

Kyiv National University of Trade and Economics

Banking department

FINAL QUALIFYING PAPER

on the topic:

Investment activity of financial institutions

Student of the 2nd year, group 5am, specialty 072 «Finance, banking and insurance» specialization «Financial intermediation»

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Task for afinal qualifying paper

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Object of the research the process of realization of investment activity

Subject of the research Financial institution where investment activity is made

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5. Contents of a final qualifying paper (list of all the sections and subsections)

Introduction

Part 1. Theoretically normative aspects of investment activity of financial institution

Part 2. Analysis of investment activity financial institution

2.1 Investment activity of AMC and CII.

2.2 Comparative analysis of investment activities of competing funds

Part 3. Ways to improve the investment activity of a financial institution

3.1 Problems of investment activity of financial institutions in Ukraine

3.3 Suggestions for improvement of investment activity of financial institutions

Conclusions and recommendations

References

Appendices

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INTRODUCTION

Relevance of research. Under the pressure of real problems dictated by economic practice, the financial services sector is constantly evolving, new tools that have not been used before, the financial mechanism at the macro and micro levels is improving, the process of reforming legal and organizational systems of business initiative.

The rapid and dynamic development of institutional investors, the growth of their investment portfolios have a significant impact on national financial markets, financial instruments and investment management technologies. Currently, the organized securities market of Ukraine reflects the level of development of institutional investors. After all, the growing demand of these institutions for liquid securities, on the one hand, stimulate the real sectors of the economy to master the technology of portfolio investment, on the other - to the introduction of civilized rules of trading by stock market administrators. Thus, the successful development of the domestic stock market also depends on the dynamics of development and growth rates of assets of institutional investors.

Analysis of recent research and publications. In world practice, there are different investment strategies. So L.D. Gitman[9], A.N. Nesterenko[35], M.D. Jonki[9], B.Z. Milner[35], N.G. Nagaichuk[33], R. Pikus[36], D. Nesterova[36], N.V. Milosevic[34] are distinguished by the following: a strategy of long-term ownership, a strategy of obtaining high returns on invested capital, a strategy of long-term growth in investment quality, aggressive stock management, as well as a strategy of speculation.

The **aim** of the thesis is to research an investment activity of financial institution.

According to the aim there are the following **tasks**:

- to determine the notion of investment activity;
- to find out types of investment strategies of financial institutions;
- to make an analysis of investment activity of The National Securities and

stock market Commission;

- to make an analysis of the effectiveness of the investment activity of NSSMC;
- to define the problem aspects of legal support for Ukraine's investment attractiveness;
- to determine the strategy for improvement of the securities market in Ukraine.

The **object** is the process of realization of investment activity.

The **subject** is an investment activity of financial institution.

Research methods: in the course of the research were used: the method of theoretical generalization and comparison (to generalize the content and characteristics of the stock market); method of systematic and spatial approach (for various assessment of the stock market); method of logical generalization (for the sequence of research) and economic – statistical methods (to consider the dynamics of the stock market of Ukraine); scientific methods of deduction and induction.

The information base of the study is laws and regulations on the issues of stock market regulation in Ukraine; scientific publications on the researched problem; analytical reports; foreign online sources and publications.

The scientific novelty of the obtained results is as follows:

- *formulated scientific hypothesis* on the impact of global trends in the development of the investment activity of the financial institutions of Ukraine, also determined the effectiveness of the implementation of international requirements for the development of the investment activity of Ukraine.
- *received further development* of proposals for improving the investment activity in Ukraine, based on the economic and legal characteristics of the state;
- *improved* study of the regulatory framework for investment activity regulation in Ukraine.

The practical significance of the obtained results. The obtained results can be used by public authorities to improve the regulation of the investment activity in Ukraine. In particular, the recommendations developed by the author may be useful to the National Commission on Securities and Stock Market (NSSMC) in developing strategies for the development of the stock market of Ukraine or the implementation of national economic and financial reforms.

Personal contribution of the master. The final qualifying work is an independent completed research of the author.

Publications. Some results of the study are reflected in the scientific article: Teslia O. Investment activity of the financial institution // Business processes in credit and financial institutions: Coll. of scientific art. of full-time and part-time stud. / resp. ed. N.P. Shulga. – K.: KNUTE. – 2020. – 426 p. Also some results were published in the abstracts of the report at the All-Ukrainian Student Conference: Teslia O. Investment activity of the financial institution // Financial and credit systems: problems of theory and practice: All-Ukrainian. stud. conf. of science (Kyiv, March 16, 2020): thesis add. / resp. ed. N.P. Shulga – K.: KNUTE. – 462 p. – P.: 447–449.

Scope and structure of work. The work consists of 3 parts, introduction, conclusions, list of used sources and appendices. The volume of work is 62 pages. The paper presents: 13 tables, 3 appendices and used 58 scientific sources.

PART 1. THEORETICAL NORMATIVE ASPECTS OF INVESTMENT ACTIVITY OF FINANCIAL INSTITUTION

In a broad sense, the category «investment» (from Latin *investio* – dress) means investing capital for the purpose of its subsequent increase. This approach to the interpretation of «investment» is the main one in foreign and modern domestic methodology [1;32]. However, it should be noted that for a certain period of time, foreign scientists paid more attention to financial investments, that is, investments in securities, when determining investments. This situation can be explained by the greater development of the financial instruments market in international practice. As for domestic scientists, in Soviet times the term investment was not used at all. Instead, the use of the term «capital investment» was widespread, which meant the costs of enterprises for the creation of new, expansion, reconstruction, technical re-equipment of existing enterprises and renewal of fixed assets, the introduction of new equipment in the production sectors of the national economy, the construction of facilities in all branches of the social sphere and the performance of design and geological exploration. Thus, the emphasis was placed on real investment.

The diversity of the term «investment» in domestic and foreign literature is largely explained by the breadth of essential features of this rather complex economic category. In modern economic theory, the category «investment» is the process of investing capital for the purpose of its subsequent increase.

The law of Ukraine «On investment activity» (Article 1) defines investment as all types of property and intellectual values invested in objects of entrepreneurial and other types of activities, as a result of which profit (income) is created or a social effect is achieved [1]. In the monograph «Investments», prepared by the Nobel laureate in economics U. Sharp, along with other American scientists, notes: «In the broadest sense, the term 'invest' means to part with money today in order to receive a large amount of it in the future» [32]. «Investment is a

way of placing capital, which should ensure the preservation or growth of the amount of capital,» — define American economists L. Gitman and M. Junk in the monograph «Fundamentals of investing» [9]. V. Ya. Shevchuk and P. S. Rogozhin notes that investments have a financial and economic definition. By financial definition, investments are all types of assets (funds) that are invested in economic activities in order to generate income. According to the economic definition, investment is the cost of creating, expanding, reconstructing and technical re-equipment of fixed capital, as well as non-related changes in working capital, since changes in inventory principles mainly depend on the movement of fixed capital expenditures [34]. This does not take into account the fact that investments can be directed to the purchase of profitable securities, shares of other enterprises, or the purchase of a large batch of materials due to inflation expectations, etc. These operations have nothing to do with fixed capital.

In addition, practice shows that investments can be made not only in financial or material form, but also in the form of know-how, technologies, patents, other intangible assets, by writing off debt, etc.

In macroeconomics, investment refers to the share of GDP that is not consumed in the current period and provides capital gains in the economy. In the extended interpretation, they are considered as long-term investments of capital in their own country or abroad in enterprises of various industries, entrepreneurial projects, socio-economic programs, and innovative projects. In microeconomics, investment is interpreted as the process of creating new capital (means of production and human capital) [7].

T. Doroshenko points out that investments are all types of monetary, property and intellectual values that are invested in real and financial assets in order to generate profit (income). Investments should be understood only as those investments whose purpose is to make a profit (income). And it is for this purpose that it is necessary to distinguish investments from other investments of funds [10]. The definition has several disadvantages. First, there is an erroneous differentiation of monetary, property and intellectual values as separate, unrelated categories,

since by the civil nature property is real estate, materials, finished products, money, and intellectual property objects. Therefore, it is more appropriate to indicate: «all types of property values». Secondly, the concept of «real and financial assets» needs to be clarified. It is better to indicate that investments are made in business objects, since the purchase of securities, the cost of new equipment, and the reconstruction of the enterprise — all this is done in order to carry out entrepreneurship in order to make a profit. Third, it is a mistake to think that an investor who invests property as an entrepreneur is interested in making a profit (income). The investor is primarily interested in profit (even in the distant future), and not just income, provided that you can work unprofitably. Fourth, the opinion that investment cannot be made for the purpose of obtaining a social effect is also a mistake, since investing in non-productive objects can be considered as a means of ensuring the normal functioning of the economy through the implementation of measures to reproduce the labor force - and without this factor, the production process is impossible. Only a state that invests heavily in social projects can count on stable development and economic growth. The Russian «Modern economic Dictionary» defines investments as follows: «Investments are long-term investments of capital in their own country or abroad in enterprises of various industries, entrepreneurial projects, socio-economic programs, innovative projects.» O. O. Nedosekin, K. I. Voronov gives the following definition: investment is a temporary refusal of an economic entity to consume the resources at its disposal and use these resources to increase its well-being in the future.

According to N. O. Tatarenko and A. M. Poruchnik, investments are all types of property and intellectual values that are invested in objects of entrepreneurial and other types of activities to make a profit or achieve certain social effects. In the first case, investment is considered as a means of increasing capital, in the second — as a means of providing social services that ultimately contribute to the socio-economic development of society [31].

An appeal to the interpretation of the term «investment» in foreign economic literature shows that in different schools and directions of economic thought, the

definitions of the concept of «investment» contain a common essential feature — the connection of investment with income generation as an investor's target setting.

Table 1.1

Research of approaches of scientists to definition of investment activity*

| Author | Brief description |
|---|---|
| The law of Ukraine «On investment activity» (Article 1) | investment as all types of property and intellectual values invested in objects of entrepreneurial and other types of activities, as a result of which profit (income) is created or a social effect is achieved |
| U. Sharp | In the broadest sense, the term 'invest' means to part with money today in order to receive a large amount of it in the future |
| L. Gitman M. Junk | Investment is a way of placing capital, which should ensure the preservation or growth of the amount of capital |
| V. Ya. Shevchuk P. S. Rogozhin | By financial definition, investments are all types of assets (funds) that are invested in economic activities in order to generate income. According to the economic definition, investment is the cost of creating, expanding, reconstructing and technical re- equipment of fixed capital, as well as non-related changes in working capital, since changes in inventory principles mainly depend on the movement of fixed capital expenditures |
| T. Doroshenko | investments are all types of monetary, property and intellectual values that are invested in real and financial assets in order to generate profit (income). Investments should be understood only as those investments whose purpose is to make a profit (income). And it is for this purpose that it is necessary to distinguish investments from other investments of funds |
| O. O. Nedosekin, K. I. Voronov | investment is a temporary refusal of an economic entity to consume the resources at its disposal and use these resources to increase its well-being in the future. |
| N. O. Tatarenko A. M. Poruchnik | investments are all types of property and intellectual values that are invested in objects of entrepreneurial and other types of activities to make a profit or achieve certain social effects. In the first case, investment is considered as a means of increasing capital, in the second — as a means of providing social services that ultimately contribute to the socio-economic development of society |

*created by the author according to the data [1, 9, 34, 35, 36]

In the most general form, investment is understood as an investment of capital with the aim of increasing it in the future. This approach to defining the concept of «investment» prevails in both European and American methodologies.

There is another approach to determining investment, due to the growing importance of the securities market as a mechanism for the growth of real capital in countries with developed market economies. Within its framework, investments are defined as investments in securities.

