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**Currency-financial integration of
EAEU countries**

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**ЕАЭҚ мемлекеттерінің
қаржы-валюталық
интеграциясы**

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**Валютно-финансовая
интеграция стран ЕАЭС**

The article considers the issues of currency-financial integration, which is necessary and appropriate step in development and strengthening EAEU under the world economic crisis. It is necessary to set unified rules of currency regulation and payment-account operations, coordinated monetary and tax policy. The opportunity to enact common currency in order to decrease expenses of trade operations and for economic stabilization EAEU countries, which will lead to decrease costs and mutual investments risks, stabilization of inflation and interest rate, when the borrowing cost will also decrease, which very important for small economies of EAEU. It should be noted that the integration processes in the EAEU develop in quite difficult conditions when global problems are aggravated in politics and economics, and politics increasingly affect the economy. In this situation, win only a powerful integration module.

Key words: integration, common currency, currency-financial relations, financial market, legislation, economical convergence; optimum currency area; harmonization criteria; monetary policy; EEU.

Берілген мақалада әлемдік экономикалық дағдарыс жағдайында ЕАЭҚ нығайту және одан әрі дамыту жолдарына қажетті болып табылатын қаржы-валюталық интеграция мәселелері қарастырылады. Ол үшін валюталық реттеу мен төлем-есептік операциялары саласында келісілген монетарлы және фискалдық саясаттың бірегей ережелерін құру қажет болып табылады. Сауда операцияларын жүргізуде шығындарды төмендету және ЕАЭҚ мемлекеттерінің экономикалық тұрақтылығын қамтамасыз ету қажет. Шығындарды төмендету мен өзара инвестициялық тәуекелдер мен олардың шығындарын төмендетуге, инфляцияны тұрақтандыру мен қарыздар бойынша пайыздық қойылымдардың төмендеуіне алып келеді, ал бұл, өз кезегінде ЕАЭҚ шағын мемлекеттердің экономикасы үшін өте пайдалы болып табылады.

Сонымен қатар, ЕАЭҚ интеграциялық үрдістер, саясат пен экономикадағы ғаламдық мәселелер қиындығы туындаған кезеңде, әсіресе, экономикаға саясаттың ықпалы күшеюі тұсында, бұл одақ күрделі кезеңдерден өтіп жатқанын да айта кету қажет. Мұндай жағдайда, тек мықты интеграциялық блок ғана ұта алады.

Түйін сөздер: интеграция, бірегей валюта, қаржы-несиелік қатынастар, қаржылық нарық, заңдылық, валюталық интеграция, экономикалық конвергенция, оптималды валюталық аймақтар, конвергенция критерийлері, монетарлық саясат, ЕАЭҚ.

В статье рассматриваются вопросы валютно-финансовой интеграции, которая является необходимым и закономерным шагом на пути развития и укрепления ЕАЭС в условиях мирового экономического кризиса. Необходимо формирование единых правил валютного регулирования и платежно-расчетных операций, скоординированной монетарной и фискальной политики, возможность введения единой валюты для снижения затрат при торговых операциях и для экономической стабильности стран ЕАЭС, что приведет к снижению издержек и рисков взаимных инвестиций, стабилизации инфляции и процентных ставок, понижению цены заимствования, что особенно важно для экономик малых стран ЕАЭС. Стоит отметить, что интеграционные процессы в ЕАЭС развиваются в достаточно непростых условиях, когда обостряются глобальные проблемы в политике и экономике, а политика все сильнее влияет на экономику. В данной ситуации выигрывает только мощный интеграционный блок.

Ключевые слова: интеграция, единая валюта, валютно-финансовые отношения, финансовый рынок, законодательство, валютная интеграция, экономическая конвергенция, оптимальные валютные зоны, критерии конвергенции, монетарная политика, ЕАЭС.

CURRENCY-FINANCIAL INTEGRATION OF EAEU COUNTRIES

Strong external shocks, including decrease of commodity prices and economic slowdown of main trade partners as Russia and China, weakened economic growth perspectives and deepened the existing problems of Kazakhstan's economy.

Under these conditions and under the situation of the world economic globalization countries with neighboring territories need to unite into its own territorial economic area for a better mutual cooperation.

