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RISK CATEGORY IN THE BANKING SPHERE: SOME ASPECTS OF INTERPRETATION

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ABSTRACT

The article notes that an integral part of risk management is the definition of the essence of the object of management in the banking sector. This procedure is inextricably linked with the development of a clearly formulated conceptual apparatus. Since the theory of risk is at the stage of formation, the problem of defining the category of "banking risks" is of particular relevance. This article reveals the essence of the category of "banking risk", analyzes the interpretations of a number of scientists-researchers of this category, considers the main approaches to its interpretation in the course of which the solution of some urgent problems is highlighted. And what deserves attention is that the article formulates a number of characteristics, on the basis of which the author's own version of the definition of the category "banking risk" has been developed.

KEYWORDS: *Uncertainty, Risk, Risk As A Danger, Risk As Uncertainty, Risk As An Opportunity, Risk Management, Bank Risk, Banking, Bank Liquidity, Bank Risk, Bank Losses, Financial Stability Of Banks.*

INTRODUCTION

Financial stability and stability of the banking sector is a fundamental condition for the successful implementation of the planned reforms and strengthening the confidence of businesses and the public in the national banking system[1].

The trend of the first two decades XXI financial and banking risk is considered as a three-dimensional model: risk as danger, risk as uncertainty, risk as opportunity.

From the modern definitions of risk given in foreign scientific works, one can distinguish the definition given in the monograph of V. T. Covello and M. V. Merkfaofer: "Risk is the characteristics of a situation or action when many outcomes are possible, there is uncertainty about a specific outcome and at least one of the possibilities is undesirable"2. This definition includes various approaches to risk: from identifying risk as a situation to uncertainty.

The latter formulation seems, from our point of view, the most correct, since it synthesizes all the main features inherent in risk: undesirability, identified uncertainty, randomness of one of the

[1]Order of the President of the Republic of Uzbekistan dated May 12 , 2020 № PF-5992 “On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020 - 2025”.// https://lex.uz/docs/4811037

possibilities, on the one hand, and a favorable or neutral opportunity, on the other.

Bank risk[2]— this is the probability of non-receipt of planned income, losses in the form of loss of assets, or additional expenses as a result of unprofitable financial transactions. For example, in the case when the basic condition under consideration is not met by at least one of the interested parties, the balance of relations is violated and the so-called expectations gap occurs, which, unfortunately, humanity is an unwitting witness almost constantly[3].

The object of the study is "banking risk". In this context, the main approaches to its essence are considered, an analysis of interpretations by a number of research scientists is carried out, during which some problems are highlighted. A number of characteristics are formulated, on the basis of which our own version of the definition of this category is developed.

Completed analysis of typologies of new schemes for conducting high-risk transactions, which conceptually confirms that, despite the variety of tools used in these schemes, all of them are ultimately aimed at withdrawing funds abroad or receiving funds in cash by customers[4]and so on

Insufficient knowledge and development of the problem of a systematic approach to bank risk management tools, on the one hand, and its scientific and practical significance for the country's economy, on the other, predetermined the choice of the object, goals and objectives of this study in the context of the chosen topic of the article.

Bibliography.

Theoretical and practical aspects of the definition, identification, assessment and management of banking risks are addressed in various degrees of completeness in the works of foreign scientists-economists and experienced practitioners[5]: T. Barton, X. Gruening, A. Guseva,J. Pickford, and during the development of bank risk management tools, you can also rely on scientific works[6] X. P. Baer, O. Lavrushina and others.

In the economic literature, quite a lot of attention is paid to the issues of risk assessment and management in the banking sector, but the analysis of publications shows that most often the object of research is the problems of functioning of individual commercial banks or the banking system of a particular country.

The interpretation of banking risks in economic scientific developments is still ambiguous, i.e., you can find a variety of definitions of risk, but they all come down to one thing - the above[7].