The development of market relations has made it necessary to review the interpretation of the category «investment» in accordance with the new conditions. Characteristic features of the emerging market approach to understanding the essence of investment are:

– the connection of investment with income generation as a motive for investment activity; consideration of investments in the unity of two sides: resources (capital values) and investments (expenses); analysis of investments not in statics, but in dynamics, which allows to combine resources, investments and return on investment — as a motive for this association; inclusion in the investment objects of any investments that give an economic effect.

Table 1.2

Regulatory framework for investment activities of financial institutions*

| Name | Brief description |
|---|--|
| Constitution of Ukraine | Provisions on state provision of social orientation of Ukraine's economy and guarantee protection of the rights of all subjects |
| Law "On Investment Activity" | Regarding the general principles of investment activities in Ukraine |
| Law of Ukraine "On Foreign Economic Activity" | Defines foreign investment as a variety foreign economic activity and establishes features, principles and forms of implementation of the latter |
| Decree of the Cabinet of Ministers of Ukraine "On streamlining the activities of entities business activities. created with the participation of state enterprises " | Regarding the peculiarities of the creation and operation of joint ventures in which state-owned enterprises participate business entities |
| Decree of the President of Ukraine "On investment funds and investment companies » | Regarding the procedure for establishing and operating investment companies |
| Law of Ukraine "On the regime of foreign investment" | Determines the features of the foreign investment regime in Ukraine |
| Law of Ukraine "On Securities and Stock market" | Concerns the order of issue and circulation of securities in Ukraine |

*created by the author according to the data [1, 2, 3, 4]

Investments are classified according to separate criteria:

The objects of investment are financial and capital investments and reinvestments. Financial investments are those that involve the acquisition of corporate rights, securities, derivatives, and other financial instruments.

Corporate rights are the right of ownership to the authorized capital of a legal entity or its share, including the rights to manage, receive the corresponding share of profit of such a legal entity, as well as assets in the event of its liquidation in accordance with the current legislation, regardless of whether such a legal entity is created in the form of a business company, an enterprise based on the ownership of one legal entity or individual, or in other organizational and legal forms. A derivative is a standard document certifying the right and/or obligation to purchase or sell securities, tangible or intangible assets, as well as funds under certain conditions in the future.

Capital investments are those that involve the purchase of buildings, structures, machinery, and other items of fixed assets and intangible assets that are subject to depreciation.

Reinvestments are those that involve making capital or financial investments at the expense of income (profit) received from investment operations.

By the nature of participation, there are direct and portfolio investments. Direct investments are those that involve depositing funds or property in the authorized capital of a legal entity in exchange for corporate rights issued by such a legal entity. Portfolio investments are operations that involve the purchase of securities, their derivatives and other financial assets for funds on the stock market (up to one year) and long-term (more than one year) investments.

According to the form of ownership of investment resources, private, state, foreign and joint investments are distinguished. Private investment is made by citizens, non-state enterprises, organizations and institutions, unions and societies, public and religious organizations based on private property. State investments are made by the authorities and administrations of Ukraine, local councils of people's deputies at the expense of budgets and extra-budgetary funds, as well as state-owned enterprises at the expense of their own and borrowed funds. Foreign investments are made by foreign states, legal entities and citizens. Joint

investments are made by citizens and legal entities.

On a regional basis, there are internal and external investments. For domestic investments, activities are carried out exclusively on the territory of Ukraine, and for external investments — both on the territory of Ukraine and abroad.

According to the degree of risk, there are risk-free and risky investments.

Risk-free investments are considered investments in short-term government bonds of leading countries of the world. Risky investments are those that have a certain degree of risk [7].

The definition of «investments» is also closely related to the concept of «investment activity». The term «investment activity» can be given a broad and narrow definition. In a broad sense, investment activity is an activity related to investing funds in investment objects in order to make a profit. A similar interpretation is contained in the law «On investment activity» [1], according to which investment activity is understood as the investment and practical actions in order to make a profit and (or) achieve another useful effect. In a narrow sense, investment activity, investment itself, is the process of converting investment resources into investments.

Investment activity planning is a necessary process for a number of reasons: to implement strategies, an enterprise can use different types of investments, different amounts of investment funds, so it is advisable to develop several alternative projects; the need to choose the most effective alternative investment projects; the need to get a return on investment as soon as possible; planning helps to reduce the risk associated with making investment decisions.

Consequently, investment is considered as a dynamic process of changing forms of capital, consistently converting initial resources and values into investment costs, and converting invested funds into capital value gains in the form of an economic, social, or environmental effect. Investments are investments in both cash and real capital. They are carried out in the form of funds, loans, securities, as well as investments in movable and immovable property, intellectual property, property rights and other valuables.

The strategy of obtaining a high return on capital. The main tool of this

strategy is stocks that ensure quality income. Many insurers choose this strategy in order to ensure a high (and relatively reliable) return on their invested capital.

Strategy for long-term growth of investment quality. This strategy focuses on capital growth as the main source of income. The strategy involves the conclusion of a large number of agreements, and hence the assumption of higher systematic risk.

Aggressive stock portfolio management. This investment strategy is implemented through the active activity of the investor to buy and sell various shares, which leads to high returns both on the basis of current income and on the basis of capital growth. This approach determines a significant increase in the intensity and frequency of transactions and, as a rule, a decrease in the investment horizon.

Strategy of speculation. The strategy of speculation is the least conservative option, especially in extreme cases. The only investment task is to increase capital, and if it is achievable in the shortest possible time - the task is done.

The investment strategy, as part of the financial strategy, is formed by the insurance company to manage investment activities, and is a plan for the placement of insurance reserves, taking into account the forms.

Investments and investment activities are undeniably important in economic development. Today, when new theories and sections in economics appear, the consideration of investments, investment activities, investment process from their standpoint is quite interesting and relevant.

All existing interpretations of the categories of capital and investment can be divided into several groups with a certain degree of conventionality. From the standpoint of microeconomics, investments are, on the one hand, costs incurred for the purpose of modernization, renewal, reconstruction, expansion of existing or creation of new fixed assets of the enterprise.

On the other hand, these are resources (primarily financial resources) intended for the reproduction of fixed assets and invested in order to generate income in the future (capital supply).

The result of the implementation of investments at the micro level - the achievement of these goals, as well as income or other beneficial effects. In

macroeconomics, investment is the part of national income that makes up total expenditures, the growth of which increases national income due to the effects of multiplier and accelerator effects. The institutional approach to capital and investment is the least studied. One of the main ideas of institutionalism is to take into account the impact on economic processes of institutions: man-made constraints, structure economic, political and social interactions - rules, mechanisms to ensure their implementation, as well as norms of behavior, streamline interactions between people [39, p. 17].

Institutions - not only collective action to control, liberalize and expand individual action, but also organizations that approve and enforce the rules and laws relating to the mechanism of implementation of these collective actions[36].

Institutionalism considers the interaction of economic agents in the institutional environment - a set of basic political, social and legal rules that form the basis for production, exchange and distribution.

Williamson refers to this environment formal rules, including property rights, defining it as consisting of system-forming rules of the game. We understand the institutional environment as all sorts of rules and norms (formal and informal) that regulate these interactions, as well as organizations (especially public authorities or government agencies) that ensure the implementation of these rules. This environment affects the behavior of economic entities, and the allocation of resources - in particular, capital, and, consequently, the volume and direction of investment in both regional and sectoral terms. Investments - cash, securities, other property and property rights that have a monetary value, invested in business and (or) other activities in order to make a profit and (or) achieve other useful effects. They are implemented in the course of investment activities, i.e. a set of actions for their practical implementation.

Investment activity includes as a component of the investment process as a process of converting monetary resources into final products (or other result). The investment process is long and involves: collecting information about possible investment options; attraction of funds necessary for investment from financial intermediaries; direct implementation of investment costs; return of investments and income to the investor or their reinvestment. many economists define the

investment process as an investment activity in the narrow sense of the word, ie the process of transforming investment resources into investments [39, p. 6].

In our opinion, investment activity can be represented as an activity consisting of the following stages (stages):

- raising the necessary financial resources for investment (using the opportunities of the stock and financial markets);
- direct investment (investment of received funds in investment projects of the real sphere);
- realization of investments (receiving return on investment in the form of profit or other positive effect).

The elements of the system of institutional investors (see Table 1.1) include:

- investment funds;
- management companies;
- insurance companies;
- pension funds;
- commercial banks;
- credit cooperatives.

The most important aspect of institutional investors is that their funds, pooled and depersonalized in a single fund, are managed by a professional manager, which reduces the average risk of each investor. The investor is provided with the necessary May information on the directions and conditions of investment to make a choice in favor of the most suitable scheme.

Table 1.3

Classification of the system of institutional investors

| Type of investor | Owner | Asset management | Monitoring and evaluation Effectiveness | The ultimate risk carrier and c |
|-------------------------------------|-------------------------|---------------------------------------|--|--|
| Investment funds (Retail business) | Households. Entities | Own assets management | Investors, rating agencies | Households. Entities |
| Asset Management | Institutional investors | External asset management | Investors, consultants | Institutional investors |
| General funds of banking management | Beneficiaries | Management of own and external assets | Proxies, consultants | Beneficiaries |
| Pension funds | Beneficiaries | Management of own and external assets | Proxies, consultants | Beneficiaries |
| Insurance companies | Insurance companies | Management of own and external assets | Insurance companies, consultants | Insurance companies, owners of insurance policies |
| Trust management | Households | External asset management | Proxies, consultants | Households |
| Credit unions | Households | Own assets management | Households, Rating agencies | Households |

*created by the author according to the data [36]

The main area of application of free cash is their investment in shares and other securities, as well as the placement of funds in deposit accounts, in order to obtain the appropriate interest. When buying shares of other insurance companies, banks, industrial enterprises, etc., in many cases, insurers provide themselves with controlling stakes. As a result, a complex system of financial relations of insurance monopolies with banking and industrial capital is formed.

An important step in creating a portfolio is the analysis of securities, which is

carried out with the involvement of tools for fundamental and technical analysis. As a result of the rapid development of financial markets around the world, these methods have found their interpretation in the framework of basic graphic and economic-mathematical models, methods of financial and economic analysis. However, the long period of use of these classic tools for forecasting prices and risk of investments in specific financial instruments has required the development and implementation of innovative management tools in this area. Recently, combinations of classical methods of technical and econometric analysis, neural network and fractal modeling have become especially popular. All these tools significantly increase the content and efficiency of management information, and, consequently, at relatively low cost will provide a significant increase in efficiency. The latter determines the essence of innovative tools for forecasting the profitability and risk of financial investments [38, p. 758]

During the development of the investment strategy, financial instruments for inclusion in the portfolio are determined; market conditions and regulatory framework are analyzed. The implementation of the strategy begins with strategic asset management, according to which long-term decisions are made on the portfolio as a whole, then carried out. Tactical allocation of reserves, such as redistribution of funds among portfolios to increase income in the short term. At the lower level, decisions are made on the selection of specific securities from a particular asset class. Due to the fact that insurers are still in rather strict restrictions by regulators, with the necessary risk-return ratio sometimes have to abandon the chosen instrument.

When placing assets, the insurance company can be guided not only by the principle of risk-return, according to which the investor makes decisions based on the expected return and volatility of the asset. As alternative approaches, the following methods of asset allocation can be distinguished: immunization - an approach according to which capital is considered insensitive (immunized) to interest rate fluctuations if three conditions are met: equality of present values of assets and liabilities, equality of duration of assets and liabilities, the variance of

the moments of occurrence of payments on assets more than on liabilities. In this approach, the portfolio must be constantly balanced taking into account changing liabilities and the market situation [42, p. 670].

