

Andrii Ramskyi

Doctor of Economics, Professor
Borys Grinchenko Kyiv University, Kyiv, Ukraine
a.ramskyi@kubg.edu.ua
ORCID: 0000-0001-7368-697X

Stella Khazina

Ph.D. in Computer Science Education
Weizmann Institute of Science, Rehovot, Israel
sakhazina@gmail.com
ORCID: 0000-0002-8744-9921

ACTUAL PROBLEMS OF DEVELOPMENT AND OPERATION OF INFORMATION-ANALYTICAL SYSTEMS OF EVALUATION OF RATINGS OF BANKS

Abstract. The article is devoted to current problems of development and operation of information-analytical systems of evaluation of banks ratings. Different methods of calculating ratings of banks - classical used by rating agencies in their daily practice as well as proprietary theoretical and methodological studies presented in modern economic literature have been considered. Special attention in the article is paid to the problem of authenticity of ranking a financial institution, as various individual methods and calculations are used which lead to obtaining differing results. The lack of accountability makes recommendations about the reliability of such information of little use for a primary investor. It has been revealed that ratings today are based on estimates of financial institutions and do not take into account separate investment products. In the investment market a rating should be carried out not only for the banks but also for all investment products.

Keywords: bank rating; information-analytical system; market of investments; investment product; financial security.

Actuality. Investment activity is accompanied by the possibility of losses due to operational, market, macroeconomic and other risks both for the investment market actors and for their clients - investors because potential investors need systematic, complete and accurate information to make correct investment decisions. More and more often different ratings of banks serve as a guide for decision-making.

Foreign experience of professional assessments of financial conditions and stability of financial market actors, especially for taking financial decisions by the population, has shown the effectiveness of rating calculations and formation and periodic updating of rankings of various kinds.

Analysis of Scientific Research. An important role in the development of the information- analytical systems of evaluation of ratings of banks is played by both foreign and domestic scientists and economists I. Babkina, V. Batkovskyy, I. Humen, A. Eliseeva, L. Yeris, O. Kruhmal, A. Karmynskyy, P. Matvienko, R. Mikhailyuk, A. Neznamova, S. Nikolaenko, S. Puplykov, L. Rose, I. Ryzhkova, B. Samorodov, A. Senchenko, L. Sysoeva, A. Falyuta, I. Fomin, O. Hotetovska and others. In the works of the above-mentioned authors mainly theoretical aspects and significance of ratings of banks, directions of their improvement and application are considered. However, a number of problems remain unsolved:

- the reliability of inclusion and evaluation of ratings, as in Ukraine a wide variety of individual methods of calculations are used leading to different results;

- the issues related to the formation and development of national rating evaluation and significance of credit ratings for the creation of economic preconditions under which financial behavior of the population in the investment market as to the acquisition of investment product will be anticipated.

Purpose of the article. The article deals with the identification and study of actual problems arising in the development and operation of information-analytical systems of evaluation of ratings of banks.

Foreign experience of application of professional assessments of financial conditions and financial market actors' stability, especially for taking financial decisions by the population, has shown the effectiveness of rating calculations and formation and periodic updating of ratings of various types.

The introduction of the category of ratings of banks and other financial corporations into the legal framework has created a basis for transferring the evaluation into the realm of popular professional advice. However, the problem of reliability of inclusion and evaluation of ranking remains unsolved as different individual methods and calculations are used, which yield different results. This can lead the population astray while making financial decisions and may negatively influence their financial behavior in the future.

For example, the methodology worked out by R.Kornylyuk includes the interpretation of "rating of a bank" and the order of sampling procedure and the sequence of calculations. The rating of a bank is defined as ranking of the bank based on a comprehensive assessment of its stress resilience and loyalty of investors. In scientific literature there are also other definitions of the term "rating of a bank." In practice three basic methods of ratings based on numbers, indices and points are used. The best-known rating system of banks is the system developed by the world leaders in this field – the rating agencies Standard & Poor's, Moody's Investors Service and Fitch Ratings. The National Bank of Ukraine ranks banks according to the results of each inspection. The basic rating is determined by the results of the last inspection of the bank. Along with the ranking of banks by the National Bank there is a system of internal bank ratings. Internal rating is a standardized assessment of individual credit risk, which is expressed as a generic indicator that has alphabetic or numeric semantics. The bank defines the ranking of the counterparty independently based on internal methodology (Arbuzov, 2011).