The category of "risk" in the banking sector is related to the concept of economic risk[8]in general, both general and private. It should be emphasized that in the theory and practice of banking, the objective basis for the existence of risk and uncertainty is supplemented by the following integral

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[2]https://www.e-xecutive.ru/

[3]Roschektaev S.A., Roschektaeva U.Y. Identification of facts of falsification of financial statements: M. Benish's model. // Scientific Bulletin of the Southern Institute of Management. 2018. No.2. pp. 37-43. https://doi.org/10.31775/2305-3100-2018-2-37-43

[4]https://vestnik115fz.ru/publication/article_post/novye-shemy-otmyvaniya-i-akcenty-mer-vnutrennego-kontrolya-v-bankah

[5]P.Barton, Thomas L. An integrated approach to risk management: is it worth doing this? The practice of leading companies / Thomas L. Barton, William G. Schenkir, Paul L. Walker; translated from English by T. V. Klekoty et al. - St. Petersburg: Williams, 2003. 208 p.; Gruning, X. Van. Analysis of banking risks. Corporate governance and Financial risk Management assessment System [Text] / X. Van Gryuning, S. BryovichBratanovich / translated from English; introductory sl. Doctor of Economics K. R. Tagirbekov. - M.: Publishing House "The Whole World", 2006. - 304 p.; Gusev A.A. Practical guide to remote analysis of banks. - www.mbkcentre.com.; Risk management / Pickford James; translated from the English by O.N. Matveeva. - M.: LLC "Vershina", 2004. - 352 p., etc.

[6]Behr H. P. Securitization of assets. - M. :VoltersKluver, 2006. - 42 p.; Bank risks : textbook / collective of authors; edited by O.I. Lavrushin, N.I. Valentseva. - 3rd ed., reprint. and additional - M. : KNORUS, 2016. - 292 p., etc.

[7]Kovalenko, O.G. The essence and classification of banking risks./O.G.Kovalenko, O.V.Igonina.-Text: direct, electronic // Young scientist. - 2016. - № 12 (116). - Pp. 1296-1299. - URL: https://moluch.ru/archive/116/31900/ (date of checking: 13.04.2020)

[8]Selyutina O. Risk: concept and scientific approaches.https://www.slideshare.net/ITMOUniversity/6628

components:

– complexity of the research object;

– manifestation of patterns in the economy in the form of trends (which allows us to describe economic processes in terms of "risk" and "uncertainty");

– the need to take into account subjective factors (the" human factor") in the development and implementation of management decisions.

To specify the concept of "bank risk", we present a comparative description of its historical and modern definitions.

The most common idea of banking risks is that they are identified with possible losses of the bank as a result of its activities or the possibility of losses. This opinion, in particular, supports E. A. Kozlovskaya[9]. But bank risk is not a loss. And it is impractical to introduce a new term that duplicates an existing one.

Another group of authors understands banking risks as specific losses in any limited area of activity of a commercial bank. In particular, A. N. Azriliyan notes that banking risk is "... the possibility of losses arising from the specifics of banking operations carried out by credit institutions"[10]. However, the specification of the" unprofitable " definition of banking risk, given in its classification by areas of occurrence, does not allow us to distinguish this specificity. The risk is almost everywhere.

It turns out that the definition of risk as a possible loss is tautological. The "risk of loss" mentioned, in particular, by M. E. Burova also brings no more clarity to the understanding of risk[11].

Some specialists, including Z. G. Shirinskaya[12], banking risks are defined as a set of various interrelated risks (credit, interest rate, liquidity, etc.). But the totality of something cannot be considered as a definition, since it does not establish the meaning of the term, but characterizes the composition, structure. Therefore, this opinion can also not be called well-founded.

Another approach to determining bank risks is related to the probability of deviation of an actual event from the necessary (desired) one. This point of view is somewhat closer to understanding the essence of risk. Its supporters are S. Grabovyi[13], A. Pervozvansky[14]etc. In fact, probability is better than a simple possibility.

First, probability is a quantitative characteristic of the level of possibility of an event occurring.

Secondly, each probability is assigned a strictly defined outcome value.

Third, the risk situation is characterized by the distribution of probabilities according to certain distribution laws. The latter is of great practical importance. It allows you to set the probability of deviation from the expected income, which partially clarifies the situation. Moreover, deviations can be positive and negative. Then in the first case we are talking about the chances of making a profit, and only in the second – about risks. Therefore, the approach under consideration can be upgraded and risk can be defined not just as the probability of deviation, but as the probability of a negative deviation of reality from what is expected.

