

Ministry of Education and Science of Ukraine
Ukrainian-American Concordia University
Department of International Economic Relations, Business & Management

Bachelor's Qualification Work

**INVOLVEMENT OF THE ECONOMY IN INTERNATIONAL
TRADE**

(on the basis UKRSIBBANK)

Bachelor's student of

Field of Study 29 – International Relations

Specialty 292 – International Economic Relations

Educ. program – International Economic Relations

Danyl Hromylo

(signature)

Research supervisor



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Abstract:

Today international trade is one of the major driving forces of economic development. It accounts approximately 80 percent of all international operations. It appears as a sphere of international economic relations and is consisted by merchandise trade, trade in service and products of intellectual labor of all countries in the world. International trade is a characteristic feature of the existence of the global market, which is the realm of commodity-money relations between the two countries and is based on the international division of labor and other factors of production. This work deeply analyses involvement of economy in international trade for a theoretical perspective, looks at ways international trade has impacted economies development, studies legal framework of the export/import policy and suggests ways of economy enhancement in the framework of international trade

Key words: international trade, international economic relations, global market, economy enhancement.

Сьогодні міжнародна торгівля є однією з основних рушійних сил економічного розвитку. На неї припадає приблизно 80 відсотків усіх міжнародних операцій. Вона є сферою міжнародних економічних відносин і складається з торгівлі товарами, торгівлі послугами та продуктами інтелектуальної власності всіх країн світу. Міжнародна торгівля є характерною ознакою існування світового ринку, який є сферою товарно-грошових відносин між двома країнами і ґрунтується на міжнародному поділі праці та інших факторах виробництва. Ця робота глибоко аналізує залучення економіки до міжнародної торгівлі з теоретичної точки зору, розглядає шляхи впливу міжнародної торгівлі на розвиток економіки, вивчає правові рамки експортно-імпоротної політики та пропонує шляхи підвищення економіки в рамках міжнародної торгівлі.

Ключові слова: міжнародна торгівля, міжнародні економічні відносини, глобальний ринок, розвиток економіки.

PHEE-institute «Ukrainian-American Concordia University»

Faculty of management and business

Department of international economic relations, business and management

Educational level: **bachelor degree**

Specialty: 292 “International Economic Relations”

Educational Program “International Economic Relations”

APPROVED

Head of Department _____

“ _____ ” _____ 202__

**TASK
FOR BACHELOR’S QUALIFICATION WORK**

Danyl Hromylo

1. Topic of the work

INVOLVEMENT OF THE ECONOMY IN INTERNATIONAL TRADE

(on the basis UKRSIBBANK)

Supervisor of the work

Associate professor, Dr. Nataly Amalyan

Which approved by Order of University from “22” December 2022 №22-12/2022- 1c

2. Deadline for bachelor’s qualification work submission **“19” May 2022**

3. Data-out to the bachelor’s qualification work

Materials received during the internship and consultations with the representatives of UKRSIBBANK

4. Contents of the explanatory note (list of issues to be developed)

There are three main topics for research:

- Fundamentals of free economic zones functioning
- Economic analysis of UKRSIBBANK as a business entity
- Competitiveness of UKRSIBBANK while providing services to clients engaged in foreign economic activity.

5. List of graphic material (with exact indication of any mandatory drawings)
 Development of Korean Incheon Free Economic Zone, FEZ Evolution stages, Deposit-taking activity of Ukrsibbank, Debt of Ukrsibbank to other banks, Correspondent accounts and overnight loans of other banks and Initial correlation-regression data of UKRSIBBANK

6. Consultants for parts of the work

Part of the project	Surname, name, position	Signature, date	
		Given	Accepted
1	Nataly Amalyan		
2	Nataly Amalyan		
3	Nataly Amalyan		

7. Date of issue of the assignment

Time Schedule

№	The title of the parts of the bachelor's qualification work	Deadlines	Notes
1.	I chapter	14.02-13.03.2022	
2.	II chapter	14.03-10.04.2022	
3.	III chapter	11.04-24.04.2022	
4.	Introduction, conclusions, summary	25.04 – 01.05.2022	
5.	Pre-defense	08.06.2022	

Student _____
 (signature)

Supervisor _____
 (signature)

Conclusions: The bachelor qualification work was designed according to the requirements, it contains all the necessary parts of scientific research and the practical recommendations. The paper was written on the basis of thorough analysis of specific aspects of the operations of UKRSIBBANK (the base of internship); this provided the student with the opportunity to formulate practical recommendations for strategy map design, including measures, directed at customer engagement, customer insights, customer intelligence and augmented intelligence

Of special interest is the analysis of the status and business in Korean Incheon Free Economic Zone.

Supervisor



(signature)

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INTRODUCTION

While choosing the topic of the research I have investigated vast amount of topic which caught my attention, nonetheless I have decided to pick the topic of course paper concerning Free Economic Zones located in South Korea and for a reason. Is there is a huge dependency between the rapid economy growth and international trade? To find answer to this issues I will try to figure out the main reasons that support the point.

Firstly Korea as bright example of economic miracle which took place in the Asian region alongside with such countries as Singapore, Taiwan, Hong Kong and Korea. All these four countries are called «East Asian Tigers». They were named so due to incredible pace of economic development from the beginning of 60s of the last century until the financial crisis which has appeared in 1990s. It is worth to investigate certainly South Korea to figure out what served catalyst for economic miracle precisely in Korea and what are the conditions, factors and obstacles.

Considering the example of Incheon free economic zone I will explain what each subchapter is about. So the first subchapter tell us about the general types and define major definitions of free economic zones, their evolution stage and so on. The second subchapter is regarding role of free economic zones in terms of economic development, main purpose of creating FEZs, function of economic development in FEZ in case of FDI attraction, comparison based on the example of China. And last subchapter of first section will be about general explanation of Incheon Free Economic Zone, characteristics of certain aspects of Incheon, it's self-sufficiency in terms of air and sea transportation, the three development stages of constructing such ambitious project as Incheon, major advantages of IFEZ. Regarding second section the first subchapter will aimed to figure out main components of IFEZ, their budget, covered area and deadlines

of performing. The next subchapter is dedicated to examining IFEZs weak and strong sides by conducting SWOT analysis.

The last subchapter will cover my personal recommendation for improving business policies.

The second chapter is concerned with Ukrsibbank business activity, economic planning of the business, evaluation of the competitiveness of the bank and analysis of foreign economic activity. Banking sphere is one of the most significant industries in each country. The whole industries is relying on stable work financial institutions and success will hinge the welfare of the population and confidence in next decades. To be more clear bank are enriching the financial capabilities of people and enterprises by providing the funds they need. Banks is able to store, redistribute and enrich money in the state, therefore contribute to faster growth of the country's economy. To be more accurate I had an opportunity to have experience with the online internship from UKRSIBBANK, and I must say that I have fully enjoyed this possibility and have obtained precious knowledge concerning financial sector. And I would like to express my vision regarding this particular institution in order to keep the reader informed about my personal bunch of knowledge which I got from that program.

The first thing is needed to say is UKRSIBBANK has been operating in Ukraine since 1990. It has long full of changes over several decades history of changing the owner, I will explain it a more little bit further. For now the 60% percent of the bank's shares belong to one of the world's largest financial group BNP Paribas Group and rest of 40% shares - to the European Bank of Reconstruction and Development. BNP Paribas Group contributes to the real economy worldwide. Moreover they help people, companies, communities and organizations succeed in projects and solve complex issues. And that only the start point, the company will be consistently expending obligations to the society to be more clear those that meet the United Nations '17 Sustainable

Development Goals. The operational model has transformed into digital and more customer-oriented one. Meanwhile they don't forget about strengthening positive impact on society.

In the last chapter I will cover such implication as legal framework of the trade between sovereign states in the location of free economic zones the export and import policy. Then I will explain the specific issues of the banking presence withing the free economic zones. What the pitfalls which are facing the financial and banking industries when entering or operating in free trade zones. Finally the last subchapter will be dedicated to my personal assessment of the effectiveness proposed improvements.

The **aim** of this course paper is to explore involvement of the economy in international trade.

The following **tasks** were assigned in order to meet this goal:

- To analyse the essence of free economic zones
- To present general explanations of international economic zones
- To classify of free economic zones
- To examine UKRSIBBANK as a business entity
- To explore legal framework of the export/import policy in FEZ
- To determine specific issues of banking in free economic zones
- To elaborate and evaluate effectiveness of the proposed improvements

The research object - International trade

The research subjects – UKRSIBBANK and IFEZ.

This Bachelor's qualification work consists of an introduction, 3 chapters, conclusion, and list of references. The work is carried out on 60 sheets, containing 4 figures and 2 tables. References are also included and it consists of 30 literature sources.

CHAPTER 1 FUNDAMENTALS OF FREE ECONOMIC ZONES FUNCTIONING

1.1. The essence and content of free economic zones

Main purpose of creating FEZs is intention of stimulating economic growth and development. In cooperation not only between enterprises but also in global scale among nations in order to increase competition in favor of quality of life for certain industry, jobs and capital. Government promote to compete by motivating international companies to operate and expand their vector of trade. It is worthwhile to know function of economic development in FEZ in term of FDI attraction. Throughout development of foreign direct investment have been changes in last several decades. In 80s of last century, vast of majority of developing countries believed that FDI should be managed with well considered step but afterwards in recent years more and more developing countries have the opposite way of thinking. They consider it not only as source of investment fund but as source of new technology. Meanwhile, FDI inflows has several positive effects : they bring transcendent technology, increase quality of good and services by involving in same industries more than producer, it often leads to increased domestic investment. And last one foreign investment help host country in bridging a host country's foreign exchange gap. By mentioning all advantages listed above, there are negative part of FDI such as creating environment where there is only one or several dominating companies in other words monopoly, the unemployment won't step aside,

technology dependence is other side of letting some equipment for use, profit outflow and most important for every country is national security.