The rating takes into account the most important indicators from public information sources that influence the choice of a bank for investing money. The sample of banks for rating includes the banks active in the market of retail deposits as well as certain banks with the volume of retail deposits of more than 1 billion UAH. Insolvent banks which are under the temporary administration are excluded from a rating sample.

Frequency of rating evaluation: every quarter not later than one calendar month since the publication of quarterly statements of the banks to the NBU.

Sources: indicators of financial statements of banks and other necessary information from public sources: the official websites of banking regulators, banks, banking associations as well as rating agencies.

The experts of the Ministry of Finance of Ukraine involved in rating process have at their disposal ranking, compiled on the basis of data from official reports and then adjust the resulting assessment, taking into account their own forecasts and calculations of the bank.

At the same time it is indicated that the MinFin rating of banks is an information product that reflects the opinion of the authors of the site about the level of attractiveness of bank deposit products in terms of stress and loyalty of the bank depositors (Financial portal, 2017).

Rating of stability of the banks for the first quarter of 2017 is compiled on the basis of official financial statements and expert estimates (Table 1). The Raiffeisen Bank Aval was rated first with overall rating of 4.54. In order to determine it the indicators of stress, loyalty of investors, evaluation correction of analysts and place in the rating by assets were evaluated.

Table 1
Rating of stability of banks for Q1 2017, the first 10 rated banks¹

№	Bank	Overall rating	Stress	Loyalty of depositors	Analists`evaluation	Place in the ranking by retail deposits
1	Raiffeisen Bank Aval	4.54	4.50	4.60	4.48	5
2	Credit Agricole bank	4.24	4.50	3.70	4.70	13
3	UkrSibbank	4.09	3.90	4.10	4.56	9
4	Kredobank	4.02	3.50	4.60	4.26	17
5	Oschadbank	3.95	3.80	3.90	4.41	2
6	ProKreditbank	3.88	3.80	3.70	4.33	15
7	Ukrgazbank	3.81	3.10	4.30	4.48	7
8	Alfa-bank	3.70	2.80	4.70	3.89	4
9	Taskobank	3.53	2.70	4.60	3.44	19
10	Megabank	3.51	2.80	4.40	3.67	20

Note: 1 - The "MinFin" rating includes the banks of the first three groups according to the NBU classification as well as small banks with portfolios of retail deposits of 1 billion UAH and more. Financial institutions receive a score from 1 to 5 depending on the parameters that characterize their stress and loyalty of investors, quality of assets, liquidity, the possibility of external support, the increase in deposits, payments reputation, etc.

Source: [Electronic resource]. – Available from: <http://minfin.com.ua/banks/rating/>.

If we compare the above ratings with the ones calculated by the experts of "Official Rating" posted on the Ukrainian banking portal, the first in the ranking as of 01/03/2017 is the "Privatbank". The Privatbank has not only the biggest sum of dividends (about 59.99%), but also 68.99% of liabilities (Table 2).

Table 2
Rating of success of banks of Ukraine¹

№	Bank	Sum of deposits, mln UHrs	Specific weight, %	Share in liabilities, %
1	Privatbank	148 188,69	59,99	68,99
2	Raiffeisen Bank Aval	17 738,69	7,18	37,16
3	Alfa-Bank	15 579,12	6,31	42,22
4	Ukrsotsbank	14 873,38	6,02	54,37
5	OTP Bank	9 013,55	3,65	38,21
6	Pivdennyi	6 772,23	2,74	37,30
7	ProCredit Bank	4 572,25	1,85	43,48
8	Kredobank (Ukraine)	4 057,26	1,64	40,75
9	Taskobank	3 033,90	1,23	35,42
10	Megabank	2 805,51	1,14	34,08

Note: 1- as of March, 2017

Source: Rating of success of Ukrainian banks - 2017 / Ukrainian banking portal data [electronic resource]. - Available from: <http://banker.ua/officialrating>.

