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THEORETICAL ASPECTS OF FUNCTIONING OF THE RISK MANAGEMENT SYSTEM IN THE ACTIVITIES OF THE BANK

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Annotation. *The given paper deals with the economic nature of risks in the activities of the bank. The main approaches to the interpretation of this economic category are defined, as well as the main types of risks, their classification and specifics are considered. The methods of analyzing of the level of risk are described. The main stages of the risk management process are studied in the paper. The key features of risk management and the available experience of foreign and domestic banks of Ukraine in regulation and minimization of risks are analyzed.*

Key words: *bank, classification, methods, risk, risk management.*

Risk is an integral part of banking business. As like in any financial and economic activity, there is a high dependence of management decision depended upon a large number of factors and the actions of counterparties. And as a rule, the uncertainty with its incredible processes is associated with the emergence of the risk caused by its complexity of giving a firm projection of future events.

In order for the work of a bank to be effective, relevant risk management frameworks should be followed. To ensure the effectiveness of the risk management process in banking next steps below should be followed:

- all kinds of risks are interrelated;
- banking risks and customer risks are connected;
- the level of the risk influenced by the external dynamic environment always changes;
- bankers have to avoid risks more than entrepreneurs, because they are dealing with other people's money.

The main task of the management framework is the identification, quantification, minimization and monitoring of the risks occurred in a bank work. All risks should be consciously controlled for the effective functioning of the bank.

The approaches of different authors to the theoretical aspects of a nature of a risk in banking system and their classifications are analyzed. Also, the main stages of the risk management process in banking business are explored. The main methods of the risk level in banking system analysis: the method of analyzing the viability, expert opinions, statistical, analytical and GAP-method.

The brand new method of risk assessment during the inspection of the banks (risk-based approach) was addressed. This method was drawn up on the basis of the European methodology SREP (Supervisory Review and Evaluation process). It describes the threat to the vital activities of a bank and faces the need for taking special measures depending on a risk activity.

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