At any rate when observing function of economic development in FEZ, it is highly recommended to look at another example of successful case of China's project. Getting back to the more than 40 years earlier in China there were established four FEZs. As it was stated, most of policy restrictions concerning trade and investment were no longer exist in order to attract FDI and obtain development of economy. It was brave tough decision to make, to get rid of a lot of taxes and implement incentive. There were made possible because of three main reasons government has took such a step towards foreign enterprise's. First reason consist of creating favorable business environment for international trade in small area than country as a whole. Second refers for consistent gradual performance, without huge impact on the economy at first stages of establishment. Last third reason, it was stated to launch a demonstration of it, and gain experience which can be applied afterwards for implementation reforms. To put it a nutshell: they did it, it was totally successful strategy. Outcomes of that was growth by 10 percent every year, starting from the year of establishment 1980 for a decade.

Table 1.1

FDI Development in China

Period	1985	1990	1995	2001
Total FDI(\$billion)	0.9	3.2	37.3	46.4

Source: National Bureau of Statistics of China

1.2. General explanations of international economic zones

Giving back to the origin of Incheon Free Economic Zone (IFEZ) there are three main countries which had impact on economic growth in North Asian

region, South Korea, Japan and China known as development and driving force world economic trends. China has the name “Factory of the world” but Korea either have to take advantage of the changes in the world economic trend or it will become the “nut in the nutcracker” between China and Japan, first one is familiar with low cost, the second with high technology.

But it is significant that Korea is strategically placed in the center of the vast markets between it’s main economic competitors in region : China and Japan and there is perfectly placed in terms of access to the abundant resources from the Russian Far East. Northeast Asia has all possibilities to become one of most dynamic places of the world economy.

The key aspect of strategy for Korea success is to make the best use of its economic and geopolitical location between China and Japan, it’s desire to fit the role an “Intermediary” interconnector China and Japan as an “Economic Hub” in region. The Incheon Free Economic Zone, located in Incheon, South Korea is a Korean Free Economic Zone that consists of the three regions of Songdo, Cheongna and the island of Yeong Jong and has a total area of 51,739 acres. The main point of creation IFEZ is to transform these three areas into hubs for logistics, international business, leisure and tourism for the Northeast Asian region. Incheon Free Economic zone was presented first time by the government authorities in August 2003. It is stated that IFEZ planned to be a self-sufficient business and living district featuring air and sea transportation, a logistics complex, an international business center, financial services, residences, schools and hospitals with shopping and entertainment center’s. The Incheon Free Economic zones was intended to become one of the future top three economic zone in the world. The project is fragmented into three stages to achieve the goal : the Infrastructure Development Stage, the Project Development stage, and the Project Completion stage. First stage regarding building infrastructure, second stage expected to be expanding the infrastructure for education, health and leisure to attract national and foreign investments. The

final stage is to get the experience of establishing project at top three economic zone in the world. Time deadlines for the Infrastructure Development stage was from 2003 to 2009, for the Project Development stage was from 2010 to 2014. The home straight was expected to be completed by 2020. In favor of attracting many national and foreign businesses, there were three types of incentives as follows : tax reduction, estate support and subsidies. No taxes are levied on corporate and individual income for few years. At the regional level, governmental authorities does not impose the acquisition tax over 15 years and the property tax 10 consecutive years. Nevertheless after 10 years of operation without zero property tax levied, enterprises are imposed half of property taxes for the period of three years. The time period of individual and corporate income tax levied by the government authorities differs by the size and the types of the business entering into the district. For instance for companies renting an office, at least 50% of rent reduction can be given if one requirement is complied with : "foreign investment rate between \$5-10 million" , "Average daily employment of 100-200 people" , "Greater than 50% of production as exports, procurement of national parts and raw materials between 50-75%", and "Between 50-75% of production as exports" there is one important thing if businesses enterprise has more than 30% of foreign investment, employers and employees of the company can get benefits as follows : the location subsidies, the facility subsidies, the education subsidies, the employment subsidies, the promotion result compensation, the business transfer subsidies and the funding subsidies.

Incheon has turned itself into the business hub of Northeast Asia. Transportation network of the Incheon is well-operated involving Incheon International Airport which was ranked first place in airport service quality by the Airports Council for 10 consecutive years – Incheon port and the international business complex. Bragging a highly effective business environment, the IFEZ propose everything

from logistic services and medical service to education and high-technology industries.



Figure 1 Development outline Korean's IFEZ

Source: Incheon Free Economic Zone

Business Outline

- Location : Regions of Yeonsu-gu (Songdo International City), Jung-gu (Yeongju International City), Seo-gu Cheongna International city)
- Size : 30,510,10 acres

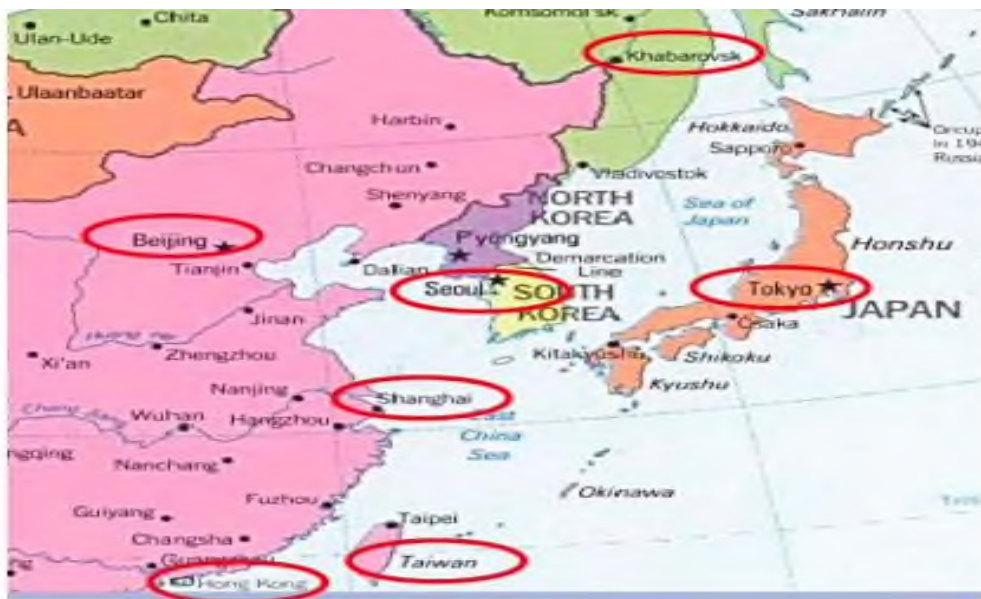
- Budget : \$36.85 billion
- Estimated population : 539,373 people
- Operation period : 2003 – 2020
- Direction of development : Songdo (business IT BT), Yeong Jong (logistics, tourism) , Cheongna (financial leisure)

General advantages:

- Business hub that local companies and international organizations chose:
- In Incheon located thirteen international organizations including the World bank, Green Fund and Association of World Election Bodies.
- About 75 multinational companies from near 15 countries have settled up in Incheon, involving such familiar companies like Samsung, General Motors, BMW, Boeing, Biologicistic and Celltrion.
- The most attractive city as entry point into East Asian market
- Incheon has advantage in terms of geographical location in Chinese market access due to its close proximity to main cities in China involving famous Shanghai city and Beijing.
- Incheon is within a 3 hour flight of 61 vast cities with more than 1 million population

Figure 2 Geographic Coverage of Northeast Asia

Source: Presentation material made by Ahn, Choong-Yang. President of Korea Institute for International Economic Policy Center of logistics and



transportation

• Incheon International Airport serve as a Northeast Asian hub, has earned

first place in terms of airport service quality by the Airport Council for a decade.

• Incheon is a state-of-the-art port that can handle 12 thousand TEU mega cargo ships.

- The connection within Incheon and Seoul is provided by transportation network and metropolitan area less than one hour.

The best environment to live in concerning quality of life

- Incheon infrastructure is constructed with reworks eco-friendliness and convenience are not mutually exclusive.
- The city offers well-demanded education services by featured schools including New York State University, George Mason University and Ghent University of Belgium as well.
- Incheon has a huge variety of exhibitions such as cultural festivals and tourism and leisure facilities.

1.3. General types and definitions of free economic zones

It is obvious that Free Zones are created to attract trade partners to share values across borders without putting much cost than usual. For now there are about 900 free economic zones in 90 sovereign states and regions worldwide. Generalization of FEZ is often described as zone within certain country or in a cross-border area between more than two countries where is special trade-friendly environment and economic activities are significantly allowed. If we take into account definition of Ministry of Finance and Economy of Korea, we can find out that FEZ is a self-sufficient area that offers a complex services such as seaport & air support, residential facilities, educational and medical institution, logistics infrastructure and financial service.

To put it in a nutshell FEZ is a special area compared to the rest of Korea where it is existing exception such as tax breaks and different kind of incentives to attract foreign investors, labor flexibility, increase cashflow of foreign exchange currency and create foreign medical and educational institution. To sum up:

Government in desire to create suitable for businesses environment and to leverage global trade create special areas (FEZ) to attract foreign investment in high-end industries.