The above ratings significantly differ from the ratings of Forbes. The Forbes analyzed the financial results of banks and identified the most viable and successful ones. The best in the ranking in the first half of 2016 were the French Credit Agricole, the Austrian Raiffeisen

Bank Aval, the German ProCredit Bank, the Dutch ING Bank Ukraine, and still the Italian UniCredit.

These banks were in the top five due to the combination of such quantitative indicators of reliability as liquidity, profitability, capital adequacy as well as qualitative factors - uninterrupted payments, support of shareholders and the risks of countries of their origin. The rating is based on their financial statements as of 1 July 2016. Its purpose is to filter banks with the highest internal ability to survive a period of systemic instability.

Since the previous rating two financial institutions - the Fidobank and "Khreshchatyk" have left the list of trusted banks. Both were at the bottom of the ranking table. Both banks were withdrawn from the market due to their insolvency.

Let us note that the increase in the number of banks surveyed in the new ranking - from 27 to 30 — has a technical character due to the correction of the methods of selection. This time, instead of the banks with the market share of more than 0.5% the participants of the Forbes rating of viability of banks became Top-30 largest banks by assets which control over 94% of the banking market (Ukrainian banking portal, 2017).

To determine the success of banking the analysts typically use the growth of assets or equity on which the growth rate of the market share of the banking market is directly dependent. Important indicators of the efficiency of financial institutions are the ratio of profit to assets (Return of Assets, ROA) or equity (Return of Equity, ROE), which define the bank's ability to earn money and gain influence to further increase its value.

The success of the bank expressed in both high indicators of growth and profitability shows that it is able to meet its obligations because business is not only expanding, but is also able to show positive financial results. At the same time aggressive growth of assets, profit and equity may prove to be not only the tactical success of the bank and its superiority over competitors, but also carry potential risks.

Rating results radically differ because of the methods used in assessing the ranking of success of the banks in Ukraine. The purpose of this ranking is a comprehensive evaluation of the success of banks in Ukraine, including the most important indicators of performance and the increase in the business activity, which may be calculated on the basis of public information.

The subject of the rating is to determine the overall success of the operation of the banks that is evaluated quantitatively on the basis of the uniform calculation of points earned by the factors of success - absolute and relative growth of assets and equity (counted in proportion 50/50). In preparing the ranking the following factors that determine the success of banks in terms of economic efficiency and growth of business activity are taken into account: absolute and relative growth of assets in 12 months, return on assets, absolute and relative increase in equity, return on equity. It is indicated, though, that the rating is for informational purposes only. It only expresses the opinion of the editorial board about the success of the bank in the selected period. The rating should not be considered as a recommendation for the selection of banking products. Besides, in some banks which had held high positions in the ranking last year, at the beginning of 2017 temporary administrations were set up. This example shows the necessity and urgency of improving the banking system, including deposit guarantee mechanism, the methodology for evaluating banks and reliability of their ratings.

The practice of recent years indicates the inefficiency and ineffectiveness of the use of comparative assessments of assets. At the beginning of the year the Fitch Ratings international rating agency reduced the long-term issuer default ratings in foreign currency of 13 Ukrainian banks- Ukreximbank, Oschadbank, Privatbank, Prominvestbank, UkrSibbank, UkrSotsbank, ProCredit Bank (Ukraine), Pravex-Bank, Credit Agricole Bank, Alfa-Bank (Ukraine), Pivdennyi Bank, Industrialbank-from level "B" to "CCC" (League Finances, 2017).

