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REGULATORY POLICIES AND INSTRUMENTS FOR ENSURING SYSTEMIC FINANCIAL STABILITY WITH AN IMPACT ON ECONOMIC PERFORMANCE IN EUROPEAN COUNTRIES AND IN THE REPUBLIC OF MOLDOVA

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Abstract. *Financial stability is an attribute of the financial system to deal with various systemic shocks in a solid and sustainable way on a sustainable basis and without affecting decisively, to be able to ensure sufficient allocation of financial resources in the economy and to identify and to effectively reduce financial risks.*
Key words: *financial institution, objectives of financial supervision, performance of supervision, financial supervision, financial system.*

JEL CLASSIFICATION: G300,G320,G380

INTRODUCTION

The intensification of the globalization process has led to profound transformations of financial systems under the influence of the strong technological innovation movement and market liberalization. The capital is constantly circulating in more sophisticated forms on globally integrated markets. In the long term, this development favors the allocation of increased capital efficiency, contributes to reducing the volatility of economic activity and facilitates the progress of emerging economies. At the same time, globalization has led to an increase in the frequency of financial crises. Thus, the financial sphere is imposed on destabilizing tensions and movements, generating risks for both the financial system and the economy as a whole. The main factors of globalization, associated with the emergence of financial crises, were the fixed currency regimes and the regulatory process.

Ensuring systemic financial stability has become a priority objective for authorities, as important as monetary stability and the guarantee of sound economic growth. The analysis of financial stability has become reality in the context of increasing interdependencies between markets and financial and non-financial institutions, the emergence of new financial instruments and the intensification of international capital flows.

The issue of maintaining financial stability becomes a very important and current one all over the world and in the Republic of Moldova, which is in the process of developing financially more quickly and is part of the international financial structure and international financial markets. That is why in order to promote sustainable economic growth in the Republic of Moldova, account must be taken of the relationship and factors that can affect financial stability and generate financial instability, respectively.

The objective of this article is to identify systemic risks and macro-prudential policies in order to safeguard the stability of the financial system in its integrity. The basic content of the article

investigated is it is safeguarding financial stability by strengthening the ability of the financial system to withstand shocks and by reducing systemic risks, ensuring a sustainable contribution of the financial system to economic growth.the concept of financial stability and the analysis of the phenomena leading to the emergence and disruption of financial stability, investigated prudent supervisory and regulatory activities of the financial system, and the role of the central bank in ensuring financial stability.

ANALYSIS OF BIBLIOGRAPHIC SOURCES IN THE FIELD OF RESEARCHED MATTER

The bibliography contains a list of 4 bibliographic sources used in the article. Financial stability is a key condition for the functioning of the national economy and can be defined as a situation in the economy, characterized by the lack of imbalances that could cause a negative correction of financial markets, the onset of a systemic financial crisis or the inability of financial institutions to maintain the uniform execution of financial operations. Financial stability is maintained by adequate regulation of current and potential risks, by efficient management of risk management and redistribution mechanisms and by ensuring the population's confidence in the financial system.

Financial stability means more than just the absence of crises. The financial system can be considered stable if it facilitates the efficient allocation of economic resources, both geographically and in time, as well as ensuring the continuity of all financial and economic processes:

1. Evaluates, trains and negotiates prices for financial assets, allocates and manages financial risks;
2. Maintains the ability to perform the key functions mentioned above, even when faced with external shocks or accumulation of financial imbalances.

Thus, because the financial system comprises a number of infrastructure components, different in meaning, but interconnected, institutions and markets - destabilizing one of the components could undermine the stability of the entire system.

DESCRIPTION OF THE RESEARCH METHODS USED

In order to achieve the research objective, the following research methods were used: the method of systemic analysis that was used to research the elements and factors that characterize a stable financial system; the descriptive method used to expose the concepts of financial stability; the method of synthesis to establish the links between phenomena, including between globalization and financial stability, between different factors and constituents that influence systemic financial stability; the deduction method used to draw conclusions.

THE MAIN RESULTS OF THE RESEARCH consist of the analysis of the regulatory policies and instruments for ensuring financial stability of the concepts of systemic financial stability, the identification of the risks with major influence on the financial stability and of the instruments for the prevention of financial instability, the study of the regulatory framework at European and national level. field, identifying the institutions with responsibilities in the prudent regulation of the financial sector, formulating the findings and conclusions regarding ensuring financial stability.