Some words are familiar when you imagine typical free economic zone, for example : free production zone, free trade zone, tax free zone, customs free zone and export processing zone. But I would like to give you more detailed data, it is a table which depicts diversity FEZ which is based on industrial structure in order to analyze it is development stage

Table 1.2

FEZ Evolution stage

Stage	Type	Feature
The 1 st Generation	Trade-based FEZ	Free port, customs free zone, tax free zone
The 2 nd Generation	Manufacture-based FEZ	Export free zone, Free enterprise zone, Import processing Zone
The 3 rd Generation	Service-based FEZ	Free tourist zone, free gambling zone
The 4 th Generation	Science-based FEZ	High-tech zone, science-based park
The 5 th Generation	Comprehensive FEZ	Free economic zone, comprehensive free port
The 6 th Generation	Cross-border FEZ	Cross-border economic cooperation zone

Source: Guangwen Meng

2.1. General familiarization with the business entity

The history of UKRSIBBANK dates back to 1990. During first two years, the bank worked as the Kharkiv Regional Bank, operating in financial market it has served large corporate clients. Since then in 1996, the bank began open branches in other regions of Ukraine, and in 2000 has been building an efficient retail network. By changing their business model the bank starts actively working with individual and legal entities as well. UKRSIBBANK is constantly expanding the list of banking services and product consequently gaining new market shares. By 2000, the bank has consistently maintained its position as a leader in the investment market which reflects in receiving the title of the best investment bank in the country. In 2003, UKRSIBBANK became a national leader, joining the top ten leading banks in Ukraine. In April 2006, one of the world's largest financial groups, BNP Paribas, became a strategic investor of UKRSIBBANK with a 51% share. 3 years later in 2009, the share was increased to 81.42% and in couple of years the share is equal to 99.99%. In August 2011, the procedure for the acquisition of 15% of UKRSIBBANK shares by the European Bank for Reconstruction and Development was completed, after which the share of BNP Paribas was 84.99%. 5 years later in February 2016, the European Bank for Reconstruction and Development's share increased up to 40%, bringing the share of BNP Paribas to 59.99%. And eventually in two years later BNP Paribas bought back shares of UKRSIBBANK from minority shareholders, increasing its stake to 60%.

Analysis of the state and results in particular spheres of the company activities

The corporate social responsibility, whole branch of standards for example business ethics, support for diversity, integration, human rights in all countries where banking operate, in compliance with local laws and last but not least with

full respect to culture. Each employer who worked in BNP Paribas Group shares common values specifically this means four core values: responsiveness, creativity, commitment and ambition in order to respond to the pressing challenge, and the required level of interaction. This all could be made possible by 4 ways of development:

- Collectively develop culture of “positive influence”, diversity and integration, as well as dialogue with society.
- Through implementation of social and environmental responsibilities more by operational processes and in the group’s major projects.
- Create new solutions and partnerships that will allow them to support customers and have a positive impact on the environment.
- Establish specific “areas of involvement” for each of the group’s core divisions and include them in the overall corporate responsibility objectives.

At the same time, by looking for opportunities for positive change in each sector of group’s involvement, UKRSIBBANK promote the development of those aspects of activities that it could significantly influence. To make it possible to overcome it can be achieved by coordination of goods and services, partnerships, responsible actions of company as an employer, procurement policy, community support, philanthropy, volunteer staff initiatives and entrepreneurial initiatives.

Corporate social responsibility policy is an important component of the strategic decision-making process and is approved by the Group’s management. This demonstrates a clear determination at the highest level of the company to strive for greater productivity, responsibility, ethical behavior and transparency. Being a part of UN Global Compact is the good example of Corporate Social Responsibility, BNP Paribas has pledged not to participate in violations of fundamental human rights and to exercise greater caution towards environmental issues. UKRSIBBANK as part of global BNP Paribas group each

year has to strengthen commitment to sustainable development by providing their customers with responsible social and environmental financing methods. Above all the bank adheres to the implemented policy of corporate social responsibility. To be more accurate in their CSR strategy, the bank focuses on 4(prevent climate change, support for entrepreneurs, support of the younger generations, local ecosystems) areas of sustainable development and twelve commitments:

To finance the economy in compliance with high standards, which means offering customers quality financial products and services, BNP Paribas Group authorities always focuses on ethics and business responsibility. The financial institution promotes economic development and job creation in more than 70 countries. There are three commitments which confirm economic responsibility: (investments and lending with a positive impact on the economy, the highest standards of business ethics, system integration and management of environmental, social and managerial risks). The next value is promoting the development and encouragement of employees. Bank's social responsibility is based on three main principles: promoting diversity and inclusion, organizing a "better place to work" and last but not the least ensuring responsible work management which means dynamic career management through a continuous learning process. Increasing the commitment of employees is the result of promoting their development.

2.2. Economic planning and activity of the business, evaluation of the competitiveness of the bank

When it comes to business reputation the UKRSIBBANK properly maintains it and minimize the risk of being involved in a suspicious transaction. The first technique is needed to be mentioned it is the principle "Know your client" is fundamental in activities of the Bank. To be more accurate it

establishes rules in order to avoid legalization of proceeds from crime and terrorist financing. This principle called client's knowledge is part of general approach, which is located on pillars of determining the risk category of each client in the process of it's identification and study. The major purpose of such kind of approach is the safety and comfort of the client, and most important protection of the reputation of the Bank and the BNP Paribas Group as a whole. It is essential that the Bank does not open anonymous accounts and does not establish business relations with the client in case of his rejection to provide information required by the entity for his identification. The bank does not establish correspondent relations and does not carry out operations with the participation of banks that do not have a physical presence at the place of their registration, in other words "shell banks". In order to prevent the relations with nonresident banks the entity takes measures towards which there is information about the use of their accounts by shell banks. The bank establishes correspondent relations only with banks that have licenses for the right to conduct banking activities in the state of their registration. Keeping information safe is key priority for bank entity, so all information provided by the Bank's clients during servicing is protected by the legislation of Ukraine on banking secrecy and protection of personal data. The bank has no right to disclose such information to third parties except for the grounds established by Article 62 of the Law of Ukraine "On Banks and Banking" and uses it only for the purpose of providing banking services and to the extent stipulated for this purpose. To go even further UKRSIBBANK has appointed a Financial Monitoring Officer, who ensures the establishment and operation of the internal banking system for the prevention of money laundering/ terrorist financing, development and constant updating of the Bank's internal documents on financial monitoring, control over compliance with criminal law in the field of crime prevention/ terrorist financing.

In order to ensure compliance with international and national standards and to minimize the risk of using UKRSIBBANK for money laundering and terrorist financing, financial entity decided to develop and implement the Rules of Primary Financial Monitoring, the Financial Monitoring Program constantly updated accordingly with the requirements of current legislation of Ukraine and the highest European standards. The relevance and compliance of these documents are regularly checked by the Internal Audit Department of UKRSIBBANK and National Bank of Ukraine.

Embargo

Being part of the BNP Paribas Group is a big deal, so did UKRSIBBANK, which strictly adheres to economic and financial sanctions, including those imposed by the UN Security Council, the EU, the French and US government authorities abbreviation (OFAC) Office of Foreign Assets Control. The banking entity is taking all appropriate measures to prevent the opening of accounts or transactions, on behalf of or for the benefit of persons, countries or entities subject to international sanctions.

Financial transparency of the market

As a financial market participant UKRSIBBANK in its activities complies with the norms and requirements of the current legislation of Ukraine, regulations of the National Bank of Ukraine and the National Commission on Securities and Stock Market of Ukraine, requirements and standards of the BNP Paribas Group.

Fight against dishonest action in the stock market

Financial entity has created and operates an effective system for detecting and preventing abuse in the stock market which includes insider trading, price manipulation. UKRSIBBANK has rules and systems for information barriers named “Chinese Walls” which is insider lists being administered, and other tools have been developed and implemented to detect suspicious transaction.

Professional ethics

The main asset of the BNP Paribas Groups which UKRSIBBANK is part of is customer trust, which only strengthens over time. It is important for the Bank to adhere to fundamental principles of conduct and business in order to justify this trust. Professional behavior of the bank's employees : this direction ensure that the personal interests of employees do not prevail over their professional responsibilities as employees of the bank.

Code of conduct

UKRSIBBANK as large financial institution has established rules of conduct that all employees must follow: act honestly, fairly, professionally and serve the consumer interests. Such rules are set out in the relevant document – the Code of Conduct UKRSIBBANK. These values are enshrined and implemented at the level of the entire group BNP Paribas Group. Reputation is one of the most valuable assets of the BNP Paribas Group. Here below will be the basic principles and practical recommendation located in the three section of the Code of Conduct that should be used by all employees of the bank. But for now is not enough to comply with the law. The financial institution trying best in showing that Bank has a positive impact on society, and is not only a commercial company but also a responsible player in the Ukrainian market. The mission is clearly explains goal and aspirations:

- Willing to make a positive impact on society
- Striving to become the most reliable player in particular industry, based on values and ethics
- Highly professional team provides first-class service and offers solution to customers through an integrated model
- Offer employees a working atmosphere that inspires and motivates further development

Conflict of interest

To manage properly conflicts of interest that may arise in one way or another in the activities of each financial institution, UKRSIBBANK has approved a Policy for the

Management of Conflicts of Interest. The main objectives of the Policy are to ensure justice in resolving situation of conflicts of interest, protection of the reputation and interest of both customers and the bank's own interests.

Fight against corruption and bribery

UKRSIBBANK is one of the leading financial institutions in Ukraine, so one of key tasks of the bank is to maintain an impeccable reputation and maintain a positive image formed over many years of operation. This is especially true of counteracting corruption and acts equated to corruption. The bank in accordance with the current legislation and the requirements of the BNP Paribas Group, has approved and successfully operates an Anti-Corruption Policy.

Information about violations

UKRSIBBANK as a large financial entity has created and successfully operates a Whistle-Blowing Reporting, meaning that each employee has the possibility to report or seek the necessary assistance to Compliance at the same time keeping the confidentiality of the appeal

Control of professional knowledge

To provide excellent experience for clients with high-quality service and guarantees, bank has implemented a system of training, advanced training and control of employee's knowledge.