The considered approach to risk as a statistical characteristic is one of the most widespread in modern economic literature. L. Harris in his work" Monetary Theory "notes that" ... for any given

[9]Kozlovskaya E.A. Fundamentals of banking. - M.: Finance and Statistics, 2008. - 230 p.
[10]Large Economic Dictionary [Text]: 24800 terms / Edited by A.N.Azriliyan. - 5th ed., reprint. and additional - M.: Institute of New Economics, 2002. - 1280 p.
[11]Banking. Reference manual / ed. Yu.A. Babicheva. - M.: Economics, 2014. - 397 p.
[12]Shirinskaya E.B. Operations of commercial banks and foreign experience. M.: Finance and Statistics. 1993 - 144 p.
[13]Risks in modern business / [P. G. Grabovy, S. N. Petrova, S. I. Poltavtsev, etc.]. - M.: ALANS, 1994. - 237 p.
[14]Pervozvansky A.A., Pervozvanskaya A.N. Financial market: calculation and risk. - M.: Infra-M, 1994. - 192 p.

portfolio with a specific distribution of income probabilities, the average and standard deviation are by no means the only measure of profitability and risk. However, Tobin showed that a few assumptions... are quite sufficient (if the assumptions are reasonable) for him to consider expected return as a measure of profitability and standard deviation as a measure of risk"[15].But, as can be seen, there is no complete identification of risk with a statistical value, which is only a quantitative assessment of the risk measure. In this case, this measure measures the degree of uncertainty in the decision-making situation, which is characterized by information uncertainty.

Accordingly, bank risk is nothing more than a situation generated by the uncertainty of information used by the bank for management and decision-making and characterized by a strict relationship between the possible outcome of the decision and the corresponding probability. Loss (as well as excess profit) also follows from the uncertainty of the situation.

A number of foreign scientists (O. I. Lavrushin, N. I. Valentseva, N. N. Malashikhina, O. S. Belokrylova)17 they are of the opinion that banking risk is the activity or behavior of a banking entity in conditions of uncertainty. However, it is not possible to quantify the activity or behavior of an economic entity. In addition, O. I. Lavrushin and N. I. Valentseva interpret banking risk as an activity designed exclusively for success, which characterizes it only from a positive position[16].

However, the fragmented nature of the risk management system in the banking sector of Uzbekistan, which is a consequence of the lack of a systematic concept for its construction, indicates the need for a systematic study of the specifics of identifying, evaluating and managing bank risks, depending on the phase of the economic cycle as a whole.

It should be noted that in the modern economic literature, special attention is paid to the possibilities of applying and using the accumulated international experience in the development of strategic planning, building a credit rating, the risks of implementing the recommendations of Basel 2 and Basel 3, as well as the features of risk management in banking, as well as tools and new technologies for minimizing risks[17].

It should be noted that the above definitions consider the risk only from the point of view of the negative consequences of performing a particular banking operation, but it should be noted that the risks also have a reverse side, namely, the probability of a positive result.

THE MAIN PART

A commercial bank (hereinafter referred to as the bank), like any economic entities operating in the context of innovative economic development, is aimed at obtaining maximum profit when carrying out its activities. In addition to the fact that the bank's activities are affected by general risks inherent in economic entities, it is characterized by risks arising from the specifics of its activities.

Banks have developed a multi-level risk management system aimed at making decisions and developing appropriate measures to optimally combine risk and profitability. The bank risk management process involves quantitative and qualitative risk analysis and includes stages of identification, assessment, selection of strategies for managerial influence and control (supervision) at all levels of the process organizational structure, each of which uses specific methods.

In this regard, as a synthesis of ambiguously different interpretations of this concept, we propose our own definition of the category: "Bank risk" is a systemically inseparable part of the bank's activities, mediated by uncertainty, carried out in order to achieve the target values of financial results, coupled with the probability of events leading to both certain financial losses and profit

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[15]Harris L. X20 Monetary theory: Translated from English/General Ed. and the introduction of V.M. Usoskin. -M.: Progress, 1990y.-750 p.

[16]Lavrushin Banking / Lavrushin, O.I. I. - M.: KnoRus, 2015. - 768 p.

[17] Sokolinskaya N.E. Banking risks: a modern aspect. Collection of articles. KnoRus Publishing House.- M.: 2020. 264 p.

above the target level.

