

Analysis of the Problems of Creating a Common Financial Market of the Eurasian Economic Union as a Factor of its Integration Interaction. Reproductive Approach

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Abstract—The novelty of the article consists in the analysis of the "Concept of the Formation of the Common Market of the Eurasian Economic Union (EAEU) countries" on the basis of its interrelation with the process of reproduction taking into account the "Declaration on Further Development of Integration Processes within the Eurasian Economic Union". In this regard, the object of the analysis is the creation of a common financial market, mechanism of attraction and redistribution of the financial resources of the EAEU member states in order to develop a common market of factors of production. The subject of analysis is the development of the Eurasian economic integration. To this end, the authors set out to intensify the cooperation of the industrial production, agriculture and infrastructure projects, the development of criteria for the selection of the interstate projects and target programs for the EAEU countries in the development of the roadmap for the implementation of the concept of the EAEU common financial market proposed to specify its functional and institutional structure, focused on the socio-economic development of the member states. Based on the theory of risk management, it was proposed to forecast the risks of operations in the EAEU common financial market and to use the chance to reduce them.

Keywords—Eurasian Economic Union (EAEU); EAEU common financial market; common market of goods and services; production cooperation; risks of operations in the financial market; a chance to reduce the risk of losses

I. INTRODUCTION

The concept of the EAEU common financial market as a sphere of the market relations on attraction and redistribution of financial resources of the EAEU member states determines the priority importance of the development of its concept. Conceptual principles of the common financial market formation were developed by the EAEU countries in accordance with the Treaty on the EAEU (2014). The Heads of States of the EAEU countries instructed the governments and the central (national) banks, together with the Eurasian Economic Commission (2016), to develop the Concept of Forming a Common Financial Market, which was approved by the Supreme Eurasian Economic Council on October 1, 2019. The Concept defines the main goals, objectives and directions of forming a common financial market with the subsequent development of roadmaps with the stages and measures for their implementation, the legal framework for the functioning

of the common financial market, the procedure of information interaction and administrative cooperation of the financial market regulators, tasks and powers of the supranational financial market regulator of the EAEU.

II. METHODOLOGY

The definition of the financial market as a sphere of market relations for attracting and redistributing the financial resources in order to strengthen the integration interaction of the member states determines its direct and backward connection with the reproduction process. The reproductive approach to the analysis of the concept of the common financial market has revealed the need for a roadmap for its implementation to focus on improving the macroeconomic and financial performance of the EAEU countries in order to ensure the development of this market. It was also proposed to speed up the completion of the creation of a common market of factors of production, as it is important from the methodological point of view taking into account their interrelation. The scientific concept of the EAEU regional common financial market as a set of its segments – stock, credit, currency and insurance – allows to assess positively the creation of the EAEU Integrated Foreign Exchange (FX) Market at the Moscow Exchange as one of the segments of the common financial market. The proposal on gradual formation of the other segments of the common financial market is also justified. From the methodological point of view, the implementation of the principles of the Concept of Forming a Common Financial Market of the EAEU countries is an important factor in their further integration development. In accordance with the Treaty on the EAEU, the parties undertook to form a common financial market in the banking and insurance sectors and in the securities market. The concept of forming a common financial market for the EAEU is actually the core of the Union's regulatory framework in this area.

The Concept defines the main goals, objectives and key directions of formation of the common financial market with indication of the stages and measures for their implementation, the legal basis for its functioning, the procedure of information interaction and administrative cooperation of the financial market regulators, tasks and powers of the supranational body for regulation of the common financial market of the EAEU.

On October 1, 2019, the Concept of Forming a Common Financial Market was approved by the decision of the Supreme Eurasian Economic Council.

The research is based on the system methodology as a component of the concept of development of integration interaction between the EAEU member states. A comprehensive approach has been applied to the formation of integration cooperation between countries in the financial sector. Factors influencing the development of the common financial market of the EAEU are systematized [1].