Constant control

UKRSIBBANK provides effective internal control, which ensures:

- banking operations are efficient and productive

- the reflected transactions are correct
- financial statements are reliable
- risk management minimizes major risks
- the bank and its subsidiaries comply with regulatory requirements, internal policies and procedures.

Internal control consist of constant control and periodic inspections in other words Internal audit, complementary but independent of each other.

Operational risk

What is exactly characterized as operational risk? The main definition is that operational risk – the risk of loss divided by profit or loss of profit due to inadequate processes, failures in internal processes and systems, errors related to human factors, or external events, it can be three different types: international, accidental and natural. Operational risk control is consisting in researching and taking appropriate measures to minimize assignment, one of the main tasks of the BNP Paribas Group and UKRSIBBANK as well. There is a specific type of Operational Risk called fraud. In general clarification the fraud means an intentional unauthorized act or omission committed for the purpose of obtaining dishonest material or intangible benefits for oneself or a third party. So BNP Paribas has adopted for that kind operational risk by adhering to a policy of zero tolerance for fraud, according to which the behavior of employees must be always be impeccable. Therefore

- anyone who has committed or even facilitated / concealed fraud can never work in a financial entity
- anyone who provokes or facilitates the task of fraudster, including cases of gross negligence, will be punished in accordance with the laws of Ukraine
- To prevent fraud, all employees are professionally obliged to prevent and detect fraud in any way

Strategic management planning

Ukrsibbank offers a variety of services, moreover improves and simplifies the sales process. It was made possibly due to the strategic partnership with BNP Paribas, Ukrsibbank famous for its reliability and stability considering whole banking market. During 2018-2021, there were no significant fluctuations in the volume of Ukrsibbank's deposits. Relative macroeconomic stability and revitalization of the economy in 2016 brought the bank a significant increase in the deposit base. It was the increase not only in volume of population deposits but economic entities as well, despite the fact that all this happened when were lower interest rates. The explanation of that is simple, it was primarily due to the mass exit from the banking market and, eventually the loss of confidence in banks and the increase confidence of population and advisors appointed by foreign banking groups concerning economic issues, including BNP Paribas Group Ukrsibbank. Regardless the 2014 years, total deposits had a positive tendency. The increase in funds was primarily due to deposits of legal entities. Gradually, due to the number of the National Bank of Ukraine's regulatory actions towards the banking system by and large, the issues was stabilized for Ukrsibbank, two years from the 2016-2017 characterized by positive trends except one for individual foreign currency which was occurred in 2017. To complete all said before, in order to attract fund from legal entities and particularly from individuals. Within 2013-2015, were received loan from other banks accounted for the largest share of the Ukrsibbank debt. It was indicated to the independence of the bank's lending policy in interbank market.

The 2016-2017 period is characterized by the fact that total loans received by the bank are loans of the parent company. That means that allocation of funds at Ukrsibbank, will support for the long-term strategy of the bank's development, aimed at stretching its positions against the background of the economic situation within country.

Table 2.1

Deposit-taking activity of Ukrsibbank for 2013-2017 UAH

Date Indicator	2013	2014	2015	2016	2017
Corporate funds, including:	6,977,983	7,469,697	8,451,031	22,428,645	24,925,224
▪ in national currency	4,175,542	4,543,623	6,104,998	17,080,968	17,771,358
▪ in foreign currency	2,802,440	2,926,074	2,346,033	5,347,677	7,153,866
Individuals' funds, including:	10,334,881	9,162,534	8,973,333	10,871,787	11,498,880
▪ in native currency	4,330,439	4,811,988	3,911,289	4,621,706	5,497,904
▪ in foreign currency	6,004,442	4,350,546	5,062,044	6,250,082	6,000,976
Customers' funds in total, including:	17,312,864	16,632,230	17,424,364	33,300,433	36,424,104
▪ in native currency	8,505,982	9,355,611	10,016,286	21,702,674	23,269,262
▪ in foreign currency	8,806,882	7,276,619	7,408,078	11,597,759	13,154,842
Current deposits including those for:	9,109,285	10,249,052	13,410,330	20,754,020	26,268,277
▪ corporate entities	3,988,088	5,436,371	8,347,791	13,483,326	17,728,670
▪ individuals	5,121,197	4,812,681	5,062,539	7,270,694	8,539,607
Term deposits including those for:	8,340,346	6,527,386	5,371,758	12,505,962	10,110,253
▪ corporate entities	3,160,678	2,034,414	1,457,824	8,841,297	7,846,083
▪ individuals	5,179,668	4,492,972	3,913,934	3,664,665	2,264,170

Source: Based on the Ukrsibbank's public financial reporting data.

It will took into consideration the number of funds of the bank customers is much higher than the funds received on credit, it can be evaluated that Ukrsibbank pursues an effective policy on the use and distribution of its own resources. For example how it was in 2013 and 2014 years (23.73% and 81.95% correspondingly). To add, the guarantee deposits of other banks in the general structure of liabilities to other banks are not worth to consider. The analysis of the Ukrsibbanks financial statement indicates that the bank has not received refinancing from central bank for eight consecutive years. It proves its ability to

independently provide itself with cash for effective work. Let look over and analyze main sources from 2013 to 2017:

- The attraction of funds of legal entities and individuals is equal 88% of the amount of liabilities, which amounted to 36,424,104 thousand for 1 of January, 2017.
- Interbank loan, which equal to 0.73% of the total liabilities as of January 1, 2017.

Table 2.2

Debt of Ukrsibbank to other banks, UAH ths

Indicator \ Date	2013	2014	2015	2016	2017
Loans received from other banks, including:	296,330	33,623	157,662	266,261	305,674
▪ loans provided by the BNP Paribas parent company	22,813	13,239	9,847	266,261	296,637
▪ without BNP Paribas	273,517	20,384	147,815	0	9,037
Amount payable under the repurchase agreements	311,202	0	0	0	0
Other banks' guarantee deposits	63	2,869	0	0	0
Total debt to other banks	607,595	36,492	157,662	266,261	305,674

Source: based on the Ukrsibbank's public financial reporting data.

Subordinated debt amounts to a significant share of the Ukrsibbank's income. As of January 1, 2017, it amounted to 3,830,585 thousand UAH . Nevertheless other sources represent less than one percent of income of the bank under study. Eventually this allows the bank to keep a sound competitive position in the banking services market, to use the trust of a significant share of the population and to provide itself with the necessary financial resources for effective and productive activity.

In order to enhance the financial stability management of Ukrsibbank and to ensure its financial development, strategy maps have been developed.

Table 2.3

Correspondent accounts and overnight loans of other banks, UAH ths

Indicator	Date	2013	2014	2015	2016	2017
	Correspondent accounts and overnight deposits of other banks		189,054	165,695	2,889	399
Total debt to other banks		796,649	202,187	160,551	266,660	318,728
Share of correspondent accounts and overnight deposits of other banks		23,73%	81,95%	1,80%	0,15%	4,10%

Source: Based on the Ukrsibbank's public financial reporting data.

The creation of strategy maps includes the distribution of specific strategic goals concerning existing activities and moreover the definition of causal relationships among them, as well as the appointment of those responsible for these goals implementation. By created strategic maps the individual and employees of organization have allowed to be informed about their role in implementing the strategy. Moreover the strategy maps could be created at any operational level of management, more importantly each level will have the possibility to bear their place on the general strategy map. The management of the Ukrsibbank financial stability introduces for the goal determination of it's current and desired phase, coordinated management of financial resources, and taking such managerial decisions that would contribute to financial stability. The help of using strategy maps by Ukrsibbank will ensure that management will get information necessary for operating the bank, which is measurable and included in the strategy map and has a strategic orientation. It will allow to timely receiving information and making it accessible for understanding, the management will be able to

make right decision-making and to monitor the current performance indicators of the bank.

Therefore the first level of strategy map is the projection of the bank's financial activities, finances in particular, which embraces profit growth strategies and enhancement in the level of financial stability of the bank. The second level is a projection of consumers, which reflects how the bank seeks to look in the clients eyes. In this case, customer projection covers the strategy of expanding the client base, which eventually increase the market share for all kinds of services proposed by the bank, geographical expanding consequently improving the quality of service and the image of the bank among clients. And the last but not the least is the third level is the projection of internal business processes, which characterized by the key internal processes where banking institution must outperform the rivals banks. The projection involves strategies which seeks to increase the competitiveness of service, expand the range of services, increase the technical equipment of the bank and increase the volume of service delivery through communication. The last but not the least it is projection of training and development, which ensures the key elements of culture, technology and skills that are important to the bank. The projection consists of strategies for enhancing staff skills, optimizing the management system, implementing strategic objectives and goal of the bank, improving working conditions and empowering staff willingness to work and contribution. For a more complete and detailed understanding and clear vision of the full assessment and change of Ukrsibbank business activities especially for those that will have a real impact on enhancing the financial stability of the activity of not only the bank as an entire system, but some of its parts, a strategy map was developed and proposed for implementation for a separate division of a separate department.

As you could see from this table, the main assignments of the international payment division of the operational payments division of the operational payments department are similar to:

- Crediting funds to accounts of individuals and legal entities
- Inspecting submitted document to confirm a payment
- Processing of various types of payments
- Sending payments to compliance control for verification
- Transfer of funds when closing the accounts of legal entities and individual entrepreneurs in native and foreign currencies
- Giving advice to employees of departments, bank structural units and customers in payment processing.

But for now, there is SWIFT international payment system which is in good demand within bank customers who are in any way needing or able to remotely transfer funds and receive them. Each consecutive year, this activity is getting better, but there is one disadvantage, terms for currency enrollment or for instance checking payments become more complicated and tighter. Eventually, bank workers are subject to more serious and stringent requirements for the processing and checking of payments.