It is not always possible to find financial instruments with a duration that is adequate for the duration of liabilities; balancing assets and liabilities (by size and timing) is a more stringent immunization option, according to which the placement of assets is carried out in such a way that the flows of assets and liabilities coincide in both time and volume [37, p. 206].

This approach severely restricts the freedom to make investment decisions;

- limitation of possible losses - according to this approach, the investor chooses a placement strategy that allows you to maximize profits, taking into account the limits on potential losses. That is, the investor has a restriction on the structure of the portfolio, which ensures that the value of assets does not decrease more than a certain value with a given level of probability;

- asset and liability management - investment technology, the main task of which is to maintain a long-term balance between assets and liabilities, achieved by choosing

- portfolio with characteristics (duration, profitability, risk) similar to the portfolio of liabilities. Immunization is a special case of this approach.

These investment strategies demonstrate the vector of activity depending on the goals set by the insurance company, which are determined by an acceptable ratio between expected return and risk. When carrying out investment activities, insurers take into account the restrictions set by the insurance regulator and follow the rules of operations in the stock market.[40, p. 670].

In world practice, there are two approaches to regulating the investment activities of insurance companies:

- Quantitative approach,
- Quality approach.

The quantitative approach to regulation is to legally set investment limits for a particular asset class and for an individual issuer as a percentage of total reserves.

The quantitative method is rigid and restricts the freedom of the investor, which is expressed in the following:

- lack of flexibility leads to the fact that restrictions cannot be quickly revised in changing economic conditions, movements in the securities market, foreign exchange market, etc.;
- The investor is forced to implement an investment strategy aimed at meeting regulatory requirements, rather than providing the necessary profitability for policyholders and reducing risk;
- liquidity settings do not take into account the fact that at the portfolio level default risk and volatility can be reduced by diversifying assets, while liquidity risk depends on the liquidity of the entire portfolio and not individual instruments;
- makes it impossible for the regulator to approve insurers' innovations related to asset and liability management policy, as this may lead to a significant restructuring of the asset portfolio, in violation of quantitative restrictions.

Qualitative approach - is an individual approach of the regulator to each insurance company, taking into account its commitments. This approach provides greater freedom of investment processes, taking into account the company's obligations and risks.

In modern conditions, investors are increasingly paying attention to the risks of asset placement and they are interested not just in the expected return at the end of the period, but the spread of results, i.e. risk assessment.

On the other hand, the use of a particular method of regulation also depends on the development of insurance and financial markets. Therefore, in a developing market, such as Ukraine, the main task of the regulator is to control the solvency of insurers, which is also achieved by setting strict limits on the allocation of reserves.

The process of implementing an investment strategy is expressed in the acquisition and subsequent management of the investment portfolio. Therefore, it is necessary to objectively predict the future state of the securities portfolio for a certain period of time.

The management information prepared in the process of innovative management of investment activity of the insurance company is the basis of specification of concrete indicators of efficiency of realization of strategy of functioning and development of the enterprise, and also substantiation of structural components of the corresponding decision support system. The latter, along with the organizational and legal features of improving the financial management system of the insurance company, is the main direction of further development of the presented developments [36, p. 65].

Thus, we conducted a study of approaches to the concept of "investment" in the scientific literature, conducted a comparative analysis and noted that in general, investment is defined as a process in which resources are converted into expenses, taking into account the goals of investors — generating income (effect).

We also conducted a study of approaches to the classification of financial investments and made a conclusion that investments are classified by different criteria.

We also included a study of approaches to classification of investment strategies of financial institutions. We can conclude that the investment strategy, as part of the financial strategy, is formed by the company to manage investment activities, and is a plan for the placement of insurance reserves, taking into account the forms.

PART 2. ANALYSIS OF INVESTMENT ACTIVITY OF FINANCIAL INSTITUTION

2.1. Investment activity of AMC and CII

An Asset Management Company (AMC) is a legal entity that carries out professional CII asset management activities on the basis of a license issued by the NSSMC and cannot combine these activities with other types of professional activities in the securities market. AMC manages the assets of CII for a fee.

CII are investment funds (corporate and mutual), in which investors' funds are accumulated for further profit through their investments in securities, corporate rights, movable and immovable property and other assets. The activities of CII are regulated by the Law of Ukraine "On Joint Investment Institutions" № 5080-VI of July 5, 2012, as amended, all CII are accountable to the NSSMC.

A corporate investment fund (hereinafter referred to as a CIF) is a legal entity that formed in the form of a joint-stock company and conducts exclusively joint investment activities. CIF is considered created and acquires the status of a legal entity from the date of its state registration in the manner prescribed by law.

A mutual investment fund is an asset owned by investors on the right of joint partial ownership, managed by AMC and accounted for separately from the results of its business activities. The UIF is not a legal entity, but it has the same rights and obligations as the CIF.

CIFs and mutual funds acquire the status of a mutual investment institution from the date of entering information about them in EDRISI.

A corporate investment fund can be created only by establishment. Mergers, divisions, spin-offs, mergers or transformations of CII are prohibited. Separation from the corporate fund of another legal entity is prohibited. Joining a CII of another legal entity is prohibited.

Depending on the order of activity: open, interval, closed.

The placement and redemption of open-end securities takes place on a daily basis, ie the investor can both buy and sell the fund's securities on any business

day. The main difference of this fund is high liquidity. Accordingly, an open-end fund as the most liquid instrument requires the presence of the most liquid instruments in its assets.

The investor may purchase and sell securities of the interval fund only during the period (interval) specified in the issue prospectus of the fund, according to the legislation - at least once a year. Most of these funds place and redeem securities much more often. Open-end and interval funds are usually indefinite (created for an indefinite period of activity).

A closed-end investment fund can only be term. According to the law, neither the AMC nor the fund is obliged to repurchase the securities of the investor of such a fund until the closure of the CII. However, the securities of a closed-end fund can be freely circulated on the market - they can be donated, sold to a third party, used as collateral, and so on. Depending on the composition of assets: diversified and non-diversified.

Diversified funds are strictly controlled in relation to the directions and amounts of investment in a particular asset. Open-end and interval investment funds can only be diversified.

Non-diversified funds are investment funds for which there are no strict requirements for asset diversification. They can invest in securities, real estate, corporate rights, etc.

Venture funds are corporate or mutual non-diversified investment funds that carry out exclusively private placement of securities issued by them and pursue a rather risky investment strategy, in particular in innovative projects.

The investor's income consists of the increase in the value of the fund's securities accrued on CII securities.

An investor can realize his income only in case of sale of shares or investment certificates belonging to him, or having received dividends. If the investor sells securities to the fund or AMC, the price is formed based on the value of the fund's share / investment certificate at the time of redemption. In order to find out the value of the fund's share / IP, it is necessary to divide the value of the

fund's net assets by the number of shares / certificates of the fund in circulation.

Attractive for investment in CII, also due to the fact that the legislation has granted CII benefits, based on paragraph 141.6.1. Of the Tax Code of Ukraine (hereinafter TCU) are exempt from income tax funds of mutual investment, namely: funds contributed by the founders of the corporate fund, funds and other assets raised from members of the collective investment institution, income from transactions with CII assets, accrued income on the assets of the mutual investment institution, and other income from CII activities (interest on loans, lease payments, royalties, etc.). Exemption of investment funds from corporate income tax is intended to make this tool attractive to investors, to encourage investment in various investment projects. The income tax exemption allows CIF shareholders to receive dividends and pay only half of the base rate, which is 18%.

Mutual investment institutions are designed to consolidate the money of small investors into large amounts of assets to invest in long-term commercial projects, municipal programs, large packages of securities and more. The essence of the CII securities market can be revealed through the analysis of its functions that ensure the activities of investment funds. At the same time, the functions of the CII securities market as any element of the financial system are similar to the functions of its other elements, but provide a more specific range of relations and scope.

Based on this approach, distinguish the following functions of the CII securities market as an element of the financial system:

- mobilization of funds of private investors;
- formation of market prices for securities;
- ensuring the liquidity of securities;
- providing settlements for securities transactions;
- separation of management functions from property ownership.

Investment in Ukraine is quite controversial and ambiguous, mainly due to the unstable political situation in the country and the weak development of the stock market itself. But it is undeniable that portfolio investing can be a profitable

alternative to all possible options for investing temporarily free funds. Thus, we can identify the main advantages of investment funds compared to individual investment:

1. Professional management;
2. Diversification of investments in stock market instruments;
3. Ensuring high liquidity;
4. Convenience;
5. Choosing an investment strategy;
6. Risk management.

The determining factor of effective investment activity of CII is the consistency of the parameters of its resource base and strategic guidelines. This can be achieved by assessing and targeting relevant factors (term of investing in CII, expected minimum level of yield on CII securities, maximum allowable level of loss of CII securities, potential for expanding CII resource base), calculating the adequacy ratio of CII resource base strategy. It is definitely important when forming an investment fund not just to accept the contributions of potential investors, but to manage their quality. Also, depending on the chosen strategy, potential investors should be grouped according to their level of risk appetite. All of the above suggests that in the case of collective investment institutions, the management of the securities portfolio should be considered in conjunction with the formation of a cash fund.

Statistics indicate that the CII market is dominated by venture funds, and their asset structure shows that they are used in most cases to manage the assets of holding companies, optimize income tax and pay dividends to their shareholders. Venture CII do not have regulatory provisions on investment objects, they do not need to adhere to the structure of assets, unlike diversified CII, they have the right to invest their funds in any assets other than securities of other CII.

It should be noted that the Ukrainian CII market is significantly different from foreign markets. In the world market, the main areas of venture capital investment are the production of semiconductors, electronic innovations, computer

technology, biotechnology, information security, genetic engineering and a number of other areas. Ukrainian venture CII mostly invest in corporate rights of companies, are used in the construction business to optimize income tax through the mechanism of forward contracts. Owners of property complexes, office premises, equipment and facilities are re-registering the ownership of these assets in collective investment institutions in order to optimize taxes and protect property from raider attacks and tax arbitrariness.

In 2015-2019, Ukraine began integration processes with EU countries, but as of 2019, the NSSMC has not taken significant steps to harmonize Ukrainian legislation governing the activities of collective investment institutions to EU Directives, nor have alternative directions of Ukraine's stock market development been developed and implemented.

Also in the Ukrainian legislation there are restrictions on the participation of individuals as an investor in venture CII, which significantly reduces the number of potential investors and the ability to raise funds from individuals. The legislation sets the minimum threshold for investment in a venture fund at 1,500 minimum wages on the day the fund is placed, as of April 25, 2019, this amount is UAH 6,259,500.00, which is unaffordable for most citizens of Ukraine.

It should also be noted that on August 12, 2020, the law "On Amendments to Certain Legislative Acts of Ukraine on Facilitating the Attraction of Investments and Introduction of New Financial Instruments" was signed. "On Capital Markets and Organized Commodity Markets") and "On Commodity Exchange", as well as amends a number of codes and other laws. The new legislation significantly changes the rules of the game in the markets, including a significant impact on the activities of CII. Not only the terms but also the requirements for market players and the powers of the regulator - the National Commission on Securities and Stock Market (NSSMC) are changing. The main part of the law comes into force on July 1, 2021. The main points of the Law of Ukraine "On Capital Markets and Organized Commodity Markets" are a comprehensive settlement of issues:

- functioning of markets for derivative securities and derivatives,

- functioning of regulated markets and development of their infrastructure;
- streamlining the provision of information services in the capital markets in accordance with international practices and European legislation;
- ensuring the protection of the rights of bondholders, in particular, by providing for the institution of a meeting of bondholders and a bond issuer administrator, in accordance with world best practices.

We will analyze the open-end fund VSPiF "OTP Klasichniy", the assets of which are managed by AMC LLC "OTP CAPITAL", for the period from 2017 to 2019, and the 1st quarter of 2020.