OBTAINED RESULTS

The globalization of financial institutions has complex implications for financial stability. From the point of view of individual institutions, globalization contributes to the diversification of risks and may equally succeed in improving financial stability, especially in the face of relatively small shocks. But, as national economies become part of a vast network of balance sheets, often strongly interconnected through the financial sector, severe crises in the future could be much easier to spread across borders and thus may become broader and more difficult to manage. For example, financial systems with a substantial foreign presence may be more resilient and more flexible under traditional domestic banking crises, but more vulnerable to external shocks affecting parent banks. In general, financial instability in one country can easily spread to other countries or affect developments in regional or global markets, as was the case, for example, during the crises in Asia and Russia in the late 1990s, but also the recent international financial crisis that started in 2007 in the United States and the United Kingdom.

The analysis of the financial crises produced so far at global, regional and national level shows that they are changing in nature. The crises of the late 1990s, produced in emerging markets, were largely financial and capital account crises, caused by sudden changes in the allocation of global assets rather than budgetary or current account crises, caused by trade shocks or tax.

The distinguishing feature of the global crisis of 2007 is that it comes from advanced economies and not from the failed policies promoted in developing countries. On the contrary, the economic policies and macroeconomic positions of the developing countries were at least the moment of the crisis, stronger than those promoted 10 years ago. However, the recession in developed countries severely tests the quality of economic policies and institutions in developing countries and conditions a drastic reduction in economic growth in 2009 through a variety of channels.

What distinguishes these events from the episodes of the past is the speed and amplitude at which they propagate both internally and cross-border. Efforts to prevent these phenomena require new directions in financial supervision, which will identify networks complexes of interconnected balance sheets and to focus on the external effects of financial market disruptions both between countries and between the real and financial sector.

One of the most important conclusions reached after the crisis of the early 1990s and the crisis that began in 2007, also formulated in the IMF and World Bank Reports, is that financial systems by definition are unstable and therefore financial stability must be continuously monitored and managed, the problems associated with financial instability being now much more complex compared to previous periods. Therefore, partly in direct response to the 2007 crisis in developed countries, debates have been launched in a number of advanced economies and regions on how the existing framework for financial stability can be improved, including the appropriate role. of central banks.

Thus, in March 2008, the US Treasury issued a plan for a modernized financial regulation structure. Motivating this reform, the plan argues that the existing regulatory structure was created predominantly more than 70 years ago and that this structure now "struggles to keep up with market developments" and "faces increasing difficulties in prevention. and anticipation of financial crises.

In the UK, in response to the experience gained in relations with "Northern Rock", the authorities issued a consultative document (in July 2008) to strengthen the UK's financial stability framework. The document intends to strengthen the role of the Bank of England in financial stability,

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giving it formal statutory responsibility for financial stability and the main role in implementing a special regime for banks.

Finally, there is an international debate on the financial stability framework and the role of central banks. A recent report was prepared by the G30 (in 2009) - "Financial reform: a framework for financial stability" which, among other things, provides a set of long-term recommendations in response to the ongoing crisis.

The financial system is usually found within a stability corridor from which it can move into an area of instability following a severely destabilizing shock when the usual remedial measures have not proven effective. If, in the period of instability, imbalances are exacerbated, the system risks going into crisis. Exiting the crisis requires drastic measures to reform or re-regulate the financial system.

Thus, financial stability is a feature of the financial system, the goal of maintaining financial stability is to avoid important disruptions in the vital functions of the financial system (payment system, financial intermediation, risk insurance). Financial stability is a key condition for the functioning of the national economy and represents the situation in the economy, characterized by the lack of imbalances that could lead to a negative correction of the financial markets, the emergence of a systemic financial crisis or the inability of financial institutions to maintain the smooth execution of financial operations.

International financial institutions consider that the importance of regulatory and supervisory activity for the stability of the financial sector is indisputable. Ensuring financial stability must become a permanent concern of responsible national and international financial institutions. Financial stability is maintained through appropriate regulation of current and potential risks, effective management of risk management and redistribution mechanisms, and confidence in the financial system.

Recent international experience shows that a key element of maintaining financial stability is the close communication and coordination between the relevant agencies. Considering this, countries have resorted to setting up financial stability committees.Concidering this, countries have resorted to setting up financial stability committees. Financial Stability Committees (CSFs) are currently important tools for ensuring financial stability in many countries. These are in most cases created for the purpose of promotion communication and cooperation between the institutions responsible for prudential regulation of different spheres of the financial sector at the micro and macro level. In most cases they are created on the basis of a memorandum of understanding signed by the relevant institutions. In the case of EU member countries, such forms of cooperation have been requested by the ECOFIN Council since 2006 with the aim of ensuring the exchange of information between authorities, as well as with the purpose of preventing, evaluating and managing possible difficulties that have a systemic impact. The creation of the CSF differs from country to country and there are various debates about their organization. Among the main institutional aspects of the CSFs are the mandate and their composition.