It is clear that introduction of the main strategy map of management in the banking processes ensures for the next measures: avoiding credit risk and optimizing the credit process, enrich the financial stability, increase in profit, reduction of cost, introducing new banking services, increase in the number of contented customers while involving and retaining operational clients.

Let's take a closer look at the strategy map for the international payments division of the operational payments department and UKRSIBBANK

provides for the following measures: ensuring sufficient liquidity level of the bank balance, introduce and analysis an effective system and sources of individual and legal entities as well, funds origin, direct connection between employees of the international payments division and the bank customers, informing customers in time concerning updated requirements and rules, supervision and control over emerging issues or complaints.

Moreover, the objectives of the strategy maps implementation is an appropriate description of banking activity in terms of the parts of it's outcomes, and in the nearest future optimization of the obtained models, which generate strategic development. This demand creation of technique for effective management of bank risks that allow achieving strategic objectives.

Consequently the first level of the strategy map represents the projection of the finance of the international payments division. Due to that, the underline is on getting profit is top-priority objective of bank. When sending or receiving payments, a commission is in some cases charged from a counterparty or a customer. That means that commission billing for international transfer services let's the bank to make profit. But at the same time the question arises as to the source of client's funds, in case if transaction has a enormous amount to transfer. Eventually it is proposed to bring in a single system, in which the customer will have possibility to immediately indicate the source of funds while introducing a transaction with international payments. To make it faster for workers and customers, it will be efficient to immediately provide scan copies of documents confirming the remedy or source of funds in accordance like requires the bank. In certain terms, it is needless for employees to re-request a client to get these documents.

The second level of the strategy map reflects the projection of clients. It is well-known that a bank has a general objective – being customer-oriented, to enrich customer confidence and enjoy the use of money transfer services through international payments in order to increase stability by creating direct communication between workers of the international payments department and bank customers. Consequently, it will help to directly keep informed clients of the updated requirements that arise during the activities and notify them concerning the new rules introduced when there are certain changes in the payment processing. To explain more simply, as an example, this may be a new list of supporting documents or a new regulation regarding the timing of payment processing or the transfer of funds to the client's account. It will save time by timely informing of customers to resolve unclear issues that may be explained before by a bank worker. It fully eliminates the risk of client distrust in relation to the purposes of providing documents or to his information confidentiality. By providing information in a timely manner, it takes you consequently less time to submit documents within a short time and, moreover, on the same day to credit or write off funds on or from the customer account, of course it depends on the type of payment – whether it is outgoing or incoming. Eventually, the customer will see that transactions are carried out rapidly and qualitatively, and this will help to increase the number of clients using these services.

The Third level of the strategy map lays the internal processes that occur on a daily basis when employees of the international payments division perform their duties. For instance, when a client comes to the bank in order to open a card account as an individual or a legal person, then the requirements for the documents to be provided are represented to him. If a customer views it necessary to be a user of international conversion services, his appointed personal financial advisor surely notifies the requirements concerning this

procedure, rules and documentation that will be provided in the future for making payments. It is supposed that the personal financial adviser also has a good communication with the staff of the international payments division and is also well informed about the case, what documents is needed to provide for payment, for example in money transfer between individual and entrepreneurs and just individuals has a different set of documents for acknowledgment. It will be plus if there is a clear awareness because it will help to reduce the occurrence of cases when a personal financial adviser does not understand what documents and for what the international payment division require from him. Linkage between the compliance control and division employee should also be established. It is precisely the compliance control that will decide whether the payment can be released or not, whether the correct documents have been submitted, or whether additional inquiries should be sought to avoid doubt occurrence.

The fourth level of strategy map consist the position of the staff directly, specially: it's training and development. Not so far, more and more requirements are put forward no only to the customer and bank worker but to the job candidate. Moreover, tough requirements should take place, because the field of economics and finance requires discipline, concentration, attention and focus on results and tidiness.

Nevertheless, if the employee will demand from the management and the bank consequently the more requirements he will have for the bank as a place of work. In order to create a certain balance between the requirements of the bank and the requirements of the employee, there should be a certain level of mutual exchange of ideas concerning the improvement of the place of work and the employee motivation. Because the better the employee performs his duties, the greater the benefits of his work and the more profit the bank will obtain. In this system, both the bank and the customer should

be satisfied with each other. On such basis, there is a mutual interest both of the bank and the staff. In the case of the international payments division, when one of the main requirements is the foreign language skills, there should be a more advanced system of additional payment for proficiency in more than one foreign language. Firstly the one reason is that international payments are all demonstrated in a text format language of it in English, even more the documents that are from time to time provided for payment proof can also be written in a foreign language for example not only in English but also in French or German in particular. Eventually to decrease the time for their employees and customers. it will be more efficient if the workers know foreign languages without spending time on how to interpret information and services personally to define what the purpose of the payment was.

The second cause not less important, is that the bank has a foreign capital. One the example of the UKRSIBBANK the origin is France and most of the work programs for using by bank employees are also installed in French. Besides that one of shareholders is France, namely the parent group BNP Paribas Group, there is every time communication between UKRSIBBANK and BNP Paribas Group. Accordingly the main language for communication, the primarily one is French and English. Analyzing all said above I can surely admit that speaking both French and English is offered as an essential bonus, and from time to time also a requirement for bank employees. To explain more clear what benefits bank employees will receive from this, it is suggested to enable them to directly get involved in conference calls, having the possibility to communicate with the representatives of the parent group eventually to offer their ideas concerning any given issue. It is needed to be mentioned that one of the benefits of

foreign language skills and study in this case is the offer of paid internships for bank workers in the countries of the BNP Paribas Group presence.

Such internships provide many opportunities and prospects, and for example one of the is the possibility to work in France, Portugal, the United States of America. In the case when an employee is poorly fluent in one of the languages but has a great desire to study and understands the need to speak foreign languages not only for life but for work as well, then it is suggested to open language training courses on the bank side.

2.3 Analysis of foreign economic activity of UKRSIBBANK

Many banks perceived by ways of how they operate, set up their services and processes. It is unit that ensures that financial institution complies with applicable laws, regulations and rules. To put in a nutshell compliance plays an important role in maintaining the integrity and reputation of the bank. The end-goal of compliance is to ensure that the bank does not go beyond the laws, regulations or decisions of UKRSIBBANK Board of Directors. There are handful amount of common assignments including monitoring and controlling of the bank, identification and analysis of risk areas. This may include assessing and verifying the adequacy of the bank's policies and equipment, for example security and risk assessment tools. It is needed to mention that compliance team can also design and implement changes to address any identified risks, develop compliance programs, and lastly monitor employee training programs. The implementation of compliance is considered one of the main challenges to the global financial systems due to its international requirement. UKRSIBBANK being part of an international financial entity group is obliged to adhere to high standards, rules and principles. Compliance is responsible for the second level of Type of Control through the implementation of the Fundamental Oversight Points, which purpose is to ensure the effective implementation of the first level

of controls and their compliance with applicable procedures. The main areas in which Compliance at UKRSIBBANK operates are:

- Corporate security
- Market transparency
- Professional ethics
- Constant control and operational risk
- Customer identification

Resisting laundering of income and terrorism financing UKRSIBBANK, being part of the BNP Paribas Group, which in its activities is guided by the laws of France and the European Union for counteracting money laundering, operates in accordance with the standards of the Group, as well as complies with international financial sanctions(embargo) and vigilance policy. Also it is needed to be mentioned that UKRSIBBANK is regulated by the current legislation of Ukraine, in particular the Law of Ukraine “On Preventions and Counteraction to Legalization of Proceeds from Crime, Financing of Terrorism and Financing of Proliferation of Weapons of Mass Destruction” № 361 of December 6, 2019 and Resolution of the Board of the National Bank of Ukraine “On Approval of the Regulations on Financial Monitoring by Banks” №65 of May 19, 2020. Above all that UKRSIBBANK has implemented the Rules of Primary Financial Monitoring, the Program of Financial Monitoring, as well as the Program of Identification, Verification and Study of Clients, which are constantly updated in accordance with the requirements of current legislation of Ukraine and the highest European standards. The relevance and compliance of these documents are regularly checked by the Internal Audit Department of bank and the National Bank of Ukraine.

To analyze the negative impact of environmental factors on the activities of the commercial bank in Ukraine, in particular UKRSIBBANK, correlation-

regression analysis of it's reliability is intended to predict the level of it's competitiveness and demand among the population. Initial data of correlation-regression analysis of UKRSIBBANK for 2018-2019 year.

Table 2.4

Initial correlation-regression data of UKRSIBBANK

Year	Quarter	Reliability indicator	General liquidity ratio	Return on equity	Capital loan coverage ratio	Fixed capital adequacy ratio	Instantaneous liquidity ratio
		y	x1	x2	x3	x4	x5
2018	I 2018	0,156	1,156	0,104	0,291	0,135	1,081
	II 2018	0,132	1,132	0,232	0,267	0,116	1,049
	III 2018	0,141	1,141	0,318	0,245	0,124	1,074
	IV 2018	0,150	1,150	0,412	0,259	0,130	1,076
2019	I 2019	0,176	1,176	0,083	0,324	0,150	1,114
	II 2019	0,123	1,123	0,255	0,269	0,109	1,056
	III 2019	0,141	1,118	0,327	0,300	0,126	1,065
	IV 2019	0,148	1,148	0,381	0,321	0,129	1,084

Source: Based on the Ukrsibbank's public financial reporting data.

According to the calculations, the relationship between the selected variable is close to 1, the coefficient of determination R² shows that 99.88% of the relationship between the measurement results is due to their mutual influence. In the table 2.5 presents a summary of the results of regression analysis of reliability indicator UKRSIBBANK 2018-2019.

