This allows to claim that SEZ and especially industrial parks are one of the most efficient tool in attracting FDI. In Hungary neither high taxes nor less restrictive business environment did not deter investors from investing in industrial parks the first of which were established already in 1990. In industrial parks is created about one third of Hungarian GDP. In Czech Republic two major industrial parks established in 1994 and 1996 attracted most important investors. During the last decade together with other financial incentives they were instrumental in attracting huge quantities of FDI.

Conclusion

FDI are one of the major instruments of economic growth therefore governments make all attempts to attract them by improving business environment and using diverse investment incentives. But do all these measures achieve their results or are just wasting of resources? Most economists argue that business environment is a major factor making a country attractive for foreign investors, others consider that the availability of resources and market size matter more while third group suppose that only investment incentives can help a country to acquire more FDI. But very likely that right are those claiming that due to diversity and complexity of FDI determinants it is very difficult if not impossible to determine the quantity of FDI attracted by business environment or investment incentives.

A comparison of four business environment indicators did not reveal a relationship between business environment and FDI quantities in CEE countries. Neither two out of three investment incentives (financial and fiscal) demonstrated a strong relationship with FDI volumes. Only a relationship between SEZ and FDI is strong enough to claim that SEZ and especially industrial parks are one of the most efficient tools in attracting FDI.

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THE EFFECTS OF A NEW FINANCIAL SUPERVISORY SYSTEM ON CONSOLIDATION IN BANKING SECTOR

Нещодавня фінансова метушня спонукала до розгляду структури фінансового регулюючого механізму. Реформа існуючої фінансової системи могла б привести до процесів інтеграції та консолідації у банківській справі, оскільки банки відіграють дуже важливу роль в економіці. Ця стаття досліджує зміни фінансової системи Євросоюзу, регулюючих правил, та збільшує потенціал перспективи фінансового сектору. В цій роботі робиться спроба оцінити фінансові структурні зміни Євросоюзу, та, щоб ідентифікувати детермінанти цих змін, досліджується роль фінансових закладів у фінансовій системі, вплив економічного розвитку, особливо для розгляду консолідуючих процесів, що відбуваються у банківському секторі.
Ключові слова: банківська справа, консолідація, регулювання фінансової системи.

Недавняя финансовая суматоха побудила к рассмотрению структуры финансового регулирующего механизма. Реформа существующей финансовой системы могла бы привести к процессам интеграции и консолидации в банковском деле, поскольку банки играют очень важную роль в экономике. Эта статья исследует изменения финансовой системы Евросоюза, регулирующих правил, и увеличивает потенциал перспективы финансового сектора. В этой работе делается попытка оценить финансовые структурные изменения Евросоюза, и, чтобы идентифицировать детерминанты этих изменений, исследуется роль финансовых учреждений в финансовой системе, влияние экономического развития, особенно для рассмотрения консолидирующих процессов, происходящих в банковском секторе.
Ключевые слова: банковское дело, консолидация, регулирование финансовой системы.

The recent financial turmoil has prompted to review the current financial regulatory framework mechanism. The present financial system reform could be a cause of the integration and consolidation processes in banking, because banks play a very important role in the economy. This article examines the changes of European Union's financial system, regulatory rules, and extending the potential of the financial sector perspective. This paper attempts to evaluate the European Union financial structural changes, and to identify the determinants of these changes, examine the role of financial institutions in the financial system, the influence of economic development, especially to consider the consolidation processes going on in the banking sector.
Keywords: Banking, consolidation, financial system regulation.

The last few decades' changes in the global environment (market globalization, liberalization in finance and investment, as well as technological changes) have created a situation that facilitates consolidation process in the financial system. Establishment the European Union was intended to create an integrated union. As market is more integrated, the easier is spreading "infection effect" (or systemic risk). This effect is particularly dangerous in a highly integrated markets, in particular it was seen in the latter's financial crisis then a lack of confidence in the market quickly spread to other markets and caused a lot of negative consequences: the collapse of banks, liquidity problems in the financial markets, public debt growth, and etc.

The recent financial turmoil has prompted researchers, politicians, and other public representatives from different countries to review the current financial regulatory framework mechanism and their impact on financial sector prospects. In the present decision to regulate the financial sector, it is clear that this will affect the future of the sector's development prospects.

There are a number of issues [10, 22, 26] that analyzed M&As in the banking sector. Some researches [5, 15, 20] are designed for analysis of M&As in the Europe context. There are several studies [2, 13, 25] that examined consolidation and integration process in EU and resolution for European banking system. Also some researches [4, 11, 12, 16, 17, 18, 19, 23] analysed financial supervisory system, the challenges to reform this systems and impact on consolidation in banking sector.