The presence of risk in the banking sector, and as a result, the uncertainty of its outcome, entails the need for the ability to prevent, maneuver, reduce their negative consequences, and otherwise - manage your risks. It is the organization of an effective management process risk management and creating such a system riskology It is a major problem for banks that they should be able to eliminate and prevent the possibility of negative events in a timely manner. The specific nature of the risk of banking operations is that the degree of risk that a bank assumes is largely determined by the degree of risk that it objectively or subjectively receives from its customers.

The higher the degree of risk inherent in the type of business of the bank's clients, the higher the risk that the bank can expect when working with these clients[18].

In the course of their activities, banks face various types of risks. Given the broad scope of banking activities and the variety of banking products and services, it is necessary to classify banking risks. Depending on certain criteria, it can be presented as follows (table 1).

First of all, it is necessary to divide risks by their level. Since banking risk is not only the risk of a single bank, but also their totality, it is advisable to consider risks both at the micro and macro levels. The amount of losses, factors or time of recovery from a variable economic situation in each of these cases may be different, as well as risk management tools.

The risk of the banking sector of the economy is largely related to the economy and politics of the country as a whole, its legislative framework, as well as its management system. The risks that cover the economy of a single bank are related to its specific activities, the ability to effectively manage the cash flows passing through it.

TABLE1. **CLASSIFICATION OF BANK RISKS**

Criteria classifications	Types of banking risks
Risk level	Macro-level risk Micro-level risk
Nature of the banking product, services and operations	Off-balance sheet transaction risk Credit risk Estimated risk Currency risk Operational risk
Degree of ensuring the Bank's sustainability	Unbalanced liquidity risk Interest rate risk Risk of loss of profitability Risk of loss of competitiveness Capital base risk Risk management
Risk factors	External risks (political, economic, social, geographical, etc.). Internal risks (in the main and auxiliary activities related to the bank's assets and liabilities, quality of management and implementation of financial services.)
Scope and scope of the risk	Country-specific risk Risk associated with the activities of a particular type of bank Risk associated with the operation of financial responsibility centers Risk arising from banking operations

[18]Izmestyeva O.A. The essence and concept of the financial and information environment of a commercial organization// Bulletin "Vector of science TSU". -2011. -№4 (18). - Pp. 206-210.

Time of occurrence	Retrospective risks Current risks Prospective risks
Degreedepending on the bank.	Risk dependent on the Bank's activities Risk independent of the bank's activities
Viewpot	Specialized bank risk Industry Bank risk
Valuerisk assessment	Low risks Moderate risks Full risks
Compositioncustomer base	Risk from large, medium and small clients The risk that comes from the industry structure of clients
Personalityaccounting for operations	Risk on balance sheet operations Off-balance sheet transaction risk

When performing credit, settlement, deposit, currency and other operations, the bank will bear the risks associated with each specific type of activity. By minimizing these risks, banks, on the one hand, expand the list of their products and services, diversify their activities, and on the other, improve the quality of their operations.

Classification of risks depending on the degree of ensuring its sustainable development is essential for improving the bank's performance. The balanced, stable and sustainable functioning of a credit institution in the country's economy depends on how banks manage their liquidity and capital base formation, coordinate interest rate policies for active and passive operations, and are able to organize their work and ensure high competitiveness in the market of banking products and services.

Unfortunately, at the moment, bank managers do not pay as much attention to managing the main parameters of banking activity as the economy requires. Therefore, most banks are not competitive, and significant efforts are required to improve risk management in these fundamental areas of activity[19].

From the perspective of the objectives of risk management in banking, it is necessary to identify the factors on which the risks depend. In this case, external and internal risks are traditionally distinguished.

External risks usually include political, economic, industry-specific, demographic, social, geographical, and other risks.

Political risks may be associated with closing borders, for example, during a pandemic spread of the COVID-19 virus, etc.

Economic risks at the macro level are associated with changes in the country's economy as a whole, including market conditions (export and import prices), the balance of payments, the exchange rate, etc. Changes in legislation, revision of Central Bank regulations affecting the performance standards of credit institutions, reserve requirements, refinancing conditions, etc. can have a significant impact on the scale of banking activity.[20].

[19]Pavlova E.V., Kovalenko O.G. Problems of the banking system of the Russian Federation and the most rational ways to solve them // Vector of Science of Togliatti State University. Series: Economics and Management. 2012. No. 4 (11). pp. 130-131.