Downgrading of the long-term issuer default rating in national currency of the Prominvestbank, UkrSibbank, UkrSotsbank, VTB Bank (Ukraine), ProCredit Bank (Ukraine), Pravex Bank and Credit Agricole bank from level "B" to "B-" reflects Fitch's view of the high correlation between the risk of restrictions on liabilities in foreign and national currency with increasing stress on the sovereign issuer.

According to Fitch, in case of accelerated outflow of deposits in Ukraine the banks may be at increased risk of restrictions on their ability to service their obligations in local currency since the long-term issuer default ratings of the Privatbank in local currency have already been at "B-". Issuer default ratings, support and priority debt of the above-mentioned eight banks owned by foreign banks are calculated considering the probability of providing them with financial support by the majority shareholders. Such behavior expectations of the banks may be a more important factor than financial statements for the previous period. This signals the likelihood of ratings, which may be dominated by the subjectivity of some experts.

But it should be noted that the Moody's international rating agency gave somewhat different assessments to the date that is analyzed. In particular, the agency downgraded the long-term ratings of foreign currency deposits of 12 Ukrainian banks to the level Caa3 (from Caa2). According to the agency, that concerns the foreign currency deposits of Privatbank, Oschadbank, Ukreximbank, Raiffeisen Bank Aval, Sberbank of Russia, FUIB, Prominvestbank, OTP Bank, VAB Bank, Pivdenny Bank, Credit Dnepr and Finance and Credit (League Finances, 2017).

Long-term credit ratings are determined by: **-Investment level:** Aaa (stable and reliable high quality companies), Aa (good companies with somewhat higher eventual risk than Aaa), A (economic situation must be taken into account), Baa (moderately good firms operating in a satisfactory way)

-Speculative level: Ba (heavily dependent on economic situation), B (financial situation significantly variable), Caa (Speculative bonds, low profitability of the firm), Ca (usually insolvent company), C (very bad economic situation, almost bankrupt);

Special notes are as follows: WR (excluded from ranking), NR (not in the rating), P (conditional).

In the rating assessments of Standard & Poor's (S&P) other designations are applied: from the assessment AAA, which is assigned only to trusted issuers, to the assessment D, which is assigned to the issuer, declared defaulted. Between AA and B designations there may be intermediate estimates marked with plus and minus signs (for example, BBB +, BBB and BBB-). Short-term credit ratings denote the likelihood of timely repayment of short-term debt. Estimates of short-term debt are designated by letters and numbers from the highest score A-1 to the lowest D. The most reliable commitments (Category A-1) may be indicated by the additional plus sign. Estimates of category B may also be numbered (B-1, B-2, B-3).

Alongside with this rating the so-called GAMMA rating is applied, which evaluates non-financial risks associated with buying shares of companies in the emerging markets and which is designed for investors who invest in the shares of these companies. GAMMA rating reflects the opinion of Standard & Poor's about the relative pros and cons of corporate governance practices of the given company in terms of the interests of investors, that is, the company's ability to prevent a decline in its value due to possible shortcomings in corporate governance or their inability to create value.

GAMMA rating is assigned on a scale from GAMMA-1 (the lowest score) to GAMMA-10 (the highest score). The hierarchy is as follows: GAMMA-10 or 9 (assigned to a company that has very strong processes and corporate governance practices. The companies that received such GAMMA rating have minor deficiencies in some of the major components of corporate governance); GAMMA-8 or 7 (assigned to a company that has strong processes and corporate governance practices. The companies that received GAMMA rating of this

level have some shortcomings in certain major components of corporate governance); GAMMA-6 or 5 (assigned to a company that has average processes and corporate governance practices. The companies that received this GAMMA rating have deficiencies in some key components of corporate governance); GAMMA-4 or 3 (assigned to a company that has weak processes and corporate governance practices); GAMMA-2 or 1 (assigned to a company that has very weak processes and corporate governance practices. The companies that received GAMMA rating of this level possess significant deficiencies in most of the major components of corporate governance).