Table 2.5

generalization of the results of regression analysis of the reliability indicator of UKRSIBBANK throughout 2018-2019

Statistics		regression parameters	
		be	-0,195
R	0,9995	x1	0,148
R ²	0,9988	x2	0,0012
Corrective R ²	0,9985	x3	-0,018
Standard deviation	0,0015	x4	0,991
Number of observations	20	x5	0,047

Source: Based on the Ukrsibbank's public financial reporting data.

In order to forecast the reliability of the commercial bank UKRSIBBANK in the I, II and III quarter of 2020, the official data of the financial statements of the bank on the value of assets and equity, profit, loan amount and customer debt at amortized cost were used. The initial data for calculating the forecast value of the profitability indicator UKRSIBBANK in the I, II and III quarter presented in table 2.3.

Therefore, the values of the forecast reliability indicator UKRSIBBANK in the I, II and III quarters of 2020 will be: $yt1\ 2020 = 0,141$, $yt2\ 2020 = 0,134$, $yt3\ 2020 = 0,132$. They do not differ significantly from the reliability indicator in the IV quarter of 2019, so I will assume that data are true and the regression is built correctly. The correlation-regression analysis of the reliability indicator of UKRSIBBANK showed that the functioning of the bank was height of the Covid-19 epidemic, which significantly shook the level of it's financial stability.

Table 2.6

Initial data for calculating the forecast value of the profitability indicator
UKRSIBBANK in the I, II and III 2020 year

Indicator	Value		
	I quarter 2020	II quarter 2020	III quarter 2020
Assets,thousand UAH	59 257 030	62 889 430	67 125 748
Equity,thousand UAH	7 309 501	7 528 627	7 871 660
Total liabilities,thousand UAH	51 947 529	55 360 803	59 254 088
Cash and funds in the NBU,thousand UAH	5 843 102	5 993 438	4 996 968
Funds in other financial institutions,thousand UAH	18 471 967	21 029 193	22 826 818
Derivatives,thousand UAH	60 124	13 235	49 475
Loans and receivables at amortized cost,thousand UAH	24 442 122	18 769 543	21 988 715
Securitized in the bank's portfolio for sale and investment in associates and subsidiaries,thousand	7 730 043	13 758 950	14 258 511
Net profit,thousand UAH	451 502	670 627	343 033
Share capital,thousand UAH	5 069 262	5 069 262	5 069 262
Emission differences,thousand UAH	811 229	811 229	811 229
Retained earnings/(uncovered loss),thousand UAH	1 420 337,00	1 638 505	1 981 305
Return on equity	0,062	0,089	0,044
Fixed capital adequacy ratio	0,123	0,120	0,117
General liquidity ratio	1,141	1,136	1,133
Instant liquidity ratio	1,089	1,076	1,082
Capital adequacy ratio	0,299	0,401	0,358

Source: Based on the Ukrsibbank's public financial reporting data.

The forecast reliability indicator of UKRSIBBANK in the third quarter of 2020 decreased by another 12.12% compared to the fourth quarter of 2019. Therefore, to stimulate the further development and growth of the bank's profitability, it is necessary to adopt a number of recommendation requirements for ensuring and managing the financial stability of UKRSIBBANK.

It is important to note that the main priority of achieving a high level of profitability and ensuring reliability for customers is to invest, in particular in expanding the range of services, product range, increasing the level of technological support and more. By all means, banking services are very popular, convenient and in terms of digitalization require the introduction of the latest financial technologies and increased accessibility for all ages. In carrying

out any analysis, first of all, the results of the institution and its position in the financial services market are quantified. The main alternatives to the bank's financial stability management strategy are to improve the quality of its resource base. Depending on the nature of the crisis and the bank's willingness to withstand difficulties, financial analysts are developing a number of options that will help improve the financial condition of a commercial bank. Thus, according to the outcomes of the research using modeling of the process of managing the financial stability of the bank, it is determined that the main indicator of the effective operation of the institution is the quality of its capital and resources. In fact, their optimal ratio in terms of liquidity, financial stability, solvency and profitability contributes to the growth of customers and, consequently, the amount of income of the bank. It is important to comprehensively assess the current state of the institution under actual market conditions to build a strategy for the bank.

CHAPTER 3. ENHANCEMENT OF COMPETITIVENESS OF UKRSIBBANK THROUGHOUT FOREIGN ECONOMIC ACTIVITY

3.1 Legal framework of the export/import policy in FEZ

Attempts to establish international trade have been part of public international law since 1883. The first draft of the Paris Convention for the Protection of Industrial Property included the illegal bearing a trademark or its name. The Berne Convention for the Protection of Literary and Artistic Works implemented common copyright rules. Moreover these two international agreements have wide spread and form the basic framework for international protection of intellectual property across the world.

Therefore for countries that were members of the Paris Convention but not the World Trade Organization, at the same time for countries that were members of the Berne Convention but not the WTO, offered proposal for making two agreements the primary international basis on which to seize infringing goods. For more reasons, neither the Paris Convention nor the Berne Convention proposed effective means to enforce their provisions in case that a member fails to perform its obligations. Important to mention that neither agreement specifically addressed Free Trade Zones.

Bringing the attention to restriction of two agreements, effort to avoid trade in counterfeit goods shifted to the Customs conventions particularly the WCO's Revised Kyoto Convention; the Agreement on Trade-Related Aspects of Intellectual Property Rights, an annex to the Agreement Establishing the World Trade Organization; and to other trade agreements, including the proposed Anti-Counterfeiting Trade Agreement particularly directed to trade in counterfeit goods. Nonetheless a number of agreements contain provisions concerning to trade in infringing goods, there are two of three major trade and Customs agreements specifically inverted the protection of intellectual property rights in Free Trade Zones:

The Revised Kyoto Convention covers Free Trade Zones for control of goods, for instance the right of Customs to enter and inspect goods in the zone for tariff

and non-tariff conformance to laws and regulations. It is a considerable weakness of the Revised Kyoto Convention, despite that its provisions for free zones are in a Specific Annex that is not mandatory for Revised Kyoto Convention Contracting parties or all members of the World Trade Organization Members. The TRIPS Agreement suggest enormous requirements for intellectual property protection, involving border measures, despite that TRIPS does not originally address Free Trade Zones, a few of its provisions are not obligatory for World Trade Organization Members.

Anti-Counterfeiting Trade Agreement addresses amount of the weaknesses of TRIPS and the RKC, which are addressing Free Trade Zones by offering clear guidance in case of optional provisions. The Paris and Berne Convention and Anti-Counterfeiting Trade Agreement lacks an effective resolution process to be more clear such as that provided under the World Trade Organization. Hence the ACTA embodies a limited number of countries and has not yet entered into force.

The both side who sign an agreement are encouraged, but in most cases not obliged or legally bound, to integrate item of agreement into national legislation. Sometimes, the details of guidance, such as the level of penalties, are so broad that minimum compliance yields has no impact in effective enforcement. Due to lack of item of agreement concerning to Free Trading Zones and no requirements to complete the non-mandatory provisions – such as in the case of TRIPS or the RKC's Specific Annexes – countries carry out a wide variety of laws affecting the enforcement and protection of intellectual property rights. To put it a nutshell for example, meanwhile a few countries empower Customs to manage goods and activities in Free Trade Zones, the rest have denied Customs jurisdiction over goods in Free Trade Zones. Due to this issue countries misunderstand the correct function of Free Trade Zones as Customs controlled locations, under suggestion that goods in Free Trade Zones are not clearing through Customs and not being imported.

For example if Custom authorities are ready to enforce intellectual property rights in Free Trade Zones, their effectiveness depends on Custom properly applying the Customs free zone regime. The task is to oversee or exert influence its authority over goods within the free zone where there is a change of Customs regime, such as change to in-transit status. Despite that trans-shipped and in-transit goods create a significant high piracy and counterfeiting risk. These procedures may be involved in force in order to conceal the true country of origin of the goods or to enter goods in Customs territories, where border enforcement for trans-shipped or in-transit goods is weak.

Nowadays, automated systems for inventory management in the Free Trade Zones can greatly reduce the process of regime change tracking, but those systems must be accessible to and interfaced with the national Customs automated systems. Moreover it is bad experience to permit any other agency than national Customs to manage change of the Customs regimes.

There are enumeration selection of national and regional laws and regulations governing Free Trade Zones to:

1. Illustrate the wide range in national regulatory measures that address establishment jurisdiction, control and enforcement;
2. Explain how national laws fall short of meeting or undermine international obligations;
3. Extract national item of agreement that could serve as model practices for other nations or for inclusion/promotion by World Trade Organization and WCO.

States are increasingly recognizing the economic drain caused by counterfeiting and piracy. The rise of laundering and illicit activity within Free Trade Zones runs counter to the underlying objective for creating Free Trade Zones and gives rise to longer-term related on national security and damage to intellectual property rights.

Increasing the security of intellectual property rights depends not on the actions of Customs and other enforcement officials, but also on the ability of right holders to secure favorable court rulings. Without taking into consideration widespread violations related with Free Trade Zones and transshipments of infringing goods, relatively few cases have been reported related enforcement of intellectual property rights in Free Trade Zones or in transit.

Mostly, courts have upheld governments ability to effectively enforce counterfeit activity. The different face patterns of these cases, the diverse laws and enforcement practices, and the courts reasoning behind these decisions all offer useful guidance in formulating recommendations to prevent international trade in counterfeit goods.

Trade Agreements and specifically Free Trade Agreements are an effective way to empowering trade by lowering trade barriers between two or more countries. In contrast to multinational agreements, which in moose cases require an international consensus and a concrete amount of signatory countries to come in to force, Free Trade Agreements can potentially be negotiated and enacted bilaterally. This make possible for more flexibility, taking into account each partner country's specific. Free Trade Agreements negotiations can also be used to create incentives for countries with weaker IP enforcement to enact more efficient IPR laws.