The purpose of the paper is to analyse the process of financial system regulation in Europe and its impact on possible European Union's financial system changes. In particular, author focus on how the international financial crisis has affected supervision financial system.

The author of this article conceptually overview the recent financial downturn decisions regulating financial institutions, as well as evaluate potential prospects in the European financial sector, especially in banking sector.

The following *research methods* are used: a scientific literature analysis and synthesis, statistic data analysis, analytical and statistical information organization, comparison and aggregation methods.

The Challenges of the EU Financial Supervisory System. The recent financial crisis has resulted in an excess of governmental and regulatory actions. In response to the financial crisis, the European Commission started consulting on and implementing changes to the Capital Requirements Directive (comprising two directives: Directive 2006/48/EC and Directive 2006/49/EC) [21]. The main changes should be done in key areas: liquidity standards, definition of capital, leverage ratio, counterparty credit risk, counter-cyclical measures including through-the-cycle provisioning for expected credit losses, systemically important financial institutions and single rule book in banking, etc. The new EU rules on capital requirements for credit institutions aim to establish a comprehensive and risk-sensitive framework and foster enhanced risk management amongst financial institutions. According to the EU, this would maximize the effectiveness of the capital rules in ensuring continuing financial stability, maintaining confidence in financial institutions.

According to de Larosière Group, in December 2010 European Systemic Risk Board was established, which is responsible for the macro-prudential oversight of the financial system within the EU. In January 2011 the European Banking Authority (EBA) was established. The EBA main responsibilities are preventing regulatory arbitrage, guaranteeing a level playing field, strengthening international supervisory co-ordination, promoting supervisory convergence, and providing advice to EU institutions in banking. Todays the European supervisory architecture is presenting in Fig. 1.

Some researches [12, 18, 19] analysed new supervisory architecture proposes to evaluate how regulating institution share relevant information about banks activity and risk to have a whole view of all banks-group risk. Also there should be an arrangement how to co-ordinate decisions by the authorities. New model makes it possible EU countries to share the information about the status of the banks operating in their country, because new model ensure coordination in micro and macro prudential level between the EU countries. But European Financial supervisors system could potentially conflict with national supervisory authorities. And the most important challenge is to assume responsibility for an institution which is facing financial problems. For systemic problems, the government would have to intervene. There is a problem if countries governments – country of origin or country of residence – should contribute to the bank rescue and/or taxpayer in one country is willing to support the depositors in another country. This is the too-big-to-supervise problem. And the complex supervisory structure with a number new institution may not produce the intention more efficient and stable European financial system.

M. Stichele [23] agreed that new financial supervisory system should be more integrated and consolidated. Key decisions must be taken at the highest level of EU bodies, because the fragmentation of financial regulation and supervision contrasts with the expansion of the EU-wide financial markets and financial services providers, and existing structures did not function to prevent the crash. Some researches [4, 11] combine different view in regulation system. As the EU's consists of different countries with different financial system the local financial institution should be ruled and supervised by that country law, and in countries where banks and other institutions have branches or subsidiaries in other EU countries should be supervised by EU-level rules. It argues that a supranational supervisory system is now needed for some intermediaries, but that proximity to market actors at national level remains important.

Fig. 1. The new European supervisory architecture

Source: authors' own based on [24]

D. Masciandaro *et al.* [17] analyses showed that the degree of convergence among the EU countries is low. This may be one of the major problems in the financial system oversight at EU level. Other study [16] showed that consolidation in supervision and good supervisory governance are negatively correlated with resilience; the degree of involvement of the central bank in supervision did not have any significant impact on resilience, and the impact on resilience of the supervisory regimes is deeply intertwined with the quality of public sector regulation in general, and with the degree of financial liberalization in particular. Each supervisory feature can have a different impact depending on the overall setting.

Other the most important areas of banking supervision of the challenges ahead are the new Basel capital agreement on the rules for calculating capital adequacy. Basel III main goal is to enhance bank and banking sector resilience to unexpected shocks and thereby promote financial stability. Basel III provides a global baseline for capital, leverage, and liquidity requirements. New rules changes rules for calculating capital requirements. According Basel III agreement [3] started from 1 January 2019, minimum common equity capital ratio should be 4.5%, capital conservation buffer must seek 2.5%, minimum tier 1 capital – 6%, minimum total capital – 8%, and minimum total capital plus conservation buffer should be 10.5%. New regulation requires banks to lift their reserves substantially and proportion of capital that banks need to hold in reserve increase. This situation will lead banks to re-assess and adjust their business lines towards diversified, safer, and more rational models and risk practices. New banking regulation rules may be a driver of M&A activity. Larger banks have more opportunities to diversify their assets and hold relatively less capital in reserves. Consolidation may also be considerable convergence of financial institutions to a new universal model of retail banking, operating in different activities and countries.