In addition to rating assessment of the probability of the issuer default the agency assesses the level of asset recovery in case of default. Before its onset the following grading scale is used: RR1 (exceptionally high investment return prospects at default - 91-100% return rate), RR2 (high prospects -71-90%); RR3 (good prospects - 51-70%); RR4 (average prospects -31-50%); RR5 (investment return prospects are below average - 11-30%); RR6 (low prospects - 0-10%. These ratings are assigned to the issuers with ratings below BB).

Officially recognized and legislated (Resolution of the National Bank of Ukraine, 2015) is the CAMELS rating system of banks. This rating system provides a general analysis of the bank which takes place during the planned comprehensive inspection. CAMELS system uses the system of points and is based on the intergration of financial and expert approach. The supervision over the banks which is based on the risk assessment is to determine the general condition of the bank using the uniform criteria, covering all its activities. The purpose of the assessment of banks on the CAMELS system is to determine their financial condition, quality of operations and management and identify deficiencies that could lead to bank failures. It requires intensive control by supervisors and taking appropriate steps to remedy the deficiencies and stabilize the financial condition.

The basis of the CAMELS rating system is the assessment of risks and the evaluation of rating.

The evaluation is conducted along the following main lines:

1) Capital Adequacy (C) -the assessment of the size of the capital of a bank in terms of its adequacy to protect the interests of depositors and maintain its solvency;

2) Asset Quality (A) - the ability to provide asset recovery, the impact of bad loans on the overall financial condition of the bank;

3) Management;

4) Income - Earnings (E) - the adequacy of the bank's income for the future development and growth;

5) Liquidity (L);

6) Sensitivity to Risk (S) – the degree of bank`s response to changing market situation.

According to the CAMELS rating system digital evaluation of six components is set for each bank and comprehensive grade is determined on the basis of ratings for each of these components. Each component of the rating system is ranked on a five point scale where "1" is the highest rating and "5" - the lowest. The Integrated Grade of a bank is determined by the following criteria: 1) score of "1" - a state of "strong"; 2) score of "2" - a state of "stable"; 3) score "3" - a state of "satisfactory"; 4) score of "4" - a state of "weak, critical"; 5) rating of "5" - a state of "unsatisfactory".

L.Y. Sysoeva notes that this system does not provide the possibility of identifying weaknesses in the banking sector during the economic turbulence [6]. Imperfection of the system also lies in the inadequate level of adaptation of international experience to the Ukrainian banking system. Hence the main problematic areas are the subjective assessments of experts and shortcomings in the existing scoring. However, each of the problems is in combination with the other requiring equal attention to every of them (Sysoieva, 2012).

In our view, the problem of this assessment is in the closed nature of the rating results for investors, protracted character (during the inspection of the bank) and its unreliability. The National Bank of Ukraine discloses information only about the banks that are under reorganization, temporary administration and process of liquidation etc.

Thus, a large number of bank ratings based on different criteria of evaluation by the experts which in their majority are contradictory or conflicting, the lack of responsibility for the reliability of recommendations make such information of little use for a primary investor. On the other hand, belated disclosure of information to the public leads to the increase in the number of depositors in the banks which may be on the verge of bankruptcy.

The market investment rating as a professional assessment should be carried out not only for the banks but also for all market investment products (banking, insurance, pensions, etc.). Today rankings are based on the estimates of financial institutions and do not include separate financial products. So the establishment of ranking for all programs and projects offered on the market and the level of their guarantees would prevent financial losses of the population caused by the availability of asymmetric information and through other risks. Paying attention to this, unsolved remains the problem of investment by commercial financial intermediaries.

We believe that the legislative confirmation of requirements for ratings of financial reliability (stability) of insurers and non-resident reinsurers and other financial institutions is a positive step. According to the Resolution of the National Commission (that provides state regulation of financial services markets) №2262 as of 07.11.2013 rating of financial reliability (stability) of a non-resident insurer and a non-resident reinsurer on the date of signing the contract must meet the rating level not lower than the classification of international rating agencies: "AMBest" (USA) - "B +"; "Moody's Investors Service" (USA) - "Baa"; "Standard & Poor's" (USA) - "BBB"; "Fitch Ratings" (UK) - "BBB" (in case of their publication in the bulletins of international rating agencies or posting on the official websites of the relevant agencies on the Internet).

