financial freedom to access local markets should not increase the risk of vulnerability of national financial systems. Therefore, an important condition for the effectiveness of the financial market as a whole is to maintain financial stability. Cross-border supply of financial services should be provided by reliable and sustainable financial institutions capable of providing the full range of financial services. These institutions should have sufficient equity capital, reserves and liquidity and be liable for their obligations [10.b. 289 - 335].

At present, the functions and powers of the supranational financial body regulating the common financial market in the EAEU space have not yet been formed. The need for such a body is under discussion. In addition, it should be noted that the national financial markets of the association are being globalized.

Over the past few years, new standards such as Basel - 3 and Solvency - 2 have been introduced in global financial markets. The national markets of the EAEU have also started their implementation in the subjects of the financial market. However, the introduction is happening separately, not synchronously, and also there is divergence (gap) [11].

**Conclusion.** In general, the financial market should have uniform minimum standards of prudential requirements, which will allow cross-border activities in the financial markets of the EAEU. Close cooperation of national regulators will allow mutual access to Supervisory information.

In 2014, the Central Bank of Russia and the national Bank of Kazakhstan signed an agreement on the exchange of information in the field of supervision of financial markets and cooperation in the field of information security [12].

Exchange markets of the countries of the association will be at a higher level of readiness for mutual profit. Exchange integration already provides for the admission of brokers and dealers on liberal terms, placement and circulation of securities on the exchanges of the EAEU member States.

Kazakhstan stock exchange (KASE) and Moscow exchange (MOEX) signed a strategic partnership agreement. Moscow exchange will provide KASE with its technologies and know-how and will buy up to 20% of the authorized capital of Kazakhstan exchange. Moscow exchange's entry into the capital of KASE is MOEH's readiness to distribute the responsibility and risks of the Kazakh company. Providing participants of Kazakh and Russian trades and investors with mutual access to the markets of the two countries will increase the reliability of the infrastructure and reduce market risks. Analysis and use of Moscow exchange trading and clearing technologies should improve the efficiency of KASE markets, clearing, risk management and creation of new exchange instruments. This turns the stock market of Kazakhstan into an effective channel for financing the real sector of the economy and a reliable channel for attracting long-term investments [13].

The Eurasian development Bank, whose shareholders are all member States of the EAEU, can play an effective role of the EDB in carrying out a coordinated policy. However, the Bank requires a large amount of deposits. Shareholders of the Bank need to recapitalize this financial institution and thereby expand the financial capabilities of the Bank.

Most of the projects requiring funding are of an integration nature. The volume of the latter in the EDB portfolio is 64%. Russia accounts for 42%, Kazakhstan-40%. Most of the projects provide financing in rubles, tenge and other currencies of the participating countries. The priority sectors of the projects remain infrastructure, engineering, metallurgy, petrochemistry, mining, agriculture and the financial sector.
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ЕАЭФ ҚАРЖЫ НАРЫГЫН ДАМЫТУ МӘСЕЛЕЛЕРИ

Аннотация. Макролла ұлттық валюталардың кубылмалылығына есер ететін фактордар баяндады. Басқарылатын режимден салыстырмалада валюталық бәрішін әсерлілік режимінің артықшылықтары және инфляциялық таргеттіуге қозғалыс. Сондай-ақ валюталық сөзберең ұлттық валюталарды пайдаланудан он және теріс әдістер. ЕАЭФ қаржылық интеграциясы дамытудың қадертілігі және қосымша айырмашылықтар.

Түрін сөздет: Шикізат тауарлары, ұлттық валюталар, жұмыс күні, девальвация, инфляция, санкция, капитал.

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Проблемы развития финансоового рынка ЕАЭС

Аннотация: В статье излагаются факторы, влияющие на волатильность национальных валют, определяются преимущества плавающего режима валютного курса по сравнению с упражняемым режимом и значение перехода на инфляционное таргетирование, а также положительные и отрицательные стороны использования национальных валют в международных расчетах, пути преодоления барьеров в развитии финансовой интеграции в Евразийского экономического союза.

Ключевые слова: сырье, национальная валюта, рабочая сила, девальвация, инфляция, санкции, капитал.

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