III. COMMON FINANCIAL MARKET AS A BASIS FOR INTEGRATION BETWEEN THE EAEU COUNTRIES

The above Concept defines the common financial market as the financial market member states of the EAEU, which enables simplified and non-discriminatory access of financial market participants to each other's markets [2]. According to the Concept, the common financial market of the EAEU countries can be considered as a set of the national financial markets. The common financial market should contribute to ensuring their sustainability and further deepening of regional financial and economic integration. In the EAEU common financial market, such elements of the organization of the issue of the financial instruments as the assignment of a rating to a borrower, the organization of security measures, including the formation of a pledge, listing, etc., can be simplified or abolished altogether. The organization of the multilateral settlements becomes simpler and cheaper [6].

The Eurasian Economic Commission (EEC) and representatives of EAEU countries have been working on the creation of the EAEU common financial market for a number of years. To date, a draft plan for the harmonization of the financial legislation in the EAEU Member States has been developed and approved by the decision of the EEC Advisory Committee on the Financial Markets. The plan should be submitted for approval in accordance with the Agreement on Harmonization of the Legislation of the EAEU Member States in the Financial Market [3].

At the same time, the Agreement on the admission of brokers and dealers of one EAEU member state to participate in the organized trading at the stock exchanges of other member states is being developed. The agreement on the admission of brokers and dealers will facilitate their mutual access to the EAEU stock exchanges, creation of a common exchange space and integration of the financial markets in general. Exchanges are the central link in the financial infrastructure, performing not only the functions of trading organizers, but also contributing to the process of technology development and integration [4].

The agreement on the admission of brokers and dealers provides for the removal of barriers in the recognition of broker and dealer licenses, while ensuring the possibility of their non-discriminatory direct participation in the stock exchanges of the EAEU countries and settlement systems. This agreement does not establish full recognition of broker and dealer licenses, as it is limited only to admission to trading and prohibits the admission to brokerage services of clients from the rest of the EEU countries. However, there are currently significant differences of opinion among countries on the subject matter of this agreement.

Draft Agreement on mutual admission to the placement and circulation of securities on stock exchanges in the member states of the Eurasian Economic Union was created by the EEC as a continuation of the pilot project on mutual admission of brokers and dealers to stock exchanges of the EAEU.

The purpose of this agreement is to ensure that issuers in the countries of the EAEU are able to trade on all stock exchanges within the EAEU, as a result of which the issuers have wide access to investment resources and thus reduce the cost of funding.

The key principles of the agreement are

- Non-discriminatory admission of securities to the EAEU Common Exchange Space.
- A free model of securities admission to the EAEU exchanges, the implementation of which remains fundamentally outside the scope of the agreement and is at the discretion of the exchanges.
- Coverage by agreement of both the circulation of securities and their primary (parallel placement on several exchange floors) placement.

Limitations of the agreement are (at the pilot project stage):

- Admission of only issuable securities.
- Admission of only securities of the highest security category (in accordance with the classification of the exchange of the country of registration of the issuer).
- Admission to trading exclusively on the EAEU stock exchanges (trade organizers). OTC trading is not regulated by this agreement.

So, the broker:

- Does not leave its stock exchange.
- Does not incur any additional costs.
- Serves all its clients with access to new investment objects.
- Gets direct access, but only to securities and only to the highest quality category.

A draft roadmap for the formation of a common EAEU exchange space has also been developed. The draft roadmap provides for the consistent implementation of the EAEU policy on the formation of a common exchange space, including the elimination of barriers in the regulation of capital markets, ensuring mutual access of brokers and dealers to participate in trading, ensuring the freedom of circulation of securities on exchange markets, the development of exchange rules and regulations for the cross-border activity of issuers and investors of EAEU member states, the development of common quality standards for traded securities, the rules of circulation of financial derivatives, creation of the international institutions of the EAEU capital market, etc.

The Integrated FX market should become a part of the EAEU common financial market in accordance with the goals and objectives set out in the Treaty on the EAEU. The main objective of the EAEU Integrated FX Market is to ensure that each of the EAEU countries has access to its national market

for non-resident banks to carry out interbank conversion operations on terms no less favorable than those provided to resident banks.

To date, the main provisions of the Treaty on the EAEU have generally been implemented at the stock exchanges of the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation. According to the rules of trading, non-resident banks from the EAEU countries are allowed to trade on the stock exchange on an equal footing with the resident banks of these countries.