[20]The concept of development and implementation of monetary policy of the Central Bank of the Republic of Uzbekistan for the medium term.//https://cbu.uz/ru/monetary-policy/concept /; Decree of the President of the Republic of Uzbekistan dated May 12, 2020 № PF-5992 "On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025".https://lex.uz/docs/4811037Standards of mandatory reserves.https://cbu.uz/ru/monetary-

The micro-level of relations between a particular bank and its client is affected by no less range of risks. These may be changes caused by the revision of the loan agreement due to changes in the borrower's creditworthiness, financial condition of the credit institution, its banking policy, etc. For example, a review of credit relations may be based on changes in the cost of securing a loan, unforeseen changes in the capital turnover, etc. Some of these risks may be caused by both external and internal reasons.

At the micro level, external causes may include: bankruptcy of the borrower, creditors ' claims for repayment, debt, theft, fraud, family problems, unemployment (if we are talking about the bank's relationship with individuals) , etc. It also highlights the risks of natural disasters that are caused by earthquakes, floods, hurricanes and other natural phenomena of force majeure.

Competitive risks may also be external to the bank due to the emergence of new types of services and operations, a decrease in the cost of operations performed by other credit institutions, and increased requirements for the quality of banking services. For banks, there are still risks associated with the failure of the bankruptcy procedure. External risks may also be caused by inflation, instability of the national currency, abuse of customers when making money transactions, and the use of forged payment documents.

Internal reasons that form, for example, credit risk are usually considered to be: lack of provision; erroneous assessment of the client's loan application; weak control in the lending process, inadequate response to warning signals.

These internal reasons are the main factors of losses in lending. When analysing risks, it is also necessary to distinguish bank risks by criteria of scope and scope of action. Often the risk increases or decreases depending on the country of residence of the bank's clients. The so-called country risk takes into account the general economic and political situation in the relevant country, allowing the bank to better orient itself with building its relationships with customers of this state. In accordance with international ratings, each country receives a certain degree of reliability.

Performing the task of increasing the purchasing power of the national monetary unit, its stabilization, the issuing bank often faces the problem of excessive issuance of money into circulation. The issue risk is associated not only with excessive, but also insufficient money issuance, which in turn can lead to a "hunger" for means of payment, delay settlements between commodity producers, The state of liquidity, profitability, quality of assets and capital base of the partner bank is essential in this case. It may happen that the country where the bank operates does not occupy a high position in the investment attractiveness rating, but the bank itself has good financial indicators, reputable professional managers, which allows it to occupy a high position in the reliability rating within its country.

With all the risk that may be associated with such a transaction, for an investor bank, the risk of investments will be less due to a higher guarantee coming from the subjects of the economy - the recipient of resources. When determining the risk, it is advisable to pay attention not only to the country risk[21], the risk associated with the financial reliability of the partner company, but also on the operation itself, which the bank is going to finance. The bank's task here is to avoid questionable transactions of the client, the risk of non-payment, unreliability of a third-party guarantee, unprofitable investment of funds.

In the practice of banks, the time of occurrence of bank risk is of great importance. According to this criterion, risks are divided into retrospective (past), current and prospective. Taking into account retrospective past risks allows the bank to more accurately calculate current and future risk. Therefore, the risk of future losses largely depends on the correctness of the calculation of the current risk.

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policy/operations/standards-required-reserves/etc.

[21]RylovaE.I.,Minchenko L.V. Methods of assessing country risk and its measurement error. //https://elibrary.ru/item.asp?id=28090587

Practice shows that the longer the operation time, the higher the risk. The role of risk forecasting in these conditions, taking into account the prevention of past risks and errors, increases significantly. According to the degree of dependence, the risk may be independent and dependent on the bank. The risk, independent of the bank, is associated with the action of political and general economic factors, unpredictable changes in legislation. Bank-dependent risks arise at the level of micro-relationships with the client, much here therefore depends on the bank itself, the level of its management (internal reasons).

The risk of a specialized bank is most often associated with the specific product that the credit institution specializes in producing. In this case, the demand for this product and its quality are the decisive factors determining the risks and effective development of the bank.