Table 2.1

Open-Ended Fund "OTP Klasichniy"*

| "OTPKlasichniy"/TOV "KUA "OTP Kapital" | | | | |
|---|---------------|---------------|---------------|---------------|
| | 2017 | | | |
| | 1 Quartal | 2 Quartal | 3 Quartal | 4 Quartal |
| By Rate of Return | 4,02% | 3,80% | 3,41% | 3,29% |
| By Natural Persons` Holdings | 2,35 mln. UAH | 3,12 mln. UAH | 3,43 mln. UAH | 3,56 mln. UAH |

*created by the author according to the data [54]

According to Table 2.1, it can be seen that during the year the fund's profitability decreased, and the attraction of investments from individuals increased. The risk profile of the fund is low.

Table 2.2

Open-Ended Fund "OTP Klasichniy"*

| "OTPKlasichniy"/TOV "KUA "OTP Kapital" | | | | |
|---|---------------|---------------|---------------|---------------|
| | 2018 | | | |
| | 1 Quartal | 2 Quartal | 3 Quartal | 4 Quartal |
| By Rate of Return | 2,97% | 3,48% | 3,44% | 3,76% |
| By Natural Persons` Holdings | 3,91 mln. UAH | 4,94 mln. UAH | 5,03 mln. UAH | 4,75 mln. UAH |

*created by the author according to the data [55]

According to Table 2, it can be seen that the yield had a positive trend in 2018, but the attraction of deposits from individuals was unstable. The risk profile of the fund is low.

Table 2.3

Open-Ended Fund "OTP Klasichniy"*

| "OTPKlasichniy"/TOV "KUA "OTP Kapital" | | | | | |
|---|---------------|---------------|---------------|---------------|----------------|
| | 2019 | | | | 2020 |
| | 1 Quartal | 2 Quartal | 3 Quartal | 4 Quartal | 1 Quartal |
| By Rate of Return | 2,97% | 3,48% | 3,44% | 3,76% | -0,72% |
| By Natural Persons` Holdings | 3,91 mln. UAH | 4,94 mln. UAH | 5,03 mln. UAH | 4,75 mln. UAH | 11,54 mln. UAH |

*created by the author according to the data [56]

In 2019, the fund had a positive trend in terms of profitability and borrowings from individuals. The risk profile of the fund is low.

According to the tables above, we can conclude that for the period 2017-2018, the fund's profitability was stable. Given that the site of AMC "OTP Capital" posted open information about the fund, we can say that the fund's assets mainly consist of government bonds and deposits in banks, such assets directly depend on the discount rate of the NBU, which began to change rapidly during end of 2019-2020.

2.2. Comparative analysis of investment activities of competing funds.

To carry out a comparative analysis of the investment activities of our fund OTP "Klasichniy", let's analyze the indicators of open funds - competitors of "KINTO Klasichniy" / PJSC "KINTO" and UNIVER.UA / Yaroslav Mudry: Equity Fund / LLC AMC "Univer Management"

Table 2.4

Comparative analysis of investment activities*

| | 2017 | | | | | | | |
|------------------------------|-----------------------------------|---------------|---------------|---------------|---|---------------|---------------|---------------|
| | "KINTO Klasichniy" / PJSC "KINTO" | | | | UNIVER.UA / Yaroslav Mudry: Equity Fund / LLC AMC "Univer Management" | | | |
| | 1 Quartal | 2 Quartal | 3 Quartal | 4 Quartal | 1 Quartal | 2 Quartal | 3 Quartal | 4 Quartal |
| By rate of return | 7,12% | 2,92% | 11,33% | 1,56% | 9,50% | 0,13% | 6,11% | 11,48% |
| By Natural Persons` Holdings | 22,9 mln. UAH | 23,5 mln. UAH | 25,9 mln. UAH | 26,3 mln. UAH | 0,63 mln. UAH | 0,63 mln. UAH | 0,68 mln. UAH | 0,93 mln. UAH |

*created by the author according to the data [54]

Analyzing the indicators for 2017 of the open-end fund "OTP Klasichniy" compared to competing funds according to Table 2.4, we can say that the rate of return was much lower, but more stable, there were no sharp fluctuations, the attracted investments of individuals in competitors' funds are much higher indicators, according to this we can say that their profitability is correspondingly higher, as there was a greater inflow of investment. Also analyzing the assets of "KINTO Klasichniy"/ PJSC "KINTO" it is seen that the asset structure of this fund is more diversified and consists of bonds of domestic government loans and shares of leading companies in the country, from deposits on accounts, but another competitor UNIVER.UA / Yaroslav Mudry: Equity Fund / LLC AMC "Univer Management" an investment fund that invests in the world's best companies,

including the United States, which are included in the S&P 500 index, so compared to insignificant deposits from individuals, the fund's profitability is more stable and independent of the political and economic situation in Ukraine.

Table 2.5

Comparative analysis of investment activities*

| | 2018 | | | | | | | |
|------------------------------|--------------------------------------|---------------------|---------------------|---------------------|---|---------------------|---------------------|---------------------|
| | "KINTO Klasichniy" / PJSC "KINTO" | | | | UNIVER.UA / Yaroslav Mudry: Equity Fund / LLC AMC "Univer Management" | | | |
| | 1 Quartal | 2 Quartal | 3 Quartal | 4 Quartal | 1 Quartal | 2 Quartal | 3 Quartal | 4 Quartal |
| By rate of return | 10,63% | -0,20% | 5,30% | 0,22% | 7,83% | 4,32% | 8,06% | 2,73% |
| By Natural Persons` Holdings | 2,9 mln. UAH | 2,89 mln. UAH | 3,03 mln. UAH | 3,04 mln. UAH | 0,73 mln. UAH | 0,83 mln. UAH | 0,82 mln. UAH | 0,81 mln. UAH |

*created by the author according to the data [55]

Analyzing the indicators for 2018 of the open-end fund "OTP Klasichniy" compared to competing funds according to Table 2.5, we can conclude that the return compared to competitors was quite good and kept in a positive direction throughout the year, which can not be said about the funds competitors.

Table 2.6

Comparative analysis of investment activities*

| | 2019 | | | | | | | |
|------------------------------|--------------------------------------|--------------|---------------|----------------------|---|--------------|---------------------|---------------------|
| | "KINTO Klasichniy" / PJSC "KINTO" | | | | UNIVER.UA / Yaroslav Mudry: Equity Fund / LLC AMC "Univer Management" | | | |
| | 1 Quartal | 2 Quartal | 3 Quartal | 4 Quartal | 1 Quartal | 2 Quartal | 3 Quartal | 4 Quartal |
| By rate of return | - | - | 0.45% | 2.70% | - | - | 7.48% | 2.94% |
| By Natural Persons` Holdings | - | - | 3 mln. UAH | 28,95 mln. UAH | - | - | 1,08 mln. UAH | 1,08 mln. UAH |

*created by the author according to the data [56]

Analyzing the indicators for 2019 of the open-end fund " OTP Klasichniy" compared to competing funds according to Table 6, there is a clear positive trend,

both in terms of profitability and investment from individuals, which is quite the opposite of competitors' funds.

In general, according to the analysis conducted over three years, I conclude that the studied fund is more stable, but lower in terms of profitability compared to others. If you invest for a short period of 3-9 months, it was definitely worth choosing competing funds, but if the investment period is longer, it is certainly better to choose a fund with a stable return and the most diversified portfolio.

PART 3. WAYS OF IMPROVEMENT OF INVESTMENT ACTIVITY OF FINANCIAL INSTITUTION

3.1. Problems of investment activity of financial institutions in Ukraine

Attracting investment is one of the key factors that can ensure the growth of the Ukrainian economy in the coming years. Financial analysts estimate the level necessary to ensure economic growth at at least 20-25% of GDP annually. In other words, the current level of attracting investment is insufficient to ensure sustainable development. The most promising industries for investment over the next two years are agriculture, infrastructure and energy - sectors in which Ukraine has a global competitive advantage and whose development it needs to ensure long-term economic sustainability. The state should create the necessary conditions for investors, first of all, guarantee the protection of investments, the absence of corruption, and a fair judicial system.

The decline in investment activity of foreign investors in recent years was formed due to the unfavorable investment climate, which was formed under the influence of a number of factors, including military operations in the east of the country, a serious political and economic crisis, a high level of corruption, bureaucracy, non-transparency of doing business and imperfect legislative acts on attracting foreign investment. Ukraine is still far from making conditions in the country acceptable to investors. As long as the information space is full of reports of raider seizures with weapons or by reissuing and forging property documents, the country will not arouse the trust and understanding of external investors. Among the main problems of legal regulation of attracting investment, foreign experts call:

- lack of access to agricultural land. Foreign investors are restricted in their ownership rights, and the lack of a unified land and real estate registration system creates additional obstacles;
- unclear definition of the volume of «strategic» sectors that are closed to foreign investment or subject to authorization procedures increases legal

uncertainty and deters foreign companies from operating in Ukraine;

- the presence of additional obstacles to foreign direct investment, which create long-term legal processes with a corruption component. Corruption is considered one of the main problems of our time, which has a negative impact on the economic growth and investment attractiveness of the state. The formation and implementation of an effective anti-corruption policy should contribute to creating an image of Ukraine as a state that actively counteracts corruption manifestations in both the public and private sectors.

Despite the existence of the above-mentioned circumstances, Ukraine is implementing reforms aimed at improving the situation in the country. Deregulation is being implemented, courts and law enforcement systems are being reformed, and currency restrictions are being liberalized. Over the past 5 years, Ukraine has risen from 142nd place to 83rd in the Doing Business rating, which indicates an improvement in the business climate. Conditions are being created in Ukraine to attract investment. In particular, at the end of 2016, the investment support and Support Office (UkraineInvest) was established. The aim of its work is to increase the volume of foreign direct investment in Ukraine through interaction with investors seeking to enter the Ukrainian market. The office should cooperate with the Ministry of economy, the Ministry of finance, the Ministry of foreign affairs, trade missions, the American Chamber of Commerce, the European Business Association, and embassies.

Currently, regional development is crucial for ensuring sustainable economic growth in Ukraine. Therefore, some steps have been taken by the government to increase the investment attractiveness of the regions. Thus, in 2017, a representative office of the investment attraction and Support Office was opened in western Ukraine. On the basis of this representative office, services will be provided to investors in seven regions. The agency will assist on the ground in the preparation of regional investment programs and products to attract foreign direct investment.

In order to stimulate the sustainable development of the regions, the

legislator decentralized the procedure for making investment decisions and improved the mechanism of state support for investment projects (Law of Ukraine «On amendments to the law of Ukraine «On investment activities» concerning state investment projects» of March 23, 2017 No. 1981-UIII). Thus, along with the concept of «state investment», the concept of «local investment» was introduced into the legislation. According to Paragraph 2 of this law, investment activities are carried out, in particular, on the basis of local investment, carried out by local self-government bodies at the expense of local budgets, loan funds, as well as municipal enterprises and institutions at the expense of their own and loan funds. At the same time, local investment and support for the implementation of investment projects at the expense of the local budget and/or loans attracted under local guarantees are carried out in accordance with the procedure established by the authorities of the local self-government bodies in accordance with the requirements of budget legislation. In addition, the legal status of investments is clarified by law, in particular, it is established that local investment in private property objects is carried out on condition that a share in the authorized capital of a legal entity that receives such investment at the expense of budget funds is fixed in communal ownership, depending on the volume of investments made [2].