The Resolution of the National Commission on Securities and Stock Market № 1767 dated 12.11.2012 defined procedures for submitting information by authorized rating agencies.

Formation of organizational support of ratings can accelerate its implementation for the purposes of investment. The Resolution of the State Commission on Securities and Stock Market № 1042 dated 21.05.2007 approved the rules of selection of rating evaluation on the National Rating Scale by an authorized rating agency. The resolution established that the Methods of determining the rating on the National Scale as well as the amendments thereto are approved by the authorized rating agency within 5 working days and sent to the Commission. Taking into consideration that since the entry into force of this resolution in 2007 a unified methodology that provides accurate assessments of rating has not been worked out, it is appropriate to transfer this function to the state regulator.

The National Rating Scale was harmonized with the scale of the Standard & Poor's international rating agency (The State Commission on Securities and Stock Market Resolution № 2314 as of 27.12.2007 "Regarding the establishment of compliance of levels of rating evaluations on the scale of ratings of the international rating agency Standard & Poor's with the National Rating Scale"). Comparative analysis has shown that there is a deviation of the only criterion – "Default status and level of debt settlement «uaSD»".

The introduction of the implementation of rating evaluations and giving to the state regulator control functions, especially providing the State Commission on Securities and Stock Market with the function to keep the State Register of Authorized Rating Agencies ; publication of their Certificate of Inclusion in the State Register; establishing procedures for sharing information by a rating agency; compiling the list of international rating agencies

which have the right to determine the ratings of issuers and securities required by law; control over their activities - all these measures will not be effective without introducing financial and material liability of experts and rating agencies that conduct such assessments. Under the term «financial and material liability» we understand sharing the damage or loss from operations and projects which have been subject to evaluation and had high or moderate ratings.

The insurance of such activities by rating agencies provides an opportunity to distribute risks and reduce their impact on financial resources. Participation in the losses of primary investors, financial intermediaries and business owners will reduce the role of asymmetric information, enhance the level of reliability of assessments and have a positive effect on the financial behavior of the population. In addition, it is proposed to introduce the evaluation scale of separate investment projects and programs, other investment products based on the National Rating Scale approved by the Cabinet of Ministers of Ukraine (Decree of Cabinet Ministers of Ukraine, 2007).

We propose the codification that will have two levels (tab. 3-4): 1. - rating of enterprise, company, issuer etc.

2. – rating of investment product (project, program), which is installed with the level of assurance and security in the State Fund of Assurance of Investment Products, participation in additional compensation schemes of contributions, schemes of compensation of investments, insurance of risks of the insurance object, the probability of the insured event as well as possible compensation.

Table 3
Rating scale of investment product assessment, long-term
investment ratings (more than one year)

Level	Rating scale of investment product	Characteristics of enterprise, company, issuer	Characteristics of the investment product
1. Investment levels	uaAAA.A3	Borrower or debt liability are characterized by highest CW ¹ compared to other Ukrainian borrowers or debt liabilities.	Investment product is guaranteed by the State Fund in the amount of initially invested resources and product profitability previously determined.
	uaAA.A2	Borrower or a separate debt instrument are characterized by very high CW compared to other Ukrainian borrowers or debt liabilities.	Investment product is guaranteed by the State Fund in the amount of resources invested and minimum specified product profitability.
	uaA.A1	Characterized by high CW. Level of CW is sensitive to adverse business, financial and economic conditions.	Investment product is guaranteed by the State Fund in the amount of invested resources
	uaBBB.B3	Sufficient CW compared to other Ukrainian borrowers or debt instruments. Level of CW is affected by adverse business, financial and economic	Investment product is guaranteed by the State Fund in the amount of invested resources. Risks of default on insured product

