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PRINCIPLES OF THE CREDIT INSTITUTIONS' FINANCIAL STABILITY PROVIDING

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Principles are one of the fundamental aspects of the conceptualization of the credit institutions' financial stability providing. Firstly, we have revealed the principles of the credit institution's financial stability, based on Schinasi's methodology, that are as follows: 1) the factors of the credit institutions' financial stability are not just limited by the financial-and-economic aspects of the institutions' activity; 2) financial stable credit institution is able to function uninterruptedly and effectively as a mediator in crediting (we mean financial resource allocation as well as theirs funding) and in payments; 3) credit institution's financial stability does not mean only avoiding its bankruptcy, but first of all it deals with the providing appropriate coverage of the negative consequences of the internal misbalances and prevents theirs influence on the real economy and support long-term resistance of the credit institution to the negative changes in the external environment; 4) financial stability is a continuum of the credit institution's states, being in which an institution saves its effectiveness and functionality.

It's revealed that the process of the credit institutions' financial stability providing is often represented like a financial firmness, liquidity, solvency, reliability and profitability management. We reckon that the financial stability providing approach, based on 1) exclusive taking into consideration and satisfaction the rights of the limited participants (first of all, stakeholders and management); 2) individual risks management for ensuring institution's firmness to the internal and external shocks in some periods of time cannot be considered as a consummate one and is not able to guarantee long-term prospects of the institution's effective functioning. In particular, the current financial firmness of the credit institution ensures an effective realization of its functional mission and its ability to hold up the resistance to the internal and external shocks during current period of time. But at the same time its financial state won't possess appropriate potential for future resistance to the negative influences. In such case credit institution is financially strong in a current moment, but its level of the financial stability is minimal and if qualitative and quantitative characteristics of the credit institution's financial state are unchangeable and besides this some threats materialize than the institution most probably will be destabilized. In my opinion, the process of the credit institution's financial stability providing should be realized grounded on such specific principles:

- the principle of the advanced circumspection that means the institution's avoiding of the negative effects of the potential market situation changes by the reserves forming in advance taking into consideration activity's dynamics and system influence of the institution. We think that advanced circumspect behavior of the credit institution should be caused not by the regulator's implementation of the countercyclical supervision, but by the corporate standards;
- the principle of the adaptation that means systematical monitoring, assessment of the financial stability threats' realization probability and forecasting theirs consequences in order to adjust institution's internal adaptation mechanism in time;
- the principle of the balanced profitability that means the supporting of the optimal profitability level that is on the one hand sufficient for the stakeholders' financial interests' satisfaction and on another it can prevent excessive risks accumulation;
- the principle of the economic responsibility that means the creation of the long-term, balanced relationships with clients, harmonization of the credit institution and society interests, based on the economic effectiveness and social justice;
- the principle of the social responsibility that means management responsibility for the complete, consecutive and thorough consideration and fulfillment of the legislation and ethical business standards;
- the principle of the surplus. We reckon that internal requirements for the safety reserves which are to be formed by the credit institutions for the theirs financial stability providing, must be higher than those in laws. Legislation implements the minimal norms and standards, which execution helps to balance threats' results and instruments' ability to mitigate them in order to provide normal

functioning. But for supporting stable long-term development of the credit institution it's important to secure quantitative and qualitative surplus of the instruments that are used to provide financial stability of the credit institution related to external and internal potential threats.

Except these special principles the process of the credit institution's financial stability providing should be grounded on such general principles: the principle of the scientific substantiation; the principle of the complexity; the principle of the continuity; the principle of the trust; the principle of the effectiveness.

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