In recent years, new legislation has been introduced aimed at simplifying business registration procedures and cleaning up public procurement. Ukraine has created a comprehensive legislative framework for regulating public procurement. This legislation was developed within the framework of the EU-Ukraine Association Agreement, which is based on the provisions of the EU procurement directives and is aimed at unifying and simplifying public procurement in Ukraine. Public procurement is open on an equal basis to both foreign and domestic business entities.

It should be noted that the active development of legislation in the field of investment relations in recent years has led to a significant increase in the regulatory framework. At the same time, its instability has increased, and significant legislative shortcomings have emerged. However, now problems in

practice are created not only by the norms of current laws and bylaws. New draft laws can also complicate the business environment and create pressure on domestic and foreign investors. The formation of poor-quality legislation threatens to worsen the investment attractiveness of Ukraine as a whole. Therefore, we will not only pay attention to improvements, but also try to analyze the risks that individual draft laws may carry, ostensibly aimed at improving the investment climate.

Justice and the existence of stable management rules are a systemic factor for investment growth. Meanwhile, in parallel with the reform of the judicial system, changes are taking place in other types of non-state jurisdictional activities, in particular, arbitration courts. Thus, the Verkhovna Rada of Ukraine is considering draft law No. 6540 «On amendments to certain legislative acts of Ukraine on improving the investment climate in Ukraine». However, according to experts, this draft law in terms of expanding the powers of arbitration courts to consider economic disputes creates systemic risks of abuse and violations of the rights of business entities [3].

As it is known, arbitration courts are not part of the judicial system of Ukraine, but decisions of the arbitration court have legal force and can be executed by state executive service bodies in accordance with the procedure established by law. In addition, decisions of arbitration courts are not subject to appeal or cassation review. They are subject only to limited judicial control over compliance with due process and the availability of powers of the arbitration court. In 2009, the range of disputes that can be subject to arbitration was limited. The reason for this was numerous abuses on the part of unscrupulous arbitration courts and judges. In particular, such arbitration bodies were used as tools for raiding, illegally seizing control over businesses or assets of business entities of other persons, and legalizing illegal transactions. Paragraph 27 of the above-mentioned draft law actually proposes to return the ability to implement illegal schemes through arbitration courts outside the effective control of the judicial system of Ukraine. Returning to all arbitration courts, without exception, extremely broad powers, this draft law does not provide for additional control over the activities of

discredited arbitration courts or mechanisms for holding accountable for illegal decisions, or safeguards for artificial «disputes» that are used to recognize facts or legalize transactions bypassing the procedures established by law. Such a radical expansion of the powers of arbitration courts, in the absence of real mechanisms for protecting against abuse, will lead to a deterioration in the state of protection of the rights of participants in economic legal relations.

It should be emphasized that this draft law does not take into account the provisions of the new version of the Procedure Code of Ukraine, adopted by the Verkhovna Rada of Ukraine on October 3, 2017. Thus, the provisions of Parts 1 and 2 of Article 23 on the impossibility of consideration by arbitration courts of certain types of economic disputes, in particular, corporate disputes, disputes on state registration or accounting of real estate rights, intellectual property rights, securities rights, as well as disputes arising in the event of conclusion, modification, termination and execution of public procurement contracts, are not taken into account.

Consequently, the above-mentioned provision of the draft law poses a significant threat to the economic legal order in the economics, and its adoption will contribute not to improving, but to worsening the investment attractiveness of Ukraine.

The parliament has registered draft law No. 6303 «On amendments to certain legislative acts of Ukraine concerning the protection of investors from abuse in the capital markets» [4]. This draft law also, according to lawyers, has a number of significant shortcomings. It proposes to expand the powers of the National Securities and stock market Commission (hereinafter referred to as the NSSMC) and introduce a number of amendments to the laws of Ukraine «On state regulation of the securities market in Ukraine», «On the principles of state regulatory policy in the sphere of economic activity», «On the basic principles of state supervision (control) in the sphere of economic activity», «On securities and stock market» and some other legislative acts. Without conducting a detailed analysis of this draft law, we will focus only on its individual controversial points.

First, there is an objection to the provision that supplements the law of Ukraine «On state regulation of the securities market in Ukraine»: «Decisions of the National Securities and stock market Commission are not subject to state registration by the Ministry of Justice of Ukraine» (paragraph 5 of Article 81). However, taking into account the provisions of Paragraph 3 of this article, acts of the NSSMC of a regulatory nature are issued in the form of decisions. In turn, registration of normative legal acts was introduced, in particular, in order to ensure the protection of the rights, freedoms, and legitimate interests of citizens, enterprises, institutions, and organizations. Thus, the cancellation of state registration of regulatory legal acts of the NSSMC will negatively affect the level of protection of the rights and freedoms of stock market participants.

Secondly, the provision of Part 1 of the new Article 152 of the law of Ukraine «On state regulation of the securities market» is controversial: «The Chairman, members of the National Commission on securities and stock market and other employees of the National Commission on securities and stock market, the experts involved are not responsible for any actions or omissions related to the performance of the tasks and powers of the National Commission on securities and stock market, if they acted on the basis, within the limits of their powers and in the manner provided for by the Constitution and laws of Ukraine». In our opinion, despite the seemingly «safe» content of this provision, it is seen an attempt to somehow remove officials and officials of this state supervision body from the area of responsibility. This provision contradicts Article 56 of the Constitution of Ukraine, according to which officials in the exercise of their powers are responsible for their illegal decisions, actions and Omissions.

In addition to the above-mentioned draft law, the parliament is considering draft law No. 3498 «On amendments to certain legislative acts of Ukraine (concerning regulated markets and derivatives)», which proposes to establish a special status for employees of the NSSMC, according to which they will not be recognized as civil servants, and the chairman and members of the NSSMC will have unlimited powers [5]. Experts in the field of law have already noted that such changes significantly go beyond the project goals and pose a threat to the public administration system since the lack of control of the commission's activities

creates significant corruption risks [26]. It is seen that improving the institutional independence of the Commission is an important issue, but the chosen path is not acceptable.

According to lawyers, the main task for the legislator is to prevent the adoption of laws containing legal norms that can be used for corruption purposes. Now all legislative acts should be carefully checked for the presence of a corruption component [12, p. 15]. This should also apply to draft laws. Many legislative initiatives are of poor quality, which either leads to their failure, or, if adopted, creates problems for the whole country.

Thus, the priority for the legislator is to modernize the legislation in order to improve the investment image of the country. At the same time, currently active legislative activity is non-systemic in nature. It is difficult for an internal investor, and even more so for an external investor, to get complete information about recent changes in legislation and regulation provided for by a significant regulatory array, as well as about possible changes in the future. The main ways to solve these problems can be to create a system of institutions and mechanisms that facilitate the activities of investors in Ukraine and the implementation of coordinated state policy. Many regulatory acts often do not fully perform their regulatory functions due to the confusion or dispersion of various documents. Currently, there are many disparate draft laws concerning the sphere of improving the investment attractiveness of Ukraine, some of them have significant drawbacks. Legal support of Ukraine's investment attractiveness requires qualitative improvement. A number of draft regulatory legal acts containing provisions on improving the investment climate in Ukraine and aimed at protecting the rights of investors (in particular, draft laws No. 6303, 6540, 3498) are subject to revision. This makes it necessary to improve them, taking into account the proposed comments. In general, this will help to improve the legal support of the country's investment attractiveness and improve its economic situation.

3.2. Suggestions for improvement of investment activity of financial institutions

In my opinion, the investment activity is characterized by certain problems, the solution of which will ensure further development to the level of European standards. A characteristic feature of the current state of the investment activity in the world is the development of alternative exchange platforms at the main stock exchanges, whose activities are regulated not according to national legislation, but directly by the exchange. It is advisable to reduce the degree of regulatory rigidity for professional market participants and make it more diversified. As of today, the Ukrainian investment activity does not have the necessary number of financial instruments that exist in developed capital markets. The European vector of Ukraine's policy requires a more detailed consideration of the integration processes that take place in the EU countries and are a priority for the formation of policy in the field of investment activity. Integration in the financial sphere stimulates financial development, which lays the foundations for economic growth.

The level of development of the Ukrainian investment activity is at an initial stage, the reasons for which are the slow pace of privatization and regulatory regulation and shortcomings in the work of Ukrainian financial institutions. Despite this, there is a gradual shift in the vector of development of the securities market towards European standards. Let's look at the key trends, as their impact may affect the nature of the functioning of the financial institutions in Ukraine. The peculiarity of domestic legislation in the field of regulation of investment activity is that it was formed on the basis of Soviet legal norms, when there was no great need for the financial institutions. The current legislative framework contains a number of significant gaps and contradictions, which determines the urgent need for its improvement. This is recognized directly by market participants, regularly

putting forward various kinds of proposals and initiatives.

A prerequisite for the effective development of the investment activity is the consolidation of stock exchanges and other trade organizers. It should be noted that during 2014, there was already a consolidation of securities trading: about 94.62% of exchange-traded contracts with securities were concentrated on two opened joint stock companies: KINTO (79.15 %) and AVALON (15.47 %) [27].

Measures that will encourage the consolidation of investment activity include a stricter policy in the field of licensing the trade organization, which will lead to the closure of small exchanges. However, the government's initiatives to increase technological and organizational requirements for stock exchanges and gradually standardize exchange activities cannot be called progressive and decisive, but only those that allow trade organizers to adhere to the minimum allowed level of development.

According to the current legal framework, stock exchanges and the central depository cannot act as a self-regulator. However, in European countries, exchanges themselves and other trading systems are treated as regulated markets with the rights of self-regulatory organizations. In the United States of America, financial institutions also have the right to set regulatory norms and control them, in other words, they are also self-regulatory entities [23, p. 139]. Consequently, under such conditions, some professional participants in the securities market are excluded from the regulatory process.

Now the SRO Institute in Ukraine cannot be compared with its global counterparts, for example, with FINRA. However, it has already passed the stage of formation, and its history proves its effectiveness. Therefore, at this stage, it is impractical to neglect these developments, especially when the processes of bringing domestic legislation to European standards begin. It should be noted that the process of preparing for new standards of activity is a serious challenge for all market participants, and the lack of consulting and methodological support will complicate the solution of complex problems by market participants [6].

It is important to understand that the procedure itself largely depends on the

extent to which the company's activities meet international standards – namely: the principles of publicity, international principles of reporting, the principles of transparency and open audit, the principles of developing and implementing a clear development strategy. If the company's activities meet these principles, the procedure for entering an alternative site can last no more than a month.

The state regulator and a wide range of market participants have been discussing the need to introduce double listing in Ukraine for a long time. Entering the domestic market of public and transparent domestic companies that have already been issued and are listed on foreign markets will increase the capitalization of the domestic market, improve liquidity indicators, increase investor interest, and so on. Double listing will allow new issuers to enter the market, with an already established business culture that meets international standards. The necessity to adapt to these international standards will allow domestic companies to significantly increase the liquidity of their securities and increase trading volumes at the international level.

It should be noted that the government of Ukraine has started working in this direction by developing a «Draft Concept for access to the Ukrainian stock market of financial instruments of foreign issuers whose assets are located in Ukraine.» In this document, the double listing criterion for companies is the fact of making a profit on the territory of Ukraine, and the actual location of the head office and/or the place of registration of the economic entity is not decisive [30]. But in order for foreign issuing companies to start operating in Ukraine, this document is not enough - they must place their financial instruments on domestic stock exchanges on their own initiative.

It is worth noting that in a situation where the liquidity of securities is not one of the main conditions for listing, there are great risks for its participants in the market. The main of these risks are the inability to establish an adequate price of securities and difficulties in maintaining a high level of their liquidity. The current listing conditions do not provide any incentive to address these interrelated issues.