Level	Rating scale of investment product	Characteristics of enterprise, company, issuer	Characteristics of the investment product
		conditions	
2. Speculative levels	uaBB.B2	Characterized by less than sufficient CW. Level of CW is highly affected by adverse business, financial and economic conditions.	Investment product is guaranteed by the State Fund in the amount of 80% of invested resources. Risks of default on insured product.
	uaB.B1	Characterized by less than sufficient CW. Very high dependence of CW level on the adverse business, financial and economic conditions.	Investment product is guaranteed by the State Fund in the amount of 50% of invested resources. Risks of default on insured product.
	uaCCC.C3	Characterized by less than sufficient CW compared to other Ukrainian borrowers or debt instruments. Potential probability of default.	Investment product is guaranteed by the State Fund in the amount of 20% of invested resources. Risks of default on insured product.
	uaCC.C2	Characterized by high probability of default.	Risks of default on insured product
	uaC.C1	The borrower expects to default on debt	Redistribution of losses from default
	uaD.D1	Default. Payment of principal sum on debt terminated without reaching an agreement with creditors.	Redistribution of losses from default

Note 1: CW – credit worthiness.

Source: Developed by the author, consistent with the National Rating Scale approved by the Cabinet of Ministers of Ukraine, resolution № 665 as of 26.04.2007.

It is proposed to introduce long-term investment ratings for the evaluation period from 1 to 3 years. This period should be attributed to medium term. The advantage is the use of established financial markets terminology similar to credit ratings. Short-term investment ratings are proposed to be introduced for 1 year.

Table 4
Rating scale of assessment of the investment product, short-term investment ratings (up to one year)

Level	Rating scale of investment product	Characteristics of enterprise, company, issuer	Characteristics of investment product
1. Investment levels	uaK1.K1	Borrower or debt instrument are characterized by the highest CW compared to other Ukrainian borrowers or debt instruments. Financial conditions allow to prevent foreseeable risks.	Investment product is guaranteed by the State Fund in the amount of resources invested and primarily specified product profitability.

Level	Rating scale of investment product	Characteristics of enterprise, company, issuer	Characteristics of investment product
	uaK2.K2	Characterized by high CW compared to other Ukrainian borrowers or debt instruments. Financial conditions are stable enough to prevent foreseeable risks.	Investment product is guaranteed by the State Fund in the amount of resources invested and minimumally specified product profitability.
	uaK3.K3	Characterized by high CW compared to other Ukrainian borrowers or debt instruments. Financial condition is stable enough to prevent foreseeable risks.	Investment product is guaranteed by the State Fund in the amount of resources invested and the minimumally specified product profitability.
2. Speculative levels	uaK4.K4	Characterized by the high CW compared to other Ukrainian borrowers or debt instruments. Financial conditions are stable enough to prevent foreseeable risks in short-term period.	Investment product is guaranteed by the State Fund in the amount of 20% resources invested and minimumally specified product profitability.
	uaK5.K5	Characterized by the high CW compared to other Ukrainian borrowers or debt instruments. Financial conditions are stable enough to prevent foreseeable risks.	Risks of default on insured product.
	uaKD. D1	The borrower defaulted on debt	Redistribution of losses from default

Source: Developed by the author, consistent with the National Rating Scale approved by the Cabinet of Ministers of Ukraine, Resolution № 665 as of 26.04.2007.

More information about the level of security of investment product must be provided by the owner of the product to the primary investor – the population or a commercial financial intermediary.

Conclusions. Thus, this approach will be most effectively applied with the introduction of the system of guarantees for investment products which includes all official and legislated compensation schemes of deposits of individuals (primary investors) as well as compensation of investments into which the differentiation between the level of loss recovery and the level of loss risk of the investment product is incorporated.

Rating scale of evaluation of investment product that includes two codified levels will allow - taking into account the level of solvency of the owner of the investment product that enters the market of investments - to match the level of security with the amount of compensation of the investment product itself.

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