In 2010, The WCO estimated that more than 200 preferential trade agreement were in effect. According to the World Trade Organization, "As of 15 January 2012, 511 notifications of RTAs had been received by the GATT. Of these, 319 were in force." Unlike giving the attention that statistic from different sources, the WCO and WTO, they both reflect the rapid growth of trade agreements.

In all kinds of free trade agreements, criteria for shift in country of origin are key. A shift in origin occurs when a new item is created that is legitimately considered a product of the country where that shift occurs. Shifts in origin are important because Customs relies on declared origin of inbound goods as a key

risk indicator of IPR violations. Not a big surprise that trafficker of illegal goods go to great lengths to disguise the origin of illicit goods.

Main rules on how origin shift occurs are based on a change in the tariff classification or advancement in value. A few trade agreements also has significant reference Free Trade Zones and whether or not the production of new products for the aim of the trade agreement applies to zone products. Moreover proliferation of bilateral agreements, the treatment of origin and its relation to Customs free-zone regime status and IPR protection is critical.

3.2 Specific issues of banking in free economic zones

Special economic zones have been mushrooming in recent decades. Globalization-induced offshore production and an ever-expanding World Trade Organization membership have underlined global competition for the identification of a comprehensive regulatory framework that can advertise and attract foreign investment flows. The point of creation is driven by the desire to create jobs, increase revenues, empower export performance and create the conditions for positive spillovers to the national economy, government authorities design such industrial enclaves with a view to enhancing economic growth. In most cases, Special Economic Zones create “jurisdictions-in-a-jurisdiction” in which government authorities set up a geographical area in which firms, if they have a license to operate in a Special Economic Zones, are subject to more favorable, business-friendly laws and regulations when compared with those applied to the rest of the national territory. To clear in developed countries Special Economic Zones are not necessarily has closer relationship to specific area, nor they focused primarily on export performance. In most cases they may be used to suggest protection to a concrete selected industries domestically.

Although Special Economic Zones economies allow valuable tax revenues, they appear particularly relevant to politicians who willing to boost growth rates in

an increasingly competitive economic landscape at the regional level. To provide with example, China in order to compete with Hong Kong and Singapore will create the Shenzhen Special Economic Zones. In other examples, tax havens within a tax haven would create as the case of Cayman Islands sufficiently demonstrates. Such phenomena accentuate regulatory fragmentation already within national borders, and shape the contours of Special Economic Zones unilateralism.

The new industrial revolution and changing patterns of international production, including the servicification and digitization trends, call for a reappraisal of the current rulebook, including domestic economic law and global trade law. Concerning the services Special Economic Zones can be engraved within the qualitative transformation of Special Economic Zones driven by trends and is an expression of contemporary services unilateralism, in favor of attempt to gain global competitive advantage in the digital era.

Services-related activities in frames of Special Economic Zones have existed for a long time in certain Special Economic Zones. From the initial point, services supplied in Special Economic Zones aimed at addressing infrastructure-related weaknesses, including red tape, reliability, and continuity of certain services for example public usefulness. There is a main rule for Special Economic Zones no one SEZ could ever survive international competition for attracting manufacturing or service-related investment lacking out world-class infrastructure and a business-friendly environment. Progressively, as part of intermediation services for the hosted manufacturing activities, human resources, catering and housing services, as well as one-stop-shop facilities for administrative purpose processes which affects the Special Economic Zone beneficiaries started being offered.

The point of creation service-only Special Economic Zones which coined fourth generation SEZ in countries like India, China and Philippines, and smaller countries with no interest or capacity in manufacturing is a relatively recent

phenomenon. To point out, Dubai one was the first which in 2000 by establishing non-trade free-trade zone in the Gulf region. The new technology, e-commerce and media-free zone have aimed at attracting investment in services of IT-oriented. Taiwan in its turn identified logistic as one of twelve strategic services sectors and used services-based Special Economic Zones introduced in the Warehouse Transshipment Special Zone Plan which aim was to establish production networks and services value chain. Unlike that, Korea focused on attracting Research and Development and value-added services in its Special Economic Zones, using lure sophisticated infrastructure. Last is Malaysia teamed up with Alibaba, Maybank and other companies which has private origin, in order to enable the world's first digital Special Economic Zone in 2017, setting up goals on e-commerce.

The key for enhancing domestic capacity, income growth and domestic productivity is the performance of the service sector. It has significant value for economic development not only directly due to improving access to and quality of the service being supplied but indirectly by increasing the productivity of initial factors of production, capital concerning Research and Development services and labor which consist of health and education services. To put it in nutshell, financial service providers are trained to assess risk and fund ideas and firms, in which telecommunications allow for dissemination and diffusion of information and knowledge and mitigate physical distances. The whole picture that consumption of services-related, skilled intensive output has positive impact on future growth of services for the benefit of all.

There is a technological advances, digitally enabled services, financial services which are generally drivers of industrial growth became increasingly tradable at the cross-border level it also called "Model" services. Unlike the traditionally traded services this services grew faster, whereby physical proximity and the concept of "territory" is still significant. There is growth relating to cost-efficiency in the developed world, but in its turn necessitate a very important

development-related aspect, as it offers promising potential for new export opportunities and diversification. The role of Special Economic Zones is to act like pullers for service suppliers that found in these region, make up a catalyst for domestic development and growth. A numerous amount of circles, varying from financial and legal to telecommunication and business services have develop economically the outsourcing phenomenon, creating opportunities for the developing world and pressure for further liberalization, moreover labor adjustments in the developed worlds. The point of creation Special Economic Zones which are service oriented is to enhance competitive advantage among developing countries, hence fully the outsourcing/offshoring potential.

Almost half of the cross-border exports of services worldwide is in business services and calls from a paradigm shift in the global regulation of such services. Cross-border supply of business-related services creates new possibilities for exports in an increasingly advantageous cost level and allowed for export diversification. These two traits of service which significant meaning as it is enablers of digital trade and products provided by means of digital technologies will still continue driving the ever-increasing servicification of the global economy.

The financial sector is that the backbone and a crucial enabler of any modern economy. A solid body of economic studies finds a powerful positive link between the expansion of economic services and long-term economic process. However, such links aren't absolute and a number of other considerations and factors must be taken into consideration. The financial sector may be a 'make-or-break' sector for several developing countries in achieving economic process especially given the challenges that both industrial and developing countries have faced in their efforts to make robust financial systems. Financial services have two fundamental traits: they need public-good characteristics and spill over into the whole economy. Therefore, governments interfere with financial

markets to scale back systemic risk and enhance the protection and soundness of the financial set-up. All sectors of economic activity basically rely upon access to financing and other financial services. Furthermore, access to finance and financial inclusion may be a precondition for sustainable development. The sustainable development goals have recognized the maximum amount. Allowing access to and use of basic financial services, technology-enabled financial inclusion facilitates daily financial transactions, strengthens earning capacity and seamless consumption and bolsters resilience. In the aftermath of the Recession, change financial services quickly recovered and experienced rise in tandem with the deepening of international financial sector activities. Several factors explain this widening and deepening of the financial sector. First, technological progress in ICT, the spread of engineering, and processing have given incentive to further expansion of trade financial services. Furthermore, a replacement era of Internet-enabled banking services has spread exponentially. Second, several GATT rounds led to ever-increasing liberalization of international trade, which successively has led to a brisk yet significant expansion of the world marketplace for financial services in the midst of the opening of transition economies in Europe and Asia. Third, increasing globalization and competition have forced firms to hunt cheaper ways to finance their activities.

Throughout the time from 2010 to 2017, 1.2 billion people majorly located in developing countries, obtained a financial or mobile money account for the primary time. China has moved to become the world's most digitized economic system, whereas India, through India Stack, invests in digital infrastructure to enhance financial inclusion rates. In Africa, similar trends also are happening. Moreover, research has shown that mobile money services in Kenya have lifted 2% of households out of poverty and helped reduce poverty of women-headed households by over 20%. The pandemic will only accelerate such trends towards digitization and remote access to financial services.

Along with distribution services, financial services account half the worldwide interchange services nowadays. However, whereas distribution services have seen growth in terms of provision both through commercial presence and cross-border supply, growth of exchange financial services has for the foremost part been through commercial presence. Still, there seems to be a shift of patterns in financial services, whereby the share of services exports through branches and subsidiaries is declining in leading developed economies. However within the U.S, exports of economic services through cross-border transactions are almost thrice higher in 2017 compared therewith in 2005. The same trend, is examined within the EU. Ever-growing digitization, driven by the results of the pandemic on physical proximity provide patterns is anticipated to empower further the observed growth worldwide to the detriment of firm within the short run.

In the case of developing economies, the impact of digitization has been important but less visible. In fact, within the five Asian economies, which account for quite half the full exports and imports of services within the developing world (China, Singapore, Korea, Hong Kong, and India), most trade financial services take place through commercial presence. In these five economies, financial services exports through commercial presence grew by 70% within the period from 2005 to 2017. As increased wealth is made within the leading developing economies, outward investment flows also increase as a result. Such investments and ensuing capital movements not only target developing economies but increasingly the developed ones.

The growth of monetary services trade led to the fast spread of international financial services centers. Singapore and Hong Kong (two traditional financial hubs), or Dubai and Qatar (which are linked to SEZs), have created such centers to draw in investment in financial services and compete with the standard powerhouses within the sectors like London. IFSCs gather several financial service providers which give services to customers outside their own

jurisdiction and are active and have expertise within the cross-border flow of monetary services. Aside from offering full capital account convertibility, IFSCs may offer generous tax incentives going as low as zero tax rates on income and profits for several decades. To beat competition, some IFSCs go as far as a separate, independent judicature to supply an alternate, expeditious, and effective means to address civil and commercial disputes. As an example, Qatar has established the Qatar International Court and Dispute Resolution Center, composed of judges with a global background. To be even more attractive for foreign investors, Qatar introduced a standard law-based court system, although it otherwise could be a civil law jurisdiction.