The Boston Consulting Group [8] made some calculation having regard to the future capital requirements of the agreement. Calculations shows that banks faced the equivalent of a 354bn euros shortfall in the capital required to comply with the minimum Basel III core tier 1 ratio. To put the shortfall in perspective banks would need to reduce their risk-weighted assets by 5 trillion euros (about 17 %) to close the gap. The shortfall is the largest in Europe, at 221bn euros. The European banks have raised 73bn euros in capital since the start of the financial crisis, but they should take further steps to improve capital ratios by reducing their risk-weighted assets and retaining profits. Similar image is presented by the European Banking Authority. The latest stress-testing determined that the aggregated shortfall amounts to 114.7bn euros [1]. The banks with the biggest capital shortfalls are those from Spain, Greece and Italy.

Mergers and Acquisition in European Banking Sector. Banks as the financial intermediaries and credit institutions importance of the economy is undeniable. Banks' market power can be seen analysed the EU countries banking assets and loan portfolio size. All EU-27 countries banking systems assets consist of 43 trillion euro in 2010. 10 EU countries have banking system with more than 1 trillion euros. Two non-euro zone countries, United Kingdom and Sweden banking systems has 11,5 trillion euros and it is about 27 per cent of total EU-27 banking assets. 21 EU countries banks' loan portfolio consists of more than 60 per cent banks' assets. Only Austria, Germany, Italy, Luxemburg, Poland, Spain and United Kingdom banking loans portfolio consist less than 50 per cent of total banking assets. This indicator should be noted, probably the rest of the banking assets consists of the investment (and can be risky, especially what is observed in Spain and Italy). United Kingdom and Luxembourg can be distinguished because they have more common market-based financial structure than other EU countries.

Another important factor of banking systems is the market competition. Former banking crises were associated with a declining number of banks at least if there were no legal barriers to mergers and acquisitions. According to K. Vogler-Ludwig, H. Giernalczyk [13] mergers are driven by three forces: the reduction of risks with the help of diversified financial structures, the economies of scale in the operation of financial services, and the increase of market power. These forces have resulted in rising market shares of the five biggest banks in Europe: in 14 of the 27 EU Member States these five banks have a market share of over 60 % (see Table 1). In Estonia, Finland, Lithuania and Netherlands the five biggest banks have more than 80 per cent in total banking assets. Analysed other market concentration ratio – HHI (HHI>0,180 – high concentration), observed the same trends but the banking market in all EU are in moderate concentration level or competitive (HHI is about 0,11). Additionally, concentration may not necessarily be an adequate measure of competition.

Analysed EU market integration is very important to look at mergers and acquisition process in banking sector. During 2000-H1 2010 M&A were more than 1100 transaction. However, the maximum number of transactions dropped in 2008, but. M&A activity started to pick up in 2009, with the clearest increase taking place in the subcategory of domestic deals. [7]. One of the measures of integration process in banking market is a cross-border activity of banks, for example, the establishment and activity of foreign branches and subsidiaries. Another way to analyse banking cross-border activity is a cross-border merger and acquisition (M&A) activity. Figure 2 present the cross-border M&A transaction in Eurozone banking sector. Analysed 2007-2011 period, in 2008 was the biggest value of cross-border deals, but largely number of deals was in 2009. Most of deals were accelerated or induced by the financial crisis. The financial crisis has not stopped mergers and acquisitions in the financial industries, but it has only changed the criteria. Consolidation is occurring as economically strong banks take the opportunity to acquire those that were seriously impaired in the crisis. Governments forced banks in which they held a stake to restructure and separate from risky parts, but limited duration of government recapitalisation measures are could be another reason which may offer M&A opportunities in banking sector. According *mergermarket* data base [14] in 2012 was announced 25 M&A deals in banking sector, which consist 16 domestic acquisitions, 8 cross-border acquisitions deals, and 1 domestic merger deal. It is important to note that 9 deals started in 2012 were completed.