The Eurasian Economic Commission notes that the creation of the Integrated FX market is an important process for the development of settlements in the national currencies of the EAEU member states. It is expected that an increase in turnover of currency pairs and, as a consequence, a decrease in the cost of the conversion operations will lead to an increase in their attractiveness for use in foreign economic operations [9].

The key documents for the creation of the Integrated FX market are the following:

- The Agreement on Cooperation in the Field of Organization of the Integrated FX of the Member States of the Eurasian Economic Community (2006).
- The Agreement on the Harmonized Principles of Currency Policy (2010), now invalid.
- The Agreement on Cooperation in the Field of the Organization of the Integrated FX Market of the Member States of the Commonwealth of Independent States (2012).
- Treaty on the Eurasian Economic Union (2014).

Further development of the Integrated FX Market as a part of the common financial market will require solving a number of problems. Among them:

- The problem of access to the FX trading not only for banks, but also for other professional participants.
- The problem of expanding the range of the financial instruments and filling the market with liquidity in the national currencies of the EAEU countries.
- The need for support from regulators – central (national) banks – in the development of trading in national currency pairs.
- The problem of expansion by admitting participants from countries wishing to join the integration processes taking place within the EAEU (Vietnam, Turkey, etc.) [5, 8].

As some experts note, the integration of the financial markets is faster than economic integration, and does not require such a large-scale transfer of national sovereignty to the level of supranational structures [6]. However, despite the efforts to develop regulatory documents, the formation of a common financial market in the EAEU is constrained by the same factors that affect the overall integration processes in the EAEU. These are relatively low economic potential, differentiation in the level of economic development, insufficient development of national financial markets, preservation of obstacles to the free movement of production factors, a number of currency restrictions, lack of financial

resources in the EAEU countries, etc. [1]. An important reason for the restrained development of integration processes in the financial sphere in the EAEU is the certain fears of loss of a part of national sovereignty by the member states in the further development of supranational integration institutions and giving them greater powers [6].

The priorities of the common financial market and the main criterion of its efficiency should be the focus on stimulating economic growth and ensuring financial stability in the region. Proceeding from this postulate, it is necessary to focus efforts on consolidation of the banking sector and increase its financial stability, to intensify measures aimed at the uniform development of all segments of the financial market with increasing the role of securities and insurance markets in the development of the real sector of the economy and increasing their share in the structure of the financial market [7].

An important aspect of the development of the common financial market of the EAEU countries should be the development of the principles of protection of the rights of consumers of the financial services in the EAEU. The review of the systems of regulation of the financial services consumers' rights protection in the EAEU countries was prepared based on the results of the study (self-assessment) conducted by the central (national) banks of the EAEU member states in 2016 on the differences in regulation, supervision and law enforcement practices in the field of financial services consumers' rights protection, the principles of the financial commissioner's institution functioning, the systems of response to the financial services consumers' complaints, the powers of the EAEU member states' regulators.

This self-assessment and the exchange of this information between the central (national) banks of the EAEU countries is systematic in the framework of the activities of the Advisory Council of Central (National) Banks on the Protection of the Financial Services Consumers' Rights and Financial Inclusion, starting from 2014. According to the action plan of the mentioned Advisory Council, it is planned to create a catalogue containing information on the status of financial services consumer protection, financial literacy and financial inclusion in the EAEU member states, and to update it regularly in the coming years.

IV. CONCLUSION

Conclusions and proposals for the development of the common financial market of the EAEU countries are the following:

1) The institutional structure of the EAEU common financial market should include not only banks, but also specialized non-banking institutions, including hedge funds.

2) From the functional point of view, it is important to gradually develop not only the stock market, but also all segments of the common financial market, including stock, credit, currency and insurance.

3) When developing the common financial market of the EAEU countries, it is necessary to take into account its peculiarities - low macroeconomic and microfinance indicators of the countries, limited opportunities to increase

the scale of this market, insufficient use of mutual settlements in the national currencies of the EAEU, and the prevalence of world currencies.

4) There is a need to increase access for countries under their joint guarantees.

5) Comply with the standards of global financial and economic regulation of financial markets introduced by the G20 after the global crisis.

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