

Portfolio investment specifics of commercial banks in Russia.

Yadrin Alexander

Chair of Banking, St. Petersburg University of Economics and Finance

Annotation:

This article briefly discusses the modern problem of commercial banks in the fund's formation. It has basic definitions and characteristics of the portfolio investment in the banking.

Keywords: banking, equity, portfolio investment.

Russian current economic policy is in the process of a new growth. The post-crisis period from 2010 indicated with a positive growth trend in almost all industries. Conclusions drawn from the macroeconomic downturn, marked the beginning of the formation of a radical change in the economic and political life. It should be noted that the current transformation take place in Russia, qualitatively change the situation of economic institutions.

According to the strategy of the banking sector in Russia in 2012, the Central Bank obligates to raise equity capital of commercial banks. This measure helps to improve the reliability and stability of banks, making them reliable in a single economic system. However, this requirement is "unpopular" in the banking sector, as the guides are not accrued capital to expand or strengthen the position of the bank in the local market and to create a "safety cushion" in case of instability. From the perspective of the state, this measure helps to strengthen the financial system, but on the other hand, this measure reduces the maneuverability of funds for operational activities of the bank. In addition, the profit of the banks would transfer to the formation of a portfolio investment. In this case, firstly, to preserve capital impairment. Secondly, the bank would receive a return on investment. And the third, the capital is formed, which can be used in cases of instability.

The investment portfolio is formed as a result of investment operations, which are the activities of the attachment of funds of the bank on a relatively long period of time in securities, real estate, the statutory funds of enterprises, collections,

precious metals and other objects of investments, market value of which has the ability to grow and to bring the owner of interest income, dividends, profits from the resale and other direct and indirect revenues.

Portfolio investment includes both financial and real investment. Financial investments - is investing in a variety of financial instruments such as securities, deposit accounts, special bank deposits, shares, shares, investment in the authorized capital of companies. Real investment - is to invest in tangible and intangible assets. By investing material objects belong: at home, buildings, equipment, precious metals, collections, and other commodity-material values. This group includes investment in reproduction and growth of fixed and current assets, which are implemented in the form of capital investment.

Significant portion of the portfolio securities of the bank is part of the investment portfolio, forming a financial investment. However, given the long-term investment, not all securities that are in the banking book, can be classified as an investment. Thus, in the form of debt securities - bills, treasury bills with circulation period of a year, derivatives are not legally classified as investments.

Nevertheless, banking - is first and foremost, financial activities, so it should be considered financial investments of the bank's management as a priority investment. Of course, the real investment in any case take a share of the active operations of the bank, at least in the form of capital investment. But excessive concentration of the investment portfolio of banks in the real investment is regarded as the exercise of unusual bank activity. The success of such activities are primarily determined by the availability of highly skilled professionals is not only a profound knowledge of financial markets, but also features production and scientific-technical activities of the functioning of other markets such as real estate market, commodity market or art market. Underestimating these factors in the formation of real investment has led to a significant deterioration in financial condition and even the bankruptcy of many banks in the U.S. in the 1980s, when they too came to the admiration of investing in real estate.

In practice, many foreign and domestic banks' financial investment remains a priority investment, so often associated with an investment portfolio of the securities portfolio of the bank. Nevertheless, by the bank's securities portfolio, as opposed to an investment portfolio includes not only investment securities (capital market instruments), and the tools and short-term (instrument, derivatives, short-term treasuries).

In addition, a list of the functions of the securities portfolio is much larger for the function, which performs its investment portfolio. Thus, the main purpose of the investment bank's activities is income in the future, in any form of dividends, profits from the rising cost of acquired assets and interest payments. The securities portfolio of the bank, except for income generation, performs a number of other important functions, including liquidity support, risk reduction, stabilization of the general revenues of the bank, providing flexibility of portfolio assets. The portfolio investments, particularly real, by contrast, is characterized by increased risk-taking, liquidity and reduces the possibility of rapid restructuring of assets.

Investment activity of the stock market in most countries is regulated by supervisory authorities and the banks have completed and regulatory requirements of central banks. It bounces on the investment decisions and the formation of the securities portfolio of the bank. Russian banks in this sense, two aspects are important: setting standards for investment and the formation of a mandatory provision for compensation for possible losses on securities transactions.

The ratio of investment in securities individually for every institution (H11) is determined by the ratio of the amount of funds invested in the purchase of shares (stocks, shares) separately for each issuer, the bank's regulatory capital. Standard value is not to exceed 15%.

The ratio of the total investment (H12) is determined by the ratio of the amount of funds that are invested (purchase of shares and other securities with a floating profit of any entity in the portfolios of the bank for sale and for investment, as well as investment in associated companies and subsidiaries), to the

bank's regulatory capital . Standard value is not greater than for the universal banks - 60%, for clearing - 10% for investment - 90%.

Ratios of investment aimed at implementing this method of risk reduction as diversification. In a rational approach to the formation of the portfolio securities, these requirements do not affect the investment activities of banks. More bank's restrictive create the need for a mandatory provision for compensation for possible losses on securities transactions.

Appointment of a reserve for compensation of possible losses from securities transactions is to compensate for realized investment risks. Therefore, logically form a reserve given the magnitude of potential losses for those securities that are included in the banking portfolio. And here arises the problem of an adequate risk assessment, because the analysis can be applied to different approaches and techniques.

Thus, the investment activities of a commercial bank is able to significantly strengthen the financial position of the institution through the establishment of a group of assets that the bank will provide at least the preservation of money, subject to the necessary conditions for investment income growth and capital stability.