To solve the above problems and create conditions for foreign issuers to

enter the market, the NSSMC has developed a «Program for the development of the stock market of Ukraine» [25], which defines the main approaches to the formation of listing requirements, namely:

- development of corporate reform, improving the efficiency of regulation of issuers, expanding tools in the stock market;
- stimulating investment and development of institutional investors;
- ensuring reliable and efficient functioning of market infrastructure and financial intermediaries;
- ensuring the functioning of unified state policy.

Lack of protection of investor`s rights and inadequate level of management leads to a decrease in the quality of the main types of securities and a decrease in interest in purchasing securities. In other words, the market lacks those instruments that would help increase liquidity, increase the profitability of investment activities, reduce the risks of such activities and guarantee protection for market participants.

The development of these tools should be carried out in two directions: 1. Development and implementation of new tools. 2. Adaptation to international standards and modernization of existing tools [29].

Domestic scientists and market experts are increasingly raising the question of the feasibility of using innovative financial instruments that would have qualitatively new properties for the domestic market [24;28; 20]. In particular, foreign researchers J. Finnerty and C. Li talk about financial engineering as a mechanism for designing, developing and implementing innovative financial instruments and processes, as well as creative search for new approaches to solving problematic issues in the financial sphere [18, p. 459]. It is advisable to step up cooperation between the SRO, the regulator, and independent experts in the field of financial engineering, namely: in the development of new types of financial instruments.

The relevant committee of the Verkhovna Rada should develop legislative acts that would simplify the procedure for registering the issue of securities and

putting them into circulation, as well as establish more stringent requirements for the activities of underwriters and market makers, and legally define the procedure for circulation of government securities on stock exchanges.

It would be advisable to take the following steps:

- increase the requirements for providing information by issuers, especially for those companies that are already officially registered and operate on the stock market;
- in the practice of market functioning, adhere to the principles of electronic document management;
- legally regulate the problems of using insider information, in particular the issue of liability for disclosure and/or illegal use of insider information;
- increase the requirements for liability for providing false information, or for late provision of necessary information;
- ensure compliance with International Financial Reporting Standards, in particular regarding the results of issuing companies' activities.

At the same time, it is also necessary to regulate by law the activities of mass media, independent information and analytical agencies that cover information about market participants and their activities.

Concerning and putting into effect the above proposals will significantly improve the efficiency of the Ukrainian securities market, namely: saturate the market with new participants and financial instruments, increase market capitalization, attract foreign capital, ensure high liquidity, raise the investment attractiveness of the market, and so on.

European integration of the domestic securities market cannot be considered separately from judicial reform and other measures that would help increase confidence in a national jurisdiction. After all, as you know, among the main problems on the way to effective market development is the lack of investor confidence in the domestic judicial system, the presence of a high level of corruption at all levels of legislative and executive power, instability and imperfection of legislation, and so on.

For the effective functioning of the Ukrainian securities market, the problems of manipulation and insider trading must be resolved at the legislative level. In particular, it is necessary to have a law that would clearly define the category of «manipulation in the stock market», and define regulatory measures in accordance with national and international standards.

An important role should be assigned to the NSSMC, which would be engaged in identifying manipulation situations and determining preventive measures of influence. Today, this function is performed by stock exchanges, but it is unclear who exactly is responsible for detecting manipulation. The NSSMC also needs to develop a procedure for conducting inspections of stock exchanges to detect manipulation.

So, the priority areas of development of the stock market should include: improving the legislative framework in the field of financial market regulation, reviewing listing requirements for companies to participate in exchange trading and creating alternative platforms for listing small companies, ensuring effective cooperation between the SRO and the regulator, infrastructure reform, consolidation of trade organizers in the market, increasing the number of financial instruments, organizing effective analytical work, etc. It is worth noting that Ukraine still lacks a comprehensive strategy that would ensure the sustainable development of the financial market and its successful integration into the European Space. The basis for such a strategy should be the conceptual framework for the integration of securities markets and the integration experience of European countries.

CONCLUSIONS AND RECOMMENDATIONS

Writing the work ensured the achievement of this goal - to reveal the theoretical foundations, to develop methodological approaches and practical recommendations of investment activity of financial institutions.

Based on the study, we can draw a number of conclusions about the implementation of the tasks:

1. Investment is considered as a dynamic process of changing forms of capital, consistently converting initial resources and values into investment costs, and converting invested funds into capital value gains in the form of an economic, social, or environmental effect. Investments are investments in both cash and real capital. They are carried out in the form of funds, loans, securities, as well as investments in movable and immovable property, intellectual property, property rights and other valuables.

At the present stage of economic and financial development of Ukraine and the world, the effective investment activities of financial institutions and insurance companies in particular are a significant competitive advantage. Therefore, it is the results of the application of modern models and methods of risk management and return on financial assets is the basis of innovative management of the insurance company as a whole.

2. The model of strategy of innovative management of investment activity of the insurance company which is based on realization of a complex of modern models and methods of decision-making, namely methods of technical and econometric analysis, neural network, fractal, stochastic and deterministic modeling is offered.

The developed investment strategy is one of the basic prerequisites for providing long-term concrete benefits, which are implemented in the form of strategies for long-term ownership, high returns on invested capital, long-term investment quality growth, aggressive asset management and speculation. The target criterion of the insurance company's investment strategy, in addition to taking into account risk factors and profitability, can be specified on the basis of

immunization approaches; strict and dynamic balance of assets and liabilities; limitation of possible losses.

3. The National Securities and stock market Commission is a state collegial body subordinate to the president of Ukraine and accountable to the Verkhovna Rada of Ukraine.

The purpose of the NSSMC is to create, through its regulatory and supervisory functions, conditions for the proper and effective functioning of the securities market, providing monetary capital to the needs of the country's economy by creating a mechanism for accumulating, distributing and redistributing funds from a person who has free investment resources to a person who needs such resources for development, creating conditions for the formation of powerful internal investors and ensuring the protection of investors rights.

We find out that in 2019, compared to 2018, the growth rate of trading volumes on the securities market was 26%, while GDP grew by 3.2%. The ratio of trading volumes on the securities market to GDP is 19.8%. At the end of 2019, there was an increase in trading volume on the securities market, compared to 2018, by 26% — up to UAH 590.59 billion.

Since 2017, certificates of deposit of the National Bank of Ukraine are not taken into account in calculations of trading volume. According to the regulation on the use by the National Bank of Ukraine of standard instruments for regulating the liquidity of the banking system, the certificate of deposit of the National Bank is one of the monetary instruments that is a debt obligation of the National Bank in the form of entries on accounts in the quantitative accounting system CERTIF (with the personal identification of owners based on the register of owners), which indicates the placement of bank funds in the National Bank and their right to receive the deposited amount and interest after the expiration of the established period.

4. Although we determine that an important indicator of the stock market is the index, which makes it possible to assess the overall situation on the securities market. In particular, in 2019, the index of the Ukrainian stock exchange grew by

13.92%, PFTs — by 77.54%.

In 2019, the exchange segment of the Ukrainian stock market is growing. Compared to 2018, the volume of exchange traded contracts with securities on trade organizers in 2019 increased by 26.8% to UAH 260.87 billion, which is 7.33% of Ukraine's GDP in 2019.

According to the results of 2019, there is a redistribution of trading volumes on trade organizers. Thus, the share of trading volumes of PJSC «Perspektiva Stock Exchange» in 2019 decreased by 28.2 percentage points and amounted to 48.8%, while the share of trading volumes of JSC «PFTS Stock Exchange» increased by 24.6 percentage points to 43.1%.

The most attractive in the structure of exchange trading by type of market was the spot market, which accounted for 83.6% of the total volume of the exchange market.

During 2015-2019, the Commission registered issues of shares totaling UAH 1,385.06 billion. In 2019, the volume of shares issued reached its lowest level in the last five years and amounted to UAH 22.28 billion.

The volume of issues of shares of these issuers amounted to 91% of the total volume of issues of shares registered by the Commission. The main issuers of shares were banks that issued issues for the purpose of additional capitalization.

The volume of trading in shares on the securities market in 2019 decreased by 37.1% compared to 2018 and amounted to UAH 79.62 billion. The decrease in the volume of trading in shares was due to the continuation of work on cleaning up the stock market and increasing the transparency of the exchange segment.

Over the past five years, there has been a tendency to reduce the number of issues of shares allowed to trade on stock exchanges. As of 31.12.2019, 376 issues of share issuers were included in the exchange lists of exchanges (excluding issues of CIF shares). Only 4 issues of shares are included in the exchange register as meeting the listing requirements. The specified number of issues of listed issuers is related to the introduction of requirements for entering and maintaining securities in the exchange register of trade organizers.

It should be noted that in the volume of operations with government bonds on the OTC market, the share of initial placement of government bonds amounted to 89.4% or UAH 59.6 billion. At the same time, the share of the secondary market in the exchange market was 96%.

5. The priority for the legislator is to modernize the legislation in order to improve the investment image of the country. At the same time, currently active legislative activity is non-systemic in nature. It is difficult for an internal investor, and even more so for an external investor, to get complete information about recent changes in legislation and regulation provided for by a significant regulatory array, as well as about possible changes in the future. The main ways to solve these problems can be to create a system of institutions and mechanisms that facilitate the activities of investors in Ukraine and the implementation of coordinated state policy. Many regulatory acts often do not fully perform their regulatory functions due to the confusion or dispersion of various documents. Currently, there are many disparate draft laws concerning the sphere of improving the investment attractiveness of Ukraine, some of them have significant drawbacks. Legal support of Ukraine's investment attractiveness requires qualitative improvement. A number of draft regulatory legal acts containing provisions on improving the investment climate in Ukraine and aimed at protecting the rights of investors (in particular, draft laws No. 6303, 6540, 3498) are subject to revision. This makes it necessary to improve them, taking into account the proposed comments. In general, this will help to improve the legal support of the country's investment attractiveness and improve its economic situation.

6. The priority areas of development of the stock market should include: improving the legislative framework in the field of financial market regulation, reviewing listing requirements for companies to participate in exchange trading and creating alternative platforms for listing small companies, ensuring effective cooperation between the SRO and the regulator, infrastructure reform, consolidation of trade organizers in the market, increasing the number of financial instruments, organizing effective analytical work, etc. It is worth noting that

Ukraine still lacks a comprehensive strategy that would ensure the sustainable development of the financial market and its successful integration into the European Space. The basis for such a strategy should be the conceptual framework for the integration of securities markets and the integration experience of European countries.

In my opinion, the analysis of the effectiveness of financial innovations should be based on an assessment of the results obtained in terms of their impact on the level of investment activity, financial stability, profitability and reputation of a non-bank financial institution. To assess the effectiveness of financial innovations for consumers, it is necessary to analyze the correspondence of the results of their use with their needs.

The sequence of organizational and planned measures for the implementation of financial innovations will help to increase the level of investments from individuals and legal entities, as well as indicators of the effectiveness of the non-banking financial sector of Ukraine.

State support is required not only to promote the development of specialized financial institutions, but also to elaborate the effective strategy of innovative development through long-term investment loans. Moreover, Ukraine lacks democratic institutions aimed at the protection of national and foreign investors.

Important measures also include the introduction of guarantees related to the exchange rate difference on tenge deposits in case of changes in the exchange rate above the threshold, development of cashless payments and steps aimed at reducing the proportion of problem loans.