Table 1. **Herfindahl-Hirschman index for credit institutions and share of total assets of the five largest credit institutions (index ranging from 0 to 10,000 and share of the five largest credit institutions in per cent)**

	HHI for credit institutions					Shares of the 5 largest CIs in total assets				
	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006
Austria	0,038	0,041	0,045	0,053	0,053	35,87	37,24	39,01	42,83	43,78
Belgium	0,144	0,162	0,188	0,208	0,204	74,86	77,12	80,84	83,42	84,39
Bulgaria	0,079	0,085	0,083	0,083	0,071	55,17	58,29	57,31	56,69	50,34
Cyprus	0,117	0,109	0,102	0,109	0,106	65,78	64,88	63,81	64,90	63,93
Czech Republic	0,104	0,103	0,101	0,110	0,110	62,42	62,40	62,05	65,71	64,06
Denmark	0,108	0,104	0,123	0,112	0,107	64,42	63,99	65,96	64,23	64,69
Estonia	0,293	0,309	0,312	0,341	0,359	92,26	93,43	94,75	95,75	97,11
Finland	0,355	0,312	0,316	0,254	0,256	83,83	82,58	82,82	81,17	82,29
France	0,061	0,061	0,068	0,068	0,073	47,40	47,21	51,16	51,84	52,33
Germany	0,030	0,021	0,019	0,018	0,018	32,60	25,01	22,74	22,00	21,99
Greece	0,121	0,118	0,117	0,110	0,110	70,56	69,19	69,50	67,70	66,30
Hungary	0,081	0,086	0,082	0,084	0,082	54,67	55,18	54,45	54,08	53,53
Ireland	0,090	0,090	0,080	0,070	0,060	56,84	58,76	55,34	50,39	48,96
Italy	0,040	0,030	0,031	0,033	0,022	39,25	30,96	31,18	33,05	26,24
Latvia	0,100	0,118	0,120	0,116	0,127	60,43	69,35	70,24	67,24	69,17
Lithuania	**0,155**	**0,169**	**0,171**	**0,183**	**0,191**	**78,83**	**80,48**	**81,25**	**80,91**	**82,49**
Luxembourg	0,034	0,031	0,031	0,032	0,033	30,90	29,31	29,71	30,58	31,54
Malta	0,118	0,125	0,124	0,118	0,117	71,21	72,79	72,83	70,22	70,93
Netherlands	0,205	0,203	0,217	0,193	0,182	84,39	85,03	86,75	86,33	85,07
Poland	0,056	0,057	0,056	0,064	0,060	43,37	43,93	44,22	46,60	46,11
Portugal	0,120	0,115	0,111	0,110	0,113	70,81	70,13	69,10	67,81	67,93
Romania	0,087	0,086	0,092	0,104	0,117	52,70	52,40	54,00	56,30	60,10
Slovakia	0,124	0,127	0,120	0,108	0,113	72,03	72,09	71,55	68,15	66,85
Slovenia	0,116	0,126	0,127	0,128	0,130	59,27	59,65	59,14	59,48	61,99
Spain	0,053	0,051	0,050	0,046	0,044	44,30	43,30	42,40	41,00	40,40
Sweden	0,086	0,090	0,095	0,093	0,086	57,78	60,66	61,87	61,01	57,79
United Kingdom	0,052	0,047	0,041	0,045	0,039	42,51	40,78	36,49	40,71	35,95
EU-27 unweighted average	**0,110**	**0,110**	**0,112**	**0,111**	**0,111**	**59,42**	**59,49**	**59,65**	**59,63**	**59,12**

Source: authors' own based on [6, 7]

Future trends in M&A are far from being clear. Efficiency enhancements such as the concentration of functions at the group level, the transfer of technology and managerial skills, diversification and advances in the harmonization, and integration of retail payment legislation and infrastructures could be the fundamental drivers of banking integration or consolidation in the future, but the debate about the banks' size in order to avoid additional "too big to fail" cases has become a central issue of policy makers because they are willing to separate big banking groups.

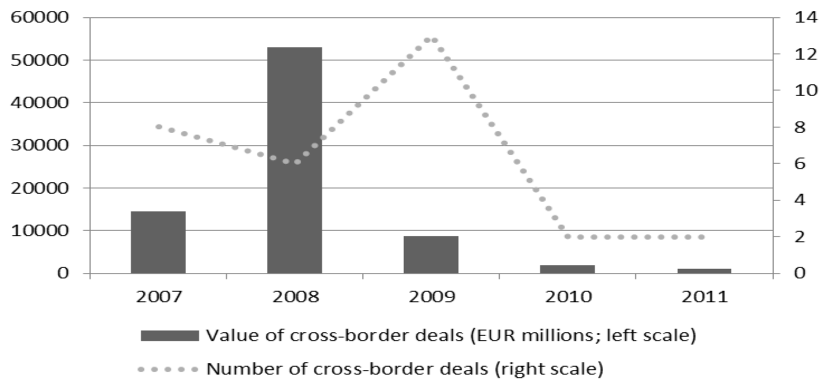

Fig. 2. Cross-border bank M&A activity in euro area

Source: authors' own based on [9]

