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THEORETICAL APPROACHES TO DETERMINING THE ESSENCE OF SYSTEMICALLY IMPORTANT BANKS

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Abstract. *The article deals with various scientific approaches to the interpretation of the concepts of “systemically significant financial institution” and “systemically significant bank”. The difference between the concepts of “systemically important financial institution”, “systemically significant financial institution” and “system-forming financial institution” is given. The concepts of systemic risk and systemic importance of the bank are considered. The author presents the interpretation of the concept of “systemically significant bank” considering its main characteristics.*

Key words: *systemically important financial institution, systemically important bank, systemic risk, systemic importance.*

Recent financial crises and financial threats around the world have shown a high level of concentration and consolidation in the banking market and, as a consequence, dependence of the banking sector on the stability of systemically important institutions. In many cases, the accumulation of imbalances and risks are the results of the activities of systemically important banks, which can be threats for stability of the entire banking system and the economy as well. Significant activities of systemically important banks provoke problems in ensuring economic competition and stability in the banking market. Therefore it is particularly relevant to explore the activities of such institutions, especially in the context of the theoretical background and conceptual apparatus. Thus the purpose of the article is to estimate the impact of systemically important banks of the banking system and real economy and to determine and

develop the theoretical basis of the essence of systemically important banks.

The study found that discussions about the essence of systemically important banks has three approaches: as ability of such institutions to influence the financial system, as the relevance of a set of features of systemic importance, and the synthesis of the ability to influence the financial system and the features of systemic importance. All presented approaches are based on systemic risk, as the institution that is the source of systemic risk can be considered as systemically important. That is why the essence of systemic risk is also determined by author. The article deals with the reasons of such impact of systemically important banks to the banking system and the financial system overall. Thus, the features of the systemically important banks, such as size of activity, complexity, importance, strategies of activity, interconnection, substitution

uniqueness of activity etc., are given. As a result of the study the author's interpretation of the concept of "systemically important bank" is given considering the disclosure of its main characteristics and its affiliation to systemic risk.

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