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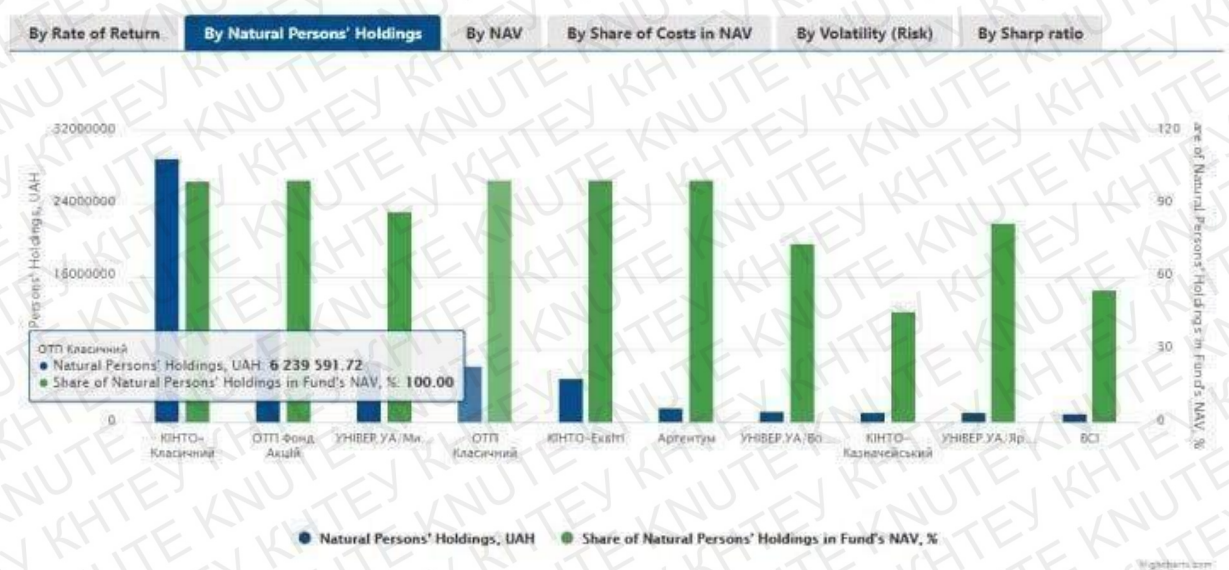
Ukrainian Association of Investment Business [Electronic resource]. –

Access mode: <https://www.uaib.com.ua/en/analituaib/rankings/ici/by-types/vidkr-ici?date=2019-4>

Appendices

Appendix A

Open-ended Funds, Q4 2019



Source[57]

Appendix B

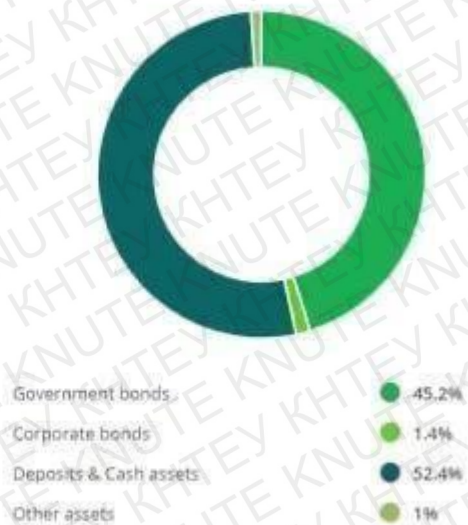
Yield performance

As of 30.11.2020

| During the period | In annual |
|-------------------|-----------|
| 1 month | 0.4% |
| 3 months | 1.9% |
| 6 months | 5.5% |
| 1 year | 12.8% |
| Year to date | 11.2% |
| Since placement | 346.9% |

Fund portfolio

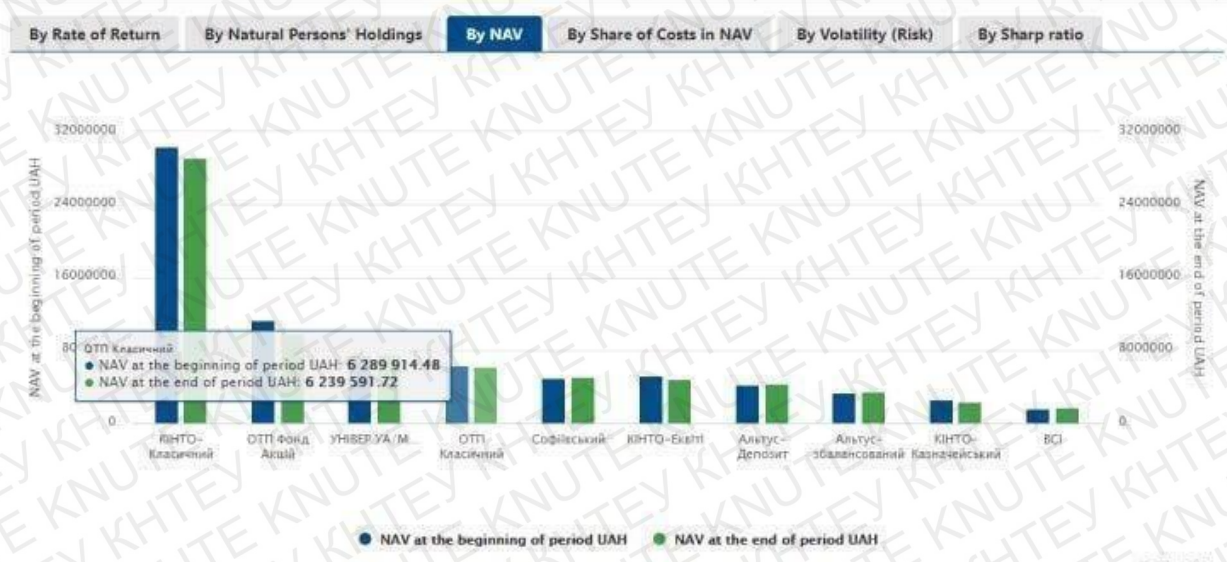
As of 30.11.2020



Source[57]

Appendix C

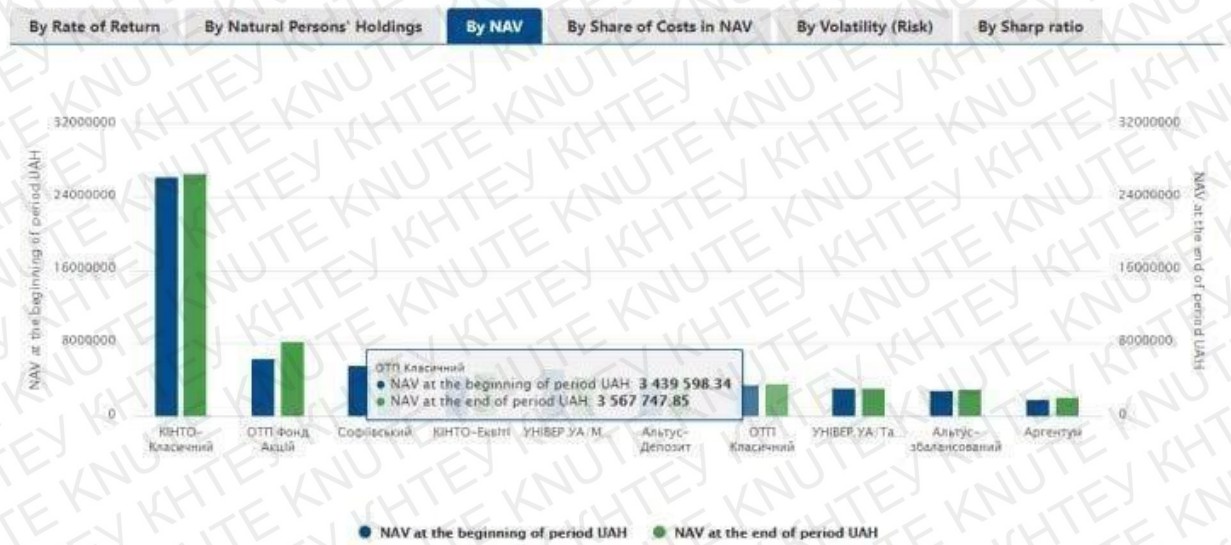
Open-ended Funds, Q4 2019



Source [59]

Appendix D

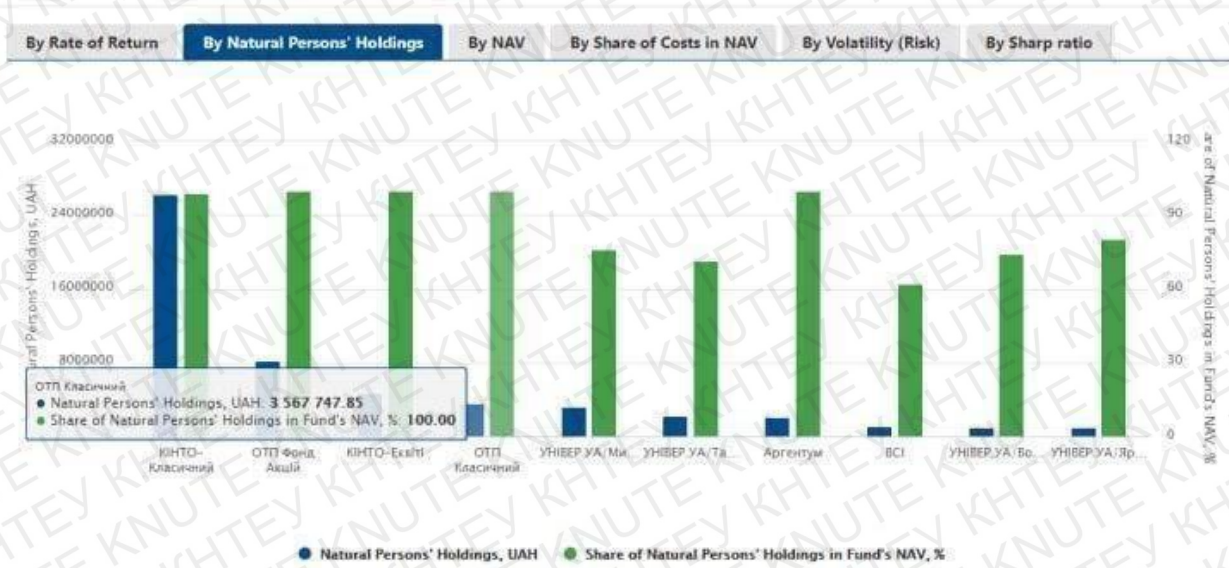
Open-ended Funds, Q4 2017



Source [59]

Appendix E

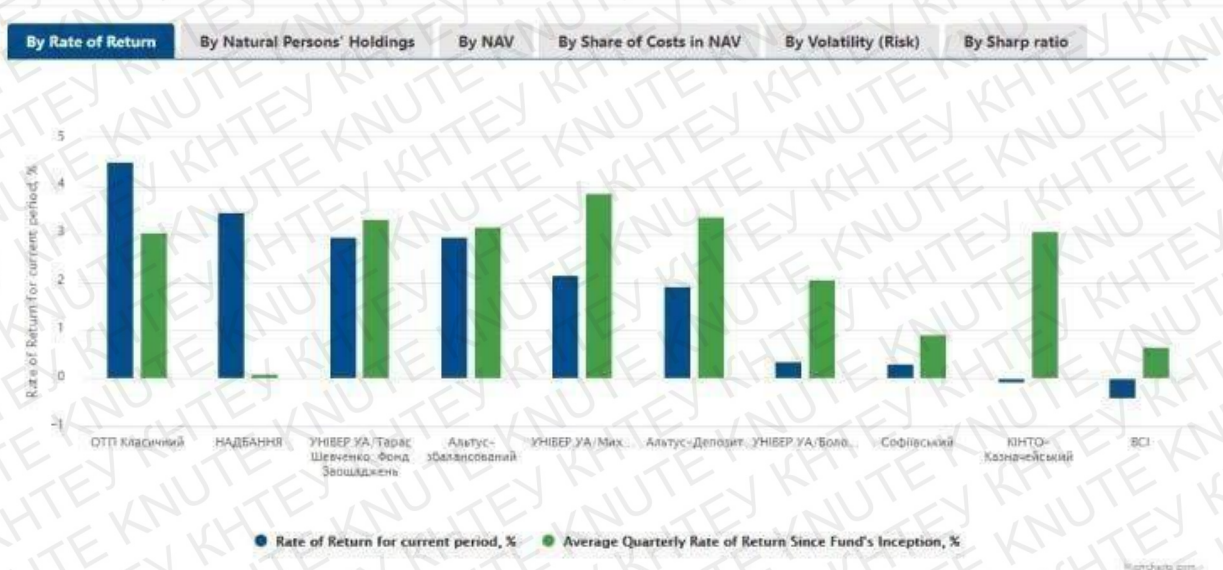
Open-ended Funds, Q4 2017



Source [54]