New banking regulation rules may be a driver of M&A activity. Authors [2, 13] assume that internal ratings-based capital adequacy calculation could release capital. Smaller banks that cannot adopt IRB model will probably face an increase in capital requirements and a decrease in the quality of their balance sheet, thereby becoming easy targets for high performers' institutions. As larger institutions will benefit from adopting credit risk models to efficiently assess their portfolios and release capital, the motivation to reach a larger size will be a comparative advantage in the future, thus in all likelihood accelerating the consolidation wave. Also larger banks have more opportunities to diversify their assets and to hold relatively less capital in reserves. Consolidation may also be considerable convergence of financial institutions to a new universal model of retail banking, operating in different activities and countries.

Banks as being the most important part of the financial intermediaries and seeking to increase their market value may behave irresponsibly (especially leveraged banks), and thus give rise the systemic risk. And financial integration may entail certain risks if financial markets are not supported by a sound regulatory and supervisory framework.

It is important to establish a supervisory and regulatory system that ensures a sustainable and secure banking sector, which is a key financial system participants effectively distribute the financial resources. Therefore, it is important to effectively manage the bank consolidation process and defined the management of financial conglomerates and thus limits the possibilities of express of the systemic risk.

Conclusion. The recent financial turmoil has prompted to review the current financial regulatory framework mechanism.

In drawing up the financial system monitoring mechanism is essential to assess each country's financial system and its components, because it provides sustainable economic development. Currently trying to manage the financial crisis and to ensure financial institutions and markets sustainability are proposed a different monitoring mechanism. However, the existing differences between countries and desire them the same regulatory rules can lead to further financial losses.

Therefore it is important to assess each country opportunity to make decisions itself and their long-term perspective. Institutions, whose activities cross national borders, should be accountable not only to their country of origin of the institution, but also the supranational level of supervisory authority.

Financial system supervisory and regulatory framework ensures financial sustainability of the system but still may create conditions of consolidation processes in the banking sector. Although such processes enables to create an integrated financial market, but on the other hand could arise the systemic risk, which is one of the most dangerous across the whole financial system.

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STABILIZATION POLICY IN GLOBAL ECONOMIC CONDITIONS

У статті аналізуються концепції стабілізаційної політики та їх застосування в глобальних економічних умовах. У статті робиться висновок, що більша близькість понять стабілізаційної політики різних економічних наукових областей визначається взаємозв'язком всесвітньої господарської діяльності – глобалізацією. На національному рівні це сприяє самоадаптації й на міжнародному рівні – координації дій між представниками економічної політики.

Ключові слова: економічна діяльність; глобалізація; стабілізаційна політика, конвергенція, дивергенція.

В статье анализируются концепции стабилизационной политики и их приложения в глобальных экономических условиях. В статье делается вывод, что большая близость понятий стабилизационной политики различных экономических научных областей определяется взаимосвязанностью всемирной хозяйственной деятельности – глобализацией. На национальном уровне это благоприятствует самоадаптации и на международном уровне – координации действий между представителями экономической политики.

Ключевые слова: экономическая деятельность; глобализация; стабилизационная политика, конвергенция, дивергенция.

Article analyzes the concepts of stabilization policies and their application in global economic conditions. The article concludes that greater proximity of stabilization policy notions of various economic science areas is determined by the interconnectivity of world's economic activities – globalization. On national level it fosters self-adaptation and on international level – action coordination between economic policy representatives.

Keywords: economic activity; globalization; stabilization policy, convergence, divergence.

Stabilization policy is often associated with Keynesian aggregate demand-side economics, or global regulation policy carried out in 70's or 80's. In order to emphasize the fact that stabilization policy of economic fluctuations is not exclusively economic policy oriented towards demand the term "stability policy" is used instead of "stabilization policy". The latter is associated with wider implication: the aim of stability policy is not only to restore economic equilibrium, but also to protect from undesirable events, ensure the sustainability of economic development.

Despite the varying concepts, scientists agree that rationale of stabilization, stability and economic policy is the same – state's influence on economic activity of economic subjects. The opinions differ only in respect to nature of economic policy [discretionary or fixed policy rules], measures [supply or demand side policy], degree of state's interference