In this case the creation of the Eurasian Economic Union is relevant, timely and necessary condition. In order to implement new mechanisms Belorussia, Kazakhstan and Russia accepted liabilities on creation common macroeconomic policy on three directions:

- the budget deficit of the public administration sector must not exceed 3 % of the country's GDP,
- the state debt should not exceed 50% of the GDP,
- inflation rate can exceed the rate of member-country with lower inflation rate only for 5% [1].

Realization of these criteria is necessary for the supply of macroeconomic sustainability, constant economic growth and the development of credit and financial system of EAEU countries.

The important point is the integration of financial markets, which is expected to create a competitive segment of the world financial market in the territory of EAEU said Timur Suleimenov, Member of the board (Minister) on economics and market, on IV Moscow international financial forum MOSINTERFIN-2014 on the September 9, 2014. Also he noticed that new realities make countries of Custom Union and Common Economic Area face new tasks under circumstances of economy development.

Also Timur Suleimenov mentioned in his speech that EAEU is the sixth largest economy in the world, which is almost USD 3 trillion. «As a result of process of integration USD 1 trillion is expected by 2030. More than 1000 banks belong to EAEU countries with total capital of USD 250 bln, assets of USD 2 trillion and almost USD 1 trillion total amount of stock market.» [2]

In this case Eurasian economic committee on the agreement of regulative authorities of three countries and other interested parties has begun to prepare a common strategy of financial markets development of the common economic area. It is expected that this

work will be finished in 2016 and will include all practical arrangements for development of common financial system of EAEU countries. «The strategy of financial markets development of Eurasian Economic Area members will allow to define orientations of integration processes development for the future and negotiate long-term policy of countries in the field of financial markets development, – emphasized Minister of economics and financial policy of EEA. [2]

According to the Treaty of EAEU member-countries of the Union conduct works on harmonization their legislation on financial markets regulation on the basis of international principles and standards or the best international experience which should not be less qualitative principles and standards than the formers that have been used in the country. It is necessary to align the legislation of the member-countries of the Union: the banking sector – the main principles of the Basel committee on banking supervision; the insurance sector – the main principle of insurance supervision of the International association of insurance supervision; the service sector of the securities market – International organization of securities committee, Organization of economic cooperation and development.

On the integration of financial markets the first steps were taken by ratification «Agreement of creation of conditions for the free capital movement in the financial markets» on 01.02.2012. [3] Within the framework of the Agreement the following measures have been envisaged aimed harmonization of the domestic legislation on financial services and banking, organization of information exchange on the issues of financial market regulation and development between Belorussia, Kazakhstan and Russia.

The agreement on the implementation of the activities in financial markets of EAEU country-members assumes harmonization of different aspects of financial regulation until 2022 and it is directed towards the creation of the common financial market. The realization of the given aims will be conducted in three stages, when each of them represents a new qualitative stage integration relations.

During the first stage it is supposed to establish common conceptual apparatus, legal forms of common financial market members and harmonization of the legislation on rights protection of financial services consumers.

During the second stage, until 2020 policy on harmonization of legislation on licensing and regulation of activities of common financial market members will be held.

In the third stage which lasts till 2023 the super-

vision and control will be organized in the financial market of EAEU. [5]

By 2025 the creation of a supranational authority on financial market supervision in Almaty, Kazakhstan, is planned. During the early stages of agreement preparation it was assumed to create Eurasian Central Bank similar to European Central Bank.

Also nowadays the discussions on creation a common payment system in EAEU is being held, which facilitates the financial independence of the international organization and each country, supply with the secure money transfer and facilitate the creation of common currency.

In this case the issue of common infrastructure creation for the payment information transfer is being envisaged. For this it is necessary to elaborate common standards and formats of financial messages, to follow the common rules for payment procedures. In addition the establishment of common clearing center, which provides settlements within EAEU in any currency of the member-countries. For the extension of national currencies use it is required systematic work on currency risk reduction, liquidity increase, also the decrease transaction costs in cash operations. Due to this mechanisms of financial support the trade between countries, stock trading in the integrated currency market and collaboration of payment system of EAEU countries. {6}

Nowadays EAEU countries do not only carry out preparatory work, but also achieve some certain results in integration processes in banking, insurance sector and securities market.