However, in practice, it often happens that a client requires a comprehensive service (performing not one or two operations, but several), which forces banks to expand their range of services. Sometimes banks specialize not only in certain products, but also in clientele, servicing certain industries. The industry risks arising in this case turn out to be mainly dependent on the state of the relevant industry.

Along with specialized and industry-specific risks arising from the respective types of banks, there are also risks of a universal bank. Banks are being pushed to universalize their activities by customers themselves, presenting a demand for diverse banking services and operations.

Commercial banks of Uzbekistan have also embarked on the path of universalization of their activities. For many of them, this orientation may be erroneous. As you know, the country's credit institutions are mostly small monetary institutions by the scale of their capital, so the desire to perform a variety of operations for all types of clients in different regions can become an impossible task, both financially and professionally.

When classifying bank risks, their separation depending on the magnitude plays an important role. Here the risks are divided into low, moderate and full. For each individual entity, the amount of damage may be different, and it also varies depending on the scale of certain operations. However, in certain cases, limits may be set.

Based on the scale, banking risks are also divided into complex (aggregate) and private (individual). For example, complex credit transactions will be considered those that cover all loans that borrowers use. Almost a complex risk in this case will be the risk of the loan portfolio that a commercial bank currently has on all loans issued. Private here will be the risk related to certain types of loans.

Bank risks may also vary according to the composition of the bank's clients. There are two types of risk: risk coming from large, medium and small clients; the risk coming from the industry structure of clients.

In the first case, a large client does not always mean a large risk. On the contrary, a large client with large cash flows and transactions passing through the bank brings significant profit to the bank. The danger, however, is that the concentration of the bank's investments in the economy of a large enterprise in the event of a significant deterioration in its financial situation and bankruptcy may lead to large losses of the creditor bank. Certain losses may also come from a small enterprise that is subject to noticeable fluctuations in the field of production and marketing of its products in market conditions.

The risk coming from the industry structure of clients is also no less noticeable. As already noted, industry risk is associated with the state of economic development of the relevant industry. The bank's preferential investments in one even thriving branch of the economy (for example, oil or gas) from a macroeconomic standpoint can also have a negative impact on the economy as a whole, consolidating the raw material orientation of national production to the detriment of manufacturing industries.

Based on the accounting of operations performed by the bank, two types of risk are distinguished:

-risk on balance sheet transactions;

-the risk of off-balance sheet transactions. In both cases, the risk concerns both active and passive operations of the credit institution.

Balance sheet risks may be associated with the bank's loss of its liquidity if it does not comply with the capital adequacy ratio, etc. Off-balance sheet risks most often arise from the bank's guarantee activities, non-fulfilment of obligations under foreign exchange transactions, issued securities. Off-balance sheet risks in the event of bankruptcy of clients may be increased due to the risks of balance sheet transactions.

Based on the types of banking risks, in this system, it is possible to distinguish blocks for managing credit risk, unbalanced liquidity risk, interest rate, operational, loss of profitability, as well as complex blocks related to risks arising in the course of individual activities of banks.

Operations related to the attraction of temporarily available funds in the money market and their placement in various types of assets (including loans) cause commercial banks to be particularly dependent on the financial stability of their clients, as well as on the state of the money market and the economy of the state as a whole.

It is the organization of an effective risk management process and the creation of such a risk management system that would allow timely elimination and prevention of the possibility of negative events that is the main problem for banks.

The main purpose of creating a risk management system in the banking sector is to timely eliminate and prevent the possibility of negative events that hinder the implementation of operational tasks and the achievement of global strategic goals. In our opinion, the greatest effectiveness of the risk management system in banks will be achieved with the consistent implementation of the following stages:

- Identification and identification of risk events specific to various areas of activity;

- Study and establishment of all expected outcomes of emerging risk situations;

- Recording, analysis and assessment of risks;

- responding to risks by developing measures that involve the prevention, prevention or reduction of damage, depending on the level of threat;

- Further monitoring and risk control;

- creating such a risk adaptation system that will contribute, along with eliminating adverse consequences, to extracting maximum benefits from risky situations [22].

At the same time, the most important aspect in the risk management system is to ensure timely identification of risks, which in turn should be comprehensive, objective and carried out on an ongoing basis. Risk assessment and analysis are of no small importance in the overall risk management system. At the same time, the risk is assessed both for the possibility of its occurrence and after its implementation.