Generally speaking, financial services has shaped a significant value on infrastructure within SEZs, whereas sometimes a SEZ consists of only one IFSC aiming at becoming a trading hub for financial investors. In India, the SEZ Act of 2005 established an Offshore Banking Unit and an IFSC in each SEZ which are subject to approval by the Indian government. Having said this, the IFSC needs to respect the principles established by the securities and exchange board of India and also the insurance regulatory development authority and therefore the bank of India. More recently, the Finance Ministry of the government of India has established the International Financial Services Centres Authority in a bid to control all IFSCs in India under one roof and with a view to increasing its competitiveness as a financial hub. The IFSCA Act of 2019 clarifies that every one powers the RBI, SEBI, and IRDA have are now transferred to the IFSCA, bringing more clarity and simplification within the regulation of IFSCs in India.

Due to the special character of economic services, broader regulatory reforms are needed for a financial SEZ to succeed. Such reforms may relate to capital account liberalization, prudential requirements, and a variety of activities allowed (for instance, OTC derivatives, insurance, commodity trading, and related instruments; swaps; and therefore the like). The SEZ environment offers

to regulators the likelihood to limit the territorial application of such reforms. At the identical time, regulators may have increased difficulties in adequately overseeing economic activity and applying anti-money laundering laws; know-your-customer obligations that routinely apply to the remainder of the national territory; and anti-terrorism financing.

The purpose of investor, finance-related incentives like broadening the range of activities that are allowed through an IFSC, plus tax incentives, may cause important investment inflows. additionally, if the financial institutions established in an SEZ are allowed to supply internationally competitive interest rates in deviation from any national policy of interest rates, this might potentially act as a very important puller for manufacturing companies curious about inexpensive access to finance so as to compete within the global markets. Such possibilities and combination thereof are explored by various countries round the world as the simplest way to draw in financial institutions facilitating the establishment and expansion of international financial centers. Take the case of the Dubai International Financial Centre, established in 2004, which, under the monitoring of its own independent regulator, features a scheme, a typical law framework, and a world financial exchange under favourable tax conditions. However, although not being the primary, nor the sole country actively seeking to draw in financial institutions, China is the most interesting country to check. Two reasons for this choice is China's sheer size, but also its managed capitalist approach that's followed by the Chinese State. A shift of focus by China on services aims at increasing the share of services in its economic mix, but also China's geopolitical influence. In what follows, the experience and pace of monetary liberalization through SEZs in China is discussed before turning to fintech in SEZs—the single field of finance where a world 'charm offensive' by various countries occurs.

3.3 Evaluation of the effectiveness of the proposed improvements

I would prefer to suggest on the premise of recommendation for regulatory and legislative improvements, along with general policy measures and proposed suitable practices. The uncontrolled movement of products into and through trade Zones creates a friendly-environment for growth within the trade of counterfeit and pirated goods. Customs authorities with limited legal powers and jurisdiction over trade Zones aren't able to expect or seize infringing goods, and counterfeiters proved competent in exploiting ambiguities and legal loopholes. While law changes can generally accomplish the following recommendations, national governments on a personal basis are encouraged to think about the foremost practical and expeditious mechanism to effect change. Simply passing laws and issuing regulations are incomplete processes until those measures are applied in practice. On close review, in some countries, the authorities are already in situ but they simply aren't proceeding adequately.

Digital financial services have increased providers' ability to roll out new products and services while saving on costs by moving from legacy systems. There's a push for real-time data and payment processing happening today, with mobile payments exploding worldwide. Another change that has led to digital innovation is that the concept of open banking. Open banking is that the practice of providing third-party financial service providers access to some consumer financial data typically around banking and transactions to non-bank financial institutions through application programming interfaces (APIs). This practice may be a significant source of innovation, enabling third-party services to develop new, customer-centric services and allowing banks to figure with other service providers to create an ecosystem of digital services for his or her customers.

With faster than ever payments happening worldwide and more access to information, it's essential that financial services providers modernise their

systems and develop real-time fraud and identity checking capabilities enabled by AI. Financial crime could be a constant challenge. Using real-time scoring to parse data and supply a score of the likelihood of a transaction being fraudulent is one in every of the elemental ways intelligence is empowering modern payments.

With markets across the globe operating digitally seemingly 24/7 and therefore the interconnected nature of contemporary financial services and markets, it's crucial today to react faster to plug events and to own a more holistic picture of risk. Banks need to:

1. Have the power to spot, measure, monitor, manage and report on all risks – both financial and operational at various levels of aggregation – transaction, product, desk, line of business, enterprise etc.
2. Consider resiliency and continuity of operations in their risk analysis and be ready to understand and navigate new sources of risk, something which COVID-19 has also put a giant concentrate on. it's especially important to contemplate the increasing impacts of temperature change and worsening natural disasters in our increasingly connected national economy. Resiliency and therefore the ability to continue operations with agility is becoming more difficult.
3. Consider a way to robustly support simulations/stress testing as you look ahead and develop strategies. the main target mustn't be just on the key performance indicators that reflect current performance, but also to appear forward.
4. Plan for brand spanking new regulations that put pressure on risk systems, forcing them to urge more complex and granular. We also must forestall to work out what data compliance needs may seem like within the future as consumers and governments become increasingly cognisant of the ways data is employed within the digital marketplace.

5. Move far from traditional instruction execution of risk view. Businesses are inquiring for real-time insights.

CONCLUSION

The economies have become more interconnected through international trade and globalization as well. It provides consumers with a variety of option complementing with increased competition so that businesses ought to manufacture cost-efficient and high quality goods. International trade arises from the differences in concrete areas for instance it could be differences in education, demand, government policies, technology, labor laws or natural resources.

IFEZ has a long way to go regarding the cost of living, communication, and schools and hospitals for foreigners. Above all, IFEZ hast to make an effort to better the business environment with investment incentives and joint venture systems. There is no need to say that Incheon has many advantages for establishing a free economic zone. Most of city is located near coast which is equipped with internationally competitive seaport with airport which serve as general entry point to Korea. Incheon is located near to Seoul which is capital of Korea, it is well-organized with social overhead capital. Korea including Incheon has a bunch of highly educated human capital. Concluding all that have been mentioned above it is well known that North Korea opposed view upon the development of IFEZ due to foreign investors who do not wish to start second Korea War. My vision upon this define that Korean governmental authorities need to make sure that they are aggressive in terms of support for the development of IFEZ. For instance, applying sound legal framework have to be done in order to attract FDI in IFEZ. The central government needs to follow a 'Selection and Concentration Policy' the good example of which is China. On my point of view, investigating the China experience where creation of Shanghai's Municipal Government has led the development of Pudong FEZ to propose that more administrative power needs to be in the hands of the IFEZ

local authorities, including the relation with FDI attraction. By research provided by Hobday & Lee, other countries in Northeast Asia can be depicted by their disadvantages. In particular Japan has been in economic stagnation for one decade and it is unknown what might be in the future, more uncertainty than has to be. Despite rapid economic growth of China, it still has poor and unbalanced infrastructure and no single governmental authority. Putting it in another way, such countries like Thailand, Indonesia and Singapore have relatively small market or there play another factor location to major growth market of Northeast Asia. Above that all Korea has significant advantage over these countries. The size of Korea market is seven times larger than size of Association of Southeastern Asian Nations.

My report substantiates that a strategy map is a significant part of the bank strategic management concept. Using the strategy maps gives advantage ensuring continuous monitoring of the bank's activities and in promising analysis and planning. It gives possibility to quickly compare the planned quantitative and qualitative parameters with the outcomes in order to analyze the efficiency of the functioning of individual parts by and large the whole system. It is clear that the regular usage of strategy maps helps for accumulating and summarizing information on changes in the indicators in the time, eventually that is it is cumulative in nature. On the example of Uksibbank, both strategy maps are created: a general management map and a local one designed for the international payments division of the operational payments department. It is determined that finance, customers, internal processes, training and development are the constituent elements of strategy maps. So after analyzing the introduction of the general strategy map of management in the bank's operational processes: increase of the financial stability, avoiding credit risk and optimizing the credit process, increase in profit, reduction of cost, introducing new banking products, increase in the number of satisfied consumers, involving and retaining strategic clients. It is determined that the strategy map concerning

for the international payments division of the operational payments department at Ukrsibbank provides for the following measures: ensuring sufficient liquidity level of the bank balance, introducing an effective system of analysis of sources of individuals and legal entities funds origin, direct connection among employees of the international payments division and the bank users, timely informing clients regarding updated requirements and rules, supervision and control over emerging issues or complaints.

We have get to know enough about the essence of free economic zones and characteristics of zone which presence in international area. Understand classification of free economic zones, have examined Ukrsibbank as a unit in terms of business operations. There was explored legal framework of the export/import policy in free economic zones with determining specific issues concerning banks operating in free economic zones.

The initial point is there are any dependency on the economic growth in terms of international trade for economy. After analyzing and studying all material in bachelor thesis I came to the solution that there is a strict dependency on the economy in terms of international trade because on the example of South Korea data have proved my point of view. Free economic zones are crucial force in regional economic development and industrialization. It can't be imagined a well-sufficient free economic zone without decent financial and banking infrastructure with the aim of for servicing and engineering.

To conclude I would like to make a statement what is needed to be done:

By financial service liberalization with SEZ in near future could make huge impact to direct and indirect financing of export operation, by and large contributing to economic growth.

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