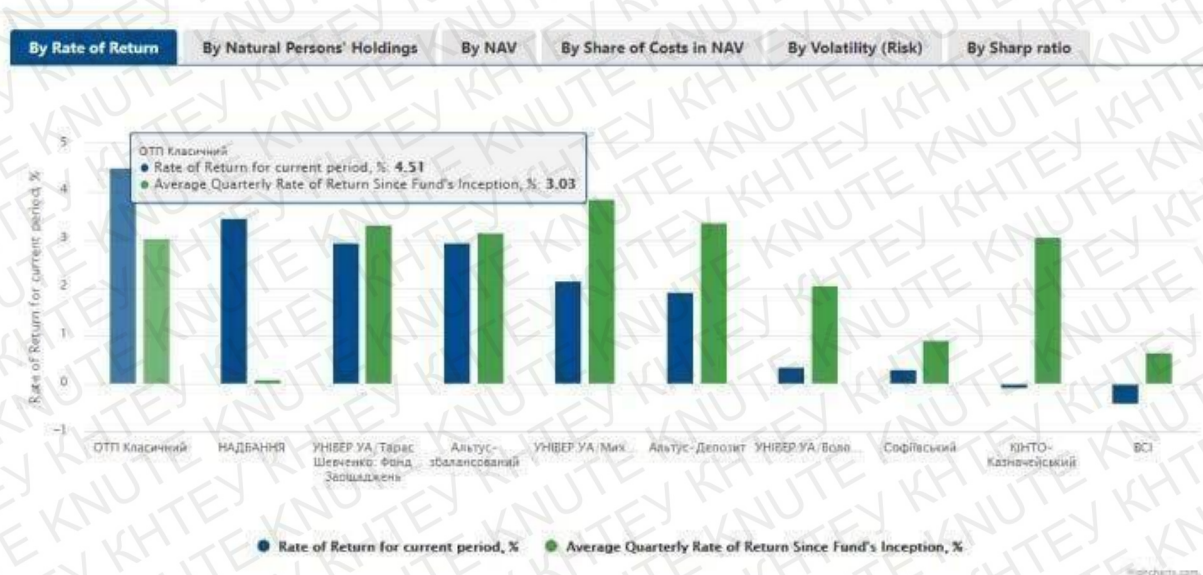
Appendix F

Open-ended Funds, Q4 2019



Source [54]

Open-ended Funds, Q4 2019



Source [59]

Appendix H

KYIV NATIONAL UNIVERSITY OF TRADE AND ECONOMICS
BANKING DEPARTMENTPresentation to the final qualification work
on the topic**Investment activity of financial institutions
(except banks)**Student of the 2nd year, group 5am,
specialty 072 «Finance, banking and insurance»
specialization «Financial intermediation»Teslia OleksandrScientific adviser PhD in Economics,
Associate Professor.Zhurakhovska L.V

Continuation Appendix H

Classification of the system of institutional investors

| Type of investor | Owner | Asset management | Monitoring and evaluation Effectiveness | The ultimate risk carrier and c |
|-------------------------------------|-------------------------|---------------------------------------|---|---|
| Investment funds (Retail business) | Households, Entities | Own assets management | Investors, rating agencies | Households, Entities |
| Asset Management | Institutional investors | External asset management | Investors, consultants | Institutional investors |
| General funds of banking management | Beneficiaries | Management of own and external assets | Proxies, consultants | Beneficiaries |
| Pension funds | Beneficiaries | Management of own and external assets | Proxies, consultants | Beneficiaries |
| Insurance companies | Insurance companies | Management of own and external assets | Insurance companies, consultants | Insurance companies, owners of insurance policies |
| Trust management | Households | External asset management | Proxies, consultants | Households |
| Credit unions | Households | Own assets management | Households, Rating agencies | Households |

Continuation Appendix H

Open-Ended Fund "OTP Klasichniy"

| "OTPKlasichniy"/TOV "KUA "OTP Kapital" | | | | |
|--|---------------|---------------|---------------|---------------|
| 2017 | | | | |
| | 1 Quartal | 2 Quartal | 3 Quartal | 4 Quartal |
| By Rate of Return | 4,02% | 3,80% | 3,41% | 3,29% |
| By Natural Persons' Holdings | 2,35 mln. UAH | 3,12 mln. UAH | 3,43 mln. UAH | 3,56 mln. UAH |

| "OTPKlasichniy"/TOV "KUA "OTP Kapital" | | | | |
|--|---------------|---------------|---------------|---------------|
| 2018 | | | | |
| | 1 Quartal | 2 Quartal | 3 Quartal | 4 Quartal |
| By Rate of Return | 2,97% | 3,48% | 3,44% | 3,76% |
| By Natural Persons' Holdings | 3,91 mln. UAH | 4,94 mln. UAH | 5,03 mln. UAH | 4,75 mln. UAH |

| "OTPKlasichniy"/TOV "KUA "OTP Kapital" | | | | | |
|--|---------------|---------------|---------------|---------------|----------------|
| 2019 | | | | | |
| | 1 Quartal | 2 Quartal | 3 Quartal | 4 Quartal | 1 Quartal |
| By Rate of Return | 2,97% | 3,48% | 3,44% | 3,76% | -0,72% |
| By Natural Persons' Holdings | 3,91 mln. UAH | 4,94 mln. UAH | 5,03 mln. UAH | 4,75 mln. UAH | 11,54 mln. UAH |

Continuation Appendix H

Comparative analysis of investment activities

| | 2017 | | | | | | | |
|------------------------------|--------------------------------------|---------------|---------------|---------------|---|---------------|---------------|---------------|
| | "KINTO Klasichniy" / PJSC "KINTO" | | | | UNIVER.UA / Yaroslav Mudry: Equity Fund / LLC AMC "Univer Management" | | | |
| | 1 Quartal | 2 Quartal | 3 Quartal | 4 Quartal | 1 Quartal | 2 Quartal | 3 Quartal | 4 Quartal |
| By rate of return | 7,12% | 2,92% | 11,33% | 1,56% | 9,50% | 0,13% | 6,11% | 11,48% |
| By Natural Persons' Holdings | 22,9 mln. UAH | 23,5 mln. UAH | 25,9 mln. UAH | 26,3 mln. UAH | 0,63 mln. UAH | 0,63 mln. UAH | 0,68 mln. UAH | 0,93 mln. UAH |

| | 2018 | | | | | | | |
|------------------------------|--------------------------------------|---------------|---------------|---------------|---|---------------|---------------|---------------|
| | "KINTO Klasichniy" / PJSC "KINTO" | | | | UNIVER.UA / Yaroslav Mudry: Equity Fund / LLC AMC "Univer Management" | | | |
| | 1 Quartal | 2 Quartal | 3 Quartal | 4 Quartal | 1 Quartal | 2 Quartal | 3 Quartal | 4 Quartal |
| By rate of return | -10,63% | -0,20% | 5,30% | 0,22% | 7,83% | 4,32% | 8,06% | 2,73% |
| By Natural Persons' Holdings | 2,9 mln. UAH | 2,89 mln. UAH | 3,03 mln. UAH | 3,04 mln. UAH | 0,73 mln. UAH | 0,83 mln. UAH | 0,82 mln. UAH | 0,81 mln. UAH |

Continuation Appendix H

Comparative analysis of investment activities

| | 2018 | | | | | | | |
|------------------------------|--------------------------------------|---------------|---------------|---------------|---|---------------|---------------|---------------|
| | "KINTO Klasichniy" / PJSC "KINTO" | | | | UNIVER.UA / Yaroslav Mudry: Equity Fund / LLC AMC "Univer Management" | | | |
| | 1 Quartal | 2 Quartal | 3 Quartal | 4 Quartal | 1 Quartal | 2 Quartal | 3 Quartal | 4 Quartal |
| By rate of return | 10,63% | -0,20% | 5,30% | 0,22% | 7,83% | 4,32% | 8,06% | 2,73% |
| By Natural Persons' Holdings | 2,9 mln. UAH | 2,89 mln. UAH | 3,03 mln. UAH | 3,04 mln. UAH | 0,73 mln. UAH | 0,83 mln. UAH | 0,82 mln. UAH | 0,81 mln. UAH |

| | 2019 | | | | | | | |
|------------------------------|--------------------------------------|--------------|--------------|----------------|---|--------------|---------------|---------------|
| | "KINTO Klasichniy" / PJSC "KINTO" | | | | UNIVER.UA / Yaroslav Mudry: Equity Fund / LLC AMC "Univer Management" | | | |
| | 1 Quartal | 2 Quartal | 3 Quartal | 4 Quartal | 1 Quartal | 2 Quartal | 3 Quartal | 4 Quartal |
| By rate of return | - | - | 0,45% | 2,70% | - | - | 7,48% | 2,94% |
| By Natural Persons' Holdings | - | - | 3 mln. UAH | 28,95 mln. UAH | - | - | 1,08 mln. UAH | 1,08 mln. UAH |

Continuation Appendix H

TOP-10 OPEN-ENDED FUNDS, Q2 2020

| Fund name | AMC name |
|---|----------------------------------|
| UNIVER UA Taras Shevchenko Fond Zaoshchadzhen | TOV "KUA "Univer Menedzhment" |
| OTP Klasichniy | TOV "KUA "OTP Kapital" |
| UNIVER UA Mihaylo Grushevskiy Fond Derzhavnih Paperiv | TOV "KUA "Univer Menedzhment" |
| KINTO-Kaznacheyskiy | PrAT "KINTO" |
| KINTO-Klasichniy | PrAT "KINTO" |
| Altus-zbalansovaniy | "Altus assets aktivitis" TOV KUA |
| Altus-Depozit | "Altus assets aktivitis" TOV KUA |
| KINTO-Ekviti | PrAT "KINTO" |
| OTP Fond Akcly | TOV "KUA "OTP Kapital" |
| TASK Resurs | TOV "KUA "TASK-INVEST" |

Continuation Appendix H

Performance of AMC LLC "OTP CAPITAL"

Yield performance

As of 30.11.2020

| | During the period | |
|-----------------|-------------------|------------|
| | 1st annual | 1st annual |
| 1 month | 0.4% | 5.2% |
| 3 months | 1.9% | 7.7% |
| 6 months | 5.5% | 11.2% |
| 1 year | 12.8% | 12.8% |
| Year to date | 11.2% | 12.2% |
| Since placement | 34.0% | 12.3% |

Fund portfolio

As of 30.11.2020



| | |
|------------------------|-------|
| Government bonds | 45.2% |
| Corporate bonds | 1.4% |
| Deposits & Cash assets | 52.4% |
| Other assets | 1% |

Continuation Appendix H**Suggestions for improvement of investment activity of financial institutions**

- ▶ Increase the requirements for providing information by issuers.
- ▶ Legally regulate the problems of using insider information.
- ▶ Increase the requirements for liability for providing false information.
- ▶ Ensure compliance with International Financial Reporting Standards.

Continuation Appendix H

**Thank you for your
attention**