It is worth noting that the collection and analysis of information is one of the most important components in assessing bank risk. Only after this stage can we begin to identify factors that may lead to potential losses of the bank, and to measure the risk[23].

There are three main reasons for the growing interest of commercial banks in risk management

[22]Potapova E.A., Kovalenko O.G. Plastic card market in Russia: features and prospects of development// Vector of science of Togliatti State University. Series: Economics and Management. 2012. № 4 (11). pp. 134-136.

[23]Kovalenko O.G. The economic essence of banking risks and their classification. //Azimuth of scientific research: Economics and Management. 2013. № 3. pp. 11-14

(figure):

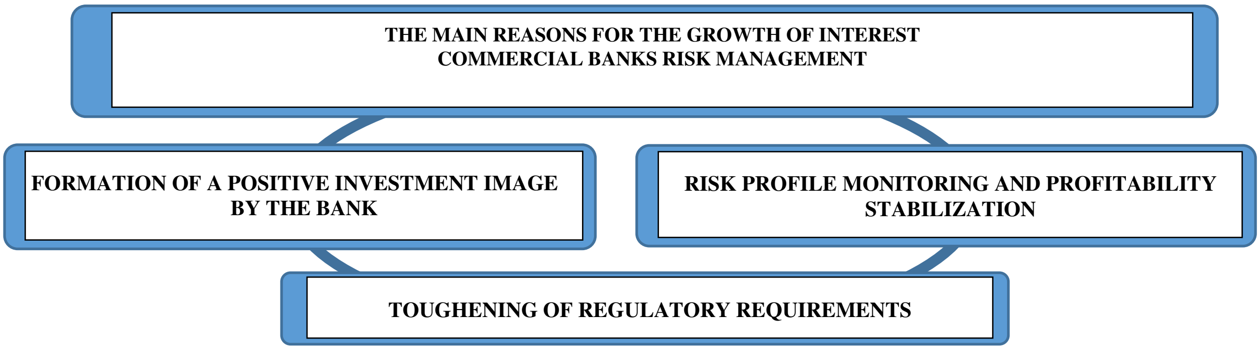

Figure. The main reasons for the growth of commercial banks' interest in risk management [24].

Due to the fact that Uzbek banks are actively entering international markets, they need to attract investments and, consequently, the interest of counterparties in concluding transactions in larger volumes.

Potential investors and counterparties, in order to assess the stability of a financial institution, study, among other things, the risk management system adopted by the bank.

Credit institutions are in need of risk analysis and management within their core business. To keep the profitability-risk ratio at the right level, the bank, first of all, needs to develop its own risk profile, that is, to determine what risks the bank is exposed to and what level of risks management considers acceptable.

After adopting a risk profile, the task of controlling risks and keeping them at a given level arises, which is complicated by the fact that in search of new products, ways to increase profitability, expand the customer base, the probability of underestimating risks is quite high, which leads to an increase in possible losses[25].

This concerns, first of all, the course announced by the Central Bank of the Republic of Uzbekistan to maintain the provisions of the Basel Committee (Basel III)[26]. Basel III standards increases regulatory pressure on bank management, forcing the bank to pay close attention to risk management. New capital adequacy standards are being established (table 2).

Thus, the share of equity, which includes equity and retained earnings, should be 4.0% of risk-weighted assets. It should be recalled that before that, the Basel Committee had only established a capital adequacy ratio of 8%. Establishment of differentiated capital requirements based on internal Capital Adequacy Assessment Procedures (ICAAP), stress testing and risk profile of banks. In particular, the purpose of the Bank's Capital Adequacy Assessment (ICAAP) is to maintain internal capital at a level sufficient to cover all significant risks inherent in the Bank's activities, as well as at a level sufficient to cover losses in the event of possible adverse events[27].

[24]Izmestyeva O.A. The essence and concept of the financial and information environment of a commercial organization// Bulletin "Vector of Science TSU". -2011. -№4 (18). - pp. 206-210.

[25]Kovalenko O.G., The economic essence of banking risks and their classification. //Azimuth of scientific research: Economics and Management. 2013. № 3, pp. 11-13.