In most countries, CSFs are mainly focused on communicating between member agencies in order to identify potential systemic risks and prevent financial crises. In the event of risks materializing, the committees require the coordination of the actions between the members to allow a timely and effective policy response. Such institutional arrangements are also found in the euro area countries, where there are supranational institutions responsible for managing risks and crises: The European Systemic Risk Committee coordinates the activities related to risk analysis and prevention, while the European Central Bank, through the Single Supervisory Mechanism , is responsible for overseeing large banks.

At the same time, in some countries, these discussion platforms have evolved into institutions that make decisions of systemic importance, becoming macro-prudential regulators. A relevant example is The Financial Policy Committee was created in addition to the Bank of England, responsible for setting countercyclical capital buffers, establishing sectoral capital requirements, and prescribing macro-prudential recommendations.

The issue associated with maintaining financial stability is becoming a very important issue throughout the world and is currently receiving special attention in industrialized countries. This is extremely important and current also for the Republic of Moldova, which is in the process of developing financially faster and inserting itself into the international financial structure and international financial markets. Therefore, in order to succeed in promoting sustainable economic growth in the Republic of Moldova, it is necessary to take into account the relationship and the factors that may affect the financial stability and, respectively, generate financial instability and, in particular, the way in which these factors interact.

Although the positive relationship between financial stability and economic growth is not yet well identified, it is still demonstrated that the development of the financial system is associated with economic growth. The level of financial development is indeed associated with economic growth, but it is not known whether the same positive relationship exists between financial stability and economic growth.

In contrast, financial instability, according to many researchers, usually slows down economic growth or blocks it altogether. And in this regard, there is some evidence to support this view. Instability could indirectly affect growth, because an unstable financial system, one that is highly prone to bankruptcy, or which does not work efficiently in the intermediation of funds, will develop slowly and thus its growth will delay economic growth.

Financial stability is the condition of the economy characterized by the lack of major imbalances, which could lead to systemic financial crises, the inability of financial institutions to carry out financial transactions uniformly or financial markets to fall. This condition is essential for the functioning of the national economy.

The monitoring of financial stability is based on the identification of risks and vulnerabilities at both the individual and system level, in order to determine the systemic impact of the institutions under the supervision of the NBM.

In 2018, the Law no. 209 of October 12, 2018 regarding the National Financial Stability Committee (CNSF), which establishes the attributions of the CNSF in the implementation of the macro-prudential policy, as well as in the prevention, reduction or elimination of the risks that threaten the financial stability and the management of the systemic financial crisis situations. The National Bank of Moldova (NBM) is part of the nominal composition of the CNSF, and the NBM governor is the chairman of the committee. At the same time, the NBM provides the logistics and secretariat work within the CNSF, as well as supporting materials needed to make decisions within the Committee.

The role of the NBM in maintaining financial stability is one of major importance, due to the significant share held by the banking sector in the financial system.

Within the NBM, the tasks related to financial stability are exercised through prudential regulations and supervision, the supervision of the functioning of payment systems, as well as by establishing the tools of macro-prudential policy and the identification of companies of systemic importance (O-SII). In the current situation, the macro-prudential policy instrument implemented by the NBM is constituted by the capital cushions, established based on the Regulation on the capital cushions adopted by the decision of the NBM Executive Committee no. 110 of May 24, 2018. These

are intended to prevent the excessive accumulation of systemic risks of a cyclical or structural nature that can lead to significant distortions in the functioning of the financial system.

CONCLUSIONS

Macro-prudential policies must achieve two main goals: stability and sustainability of the financial system; as well as the close monitoring of the financial cycle for the early prevention of the emergence and development of vulnerabilities in the financial system. It is necessary to work together and to apply adequate governance at the macro-prudential level, covering the three areas of financial authorities, namely, the central bank, regulators and supervisors.

The outcome of the research on the concept of financial stability allows us to define that a stable financial system is a system that always goes to a state of equilibrium after it has been affected by internal and external shocks, being able to carry out its usual functions of efficiently allocating savings to investment, correct pricing and an efficient payment system, functions that contribute to economic growth and welfare. The term of financial stability is distinguished from the absence of systemic risk, vulnerability or fragility.

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