First of all member-countries of signed an Agreement on information interchange, including confidential information, in financial spheres in order to create conditions for free movement of capital. The document was elaborated to define the rules of information exchange and its use in order to deepen integrate processes in financial markets area, also provision of the confidential information exchange between authorities in order to protect the rights of the consumers of the financial market.

For the activation of the cooperation in the insurance sector quadripartite memorandum was signed between Advisory committee on financial markets of EEC, Association of insurers of Kazakhstan, Belorussian association of insurers and Russian union of insurers in December 2014. The counterparties set the task as an establishment of common insurance market of EAEU member-countries and strengthens the cooperation in the sector of information-analytical and organizational interaction among themselves.

Taking into consideration the difference between the obligatory insurance tariffs of third party liability (OSAGO) in member-countries, the establishment of an effective mechanism of acceptance OSAGO policies for the insurance companies of EEA is one of the foreground directions of today.

In the insurance sector counterparties work together on development of the mechanism of mutual OSAGO policies acceptance for EEA insurance companies and establishment a new insurance product of third party liability in EAEU member-countries, because third party liability is one of the most massive and demanded type insurance.

Common insurance product or a mechanism of mutual OSAGO policies acceptance allows the car owners of Eurasian economic union cross the borders of the countries by buying common policy of OSAGO, the common system expenses regulation and informational interaction of members will be provided.

With the help of national regulators a pilot project on providing a direct access for brokers, dealers of countries to stock trade of securities was initiated. For its realization an Agreement of mutual access (accreditation) for the brokers and dealers EAEU member-countries to national stock markets, agreed by national regulators and stock markets: Belorussian currency-stock exchange (BSCE), Kazakhstan Stock Exchange (KASE), Moscow stock markets MMBB-PTC (MOEX).

This project will allow to realize efforts on common financial market creation taking into account that this sector of financial integration is less sensitive in comparison to banking and insurance services sectors. [7]

Not unimportant meaning of the Eurasian integration has an issue of a common currency area establishment. There is still in the process the issues of the name of the new currency and the place where the central bank of EAEU will be situated. The choice of the currency name still falls on Altyn.

Altyn – a perfect name of the Eurasian currency: Turkic word (which means «gold»), that is the name of monetary unit sounding quite nicely as for Turkic people, as for Slavic people (the history of altyn started in the end of XIV century; its etymology, most likely, is connected with Tatar «altyn» – six, because altyn during the long time was equal to 6 money and after long ago its establishment to 3 money). [8]

Almaty – is the second high financial-banking

density city of the Eurasian economic union. Except tens of commercial banks, the National Bank of Kazakhstan is situated here. It has a significant personnel potential. Eurasian bank of Development has been situated in Almaty since 2006. The will of placing the financial mega-regulator justified with the spirit of equality of EAEU members and decentralization policy of management authorities.

Establishment of common currency is not goal in itself for our countries. The real goal is the sustainable economic development, achievement of long-term «dividends» from economic integration. [8]

Hence, currency-financial integration is justifying and regular step in the direction of development and consolidation of EAEU. The common rules establishment of currency control and settlement operations, coordinated monetary and fiscal policies provides lots of advantages for EAEU countries. Intensification of the trade is only one of them. The other big advantage is beneficial influence on common financial markets development and their total efficiency. As a rule common currency establishment decreases the trade operation costs and allows «to import» economic sustainability. Holding an agreed monetary and fiscal policies may lead to liquidate cross-country currency risks in EAEU and, accordingly, trade costs decrease. Mutual investments expenses and risks will decrease. By inflation and interest rate stabilization borrowing cost will also decrease, which is very important for small countries' economy of EAEU/

Integration is a multifarious process. On the one hand, the common currency area establishment in EAEU and other forms of monetary-fiscal integration promises a lot of benefits. Although there are some risks, which significantly vary depending on the country and pairs of countries. For some of them (for example, Kazakhstan and Russia) integration process is less problematic. Business cycles are synchronized here, productivity growth rates are getting close. By accepting the suitable political decision, there should not be any irresistible technical problems not because of similarity of external trade, but also the inflation rate is similar. [8]

The aim of the integration within the EAEU is a deep research, consultations and tight cooperation of all countries for the development of optimal strategy of currency-financial integration, which allows maximize interrelation of profit and loss.

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