[26]Resolution of the President of the Republic of Uzbekistan dated September 12, 2017 No. PQ-3270 "On measures to further develop and improve the stability of the banking system of the Republic" [extract].//https://lex.uz/docs/3342354

[27]The purpose of the Bank's Capital Adequacy Assessment (ICAAP)// https://www.bib.eu/uploads/2017/02

TABLE 2 TARGET INDICATORS FOR THE IMPLEMENTATION OF THE STRATEGY FOR REFORMING THE BANKING SYSTEM OF THE REPUBLIC OF UZBEKISTAN FOR 2020 - 2025[28]

№	The name of the indicator	Current state, in %	Goal in %:		
			for 2021	for 2023	for 2025
1.	The share of assets of private banks (without the participation of the state share) in the total assets of the banking sector	15	17 - 20	35 - 40	60
2.	The share of assets of private banks (without the participation of the state share) in the total assets of the banking sector	28	30 - 40	60	70
3.	Ratio of deposits and liabilities of banks	41	41 - 45	45 - 50	50 - 60
4	The share of assets of non-bank credit institutions in the total assets of credit institutions	0,35	0,5 - 0,7	1 - 1,5	4
5.	Share of foreign currency liabilities in total liabilities	58	50 - 55	45 - 50	40 - 45
6.	The ratio of bank assets to GDP	53	53-54	54-55	более 55
7.	Ratio of bank deposits to GDP	18	19 - 21	22 - 24	25 - 27

To assess the impact of possible adverse events on the amount of capital, the bank performs scenario analysis, including stress testing. The Bank determines the size of the recommended reserve capital to ensure capital adequacy in the event of adverse events, as well as to ensure capital adequacy throughout the entire economic cycle.

According to the Basel provisions, banks can set their risk-weighted capital requirements using either (i) a standard approach (with or without reliance on external credit ratings provided by locally approved external credit assessment institutions ("ECAIs")), or (ii) methodologies based on internal ratings ("IRB") (taking into account the approval of these methodologies by supervisory authorities on an individual basis, that is, separately for each bank), albeit taking into account the minimum general requirements[29].

The Basel Requirements actually recognize the benefits of collective data collection and (logically) encourage it. In particular, collective data collection is mentioned as a source contributing to the development of IRB models and IRB methodologies and categorization.

Non-participation in collective data collection activities for non-hospital classes and, as a result, the use of internal data (questionable statistical reliability) is not a good risk management practice, does not contribute to compliance with the Basel requirements and may lead to higher (than necessary) capital requirements.

CONCLUSIONS AND SUGGESTIONS

Thus, the analysis of the scientific literature and the conducted research allows us to conclude that:

- The study, systematization and accumulation of knowledge about banking risks is constantly evolving and this does not allow us to develop a uniform approach to the definition of risk;

- the understanding of risk in general and banking in particular is transformed depending on

[28]National Database of Legislation, 13.05.2020, № 06/20/5992/0581//https://lex.uz/docs/4811037

[29]Basics of the Standard Approach, IRB and ICAAP.//https://www.arb.ru/b2b/acute/osnovy_standartnogo_podkhoda_ irb_i_icaap-10222529/

market volatility, state standards of regulation and supervision, and the evolution of human thought;

- banking risk is an activity carried out under conditions of uncertainty, aimed at obtaining a high positive financial result and overcoming (minimizing) possible adverse events;

- the banking risk management system needs constant improvement in order to achieve rapid response to continuously changing external and internal risk factors;

- the key issues in the field of banking risk management remain the development of optimal assessment methods, effective mechanisms and risk management systems that allow timely, reliable and constructive monitoring, regulation and minimization of risks, their monitoring and constant control.

Thus, the solution to the problem of bank risk management lies in the development of a methodology for managing certain types of risks in order to identify, localize, measure and control over one or another type of risk in order to minimize its impact. Its formation takes into account both the specifics of the bank's activities and the risks inherent in a particular bank, as well as the methods of their assessment, management and control procedures for each type of risk. An important role is played by a clear delineation of responsibilities and division of responsibilities in the process of identification and risk management[30].

Practice shows that banking risks, with all their diversity, reflect the specifics of the activity of a credit institution, they come from its action or inaction, delay, prematurity or error of its actions.

The successful operation of the bank as a whole largely depends on the chosen risk management system. A reliable banking system is central to the development and successful functioning of a market economy and is a prerequisite for the development and stability of the economy as a whole.

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