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DERIVATIVES MARKET: WORLD TRENDS AND DEVELOPMENT PROSPECTS

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ABSTRACT

The article analyzes the problems of the development of the world derivatives market, which in the recent post-crisis years has increased its turnover to catastrophically huge parameters, significantly exceeding world GDP. This casts doubt on the reliability of the global financial system, since the overwhelming majority of these financial instruments are traded on the over-the-counter market and therefore are not subject to any regulation or control. The solution to these problems is associated, in the author's opinion, with the creation of a unified standardized system of exchange turnover of all types of derivative financial instruments, which should bring the volume of issued derivatives and real underlying assets in line with them.

KEYWORDS: *Derivatives, Financial Market, Risk Hedging, Exchange And Over-The-Counter Turnover, World Financial System, Banks, Stock Exchanges.*

INTRODUCTION

The protracted nature of the last financial crisis, which began in 2007, demonstrated the emergence of a new threat to the development of the global financial system - the uncontrolled growth of the derivatives market. Having become the cause of the crisis, derivatives came into conflict with their economic essence as an instrument of insurance and hedging of risks in the financial market. The factor of unrestricted growth of this market is the absence of state control over the issue and circulation of these financial instruments, as well as the transition of a significant part of the market to over-the-counter circulation. In this regard, the relevance of the study of modern world trends in the derivatives market and the directions of their development is increasing, which would make it possible to develop directions for regulating this segment of the financial market.

Place of the derivatives market in the structure of the financial market

When considering the market economy as a set of different markets, it is possible to single out the leading role in it of the financial market, since it is it that provides the possibility of a consistent flow of capital from one country to another, from less profitable sectors of the economy to more profitable ones. Thus, the financial market ensures the redistribution of capital between sectors of the economy and helps to level the sectoral rate of return.

The transformation of free capital into investments takes place through the stock market, in the structure of which the segment of financial derivatives (derivatives) has recently become dominant. It was developed in connection with the liberalization of the world financial system and the transition to floating exchange rates. The widespread popularity of derivatives as derivatives from stocks, currencies and commodities is due to the fact that they are used to hedge risks or engage in speculation.

If earlier derivative financial instruments acted as a standard instrument issued by an exchange, now the derivatives market is developing in two forms - exchange and over-the-counter, and the competition between these two segments of the stock market serves as an additional incentive for the development of the derivatives market, which is due to the emergence of, along with standard exchange contracts for new types of over-the-counter agreements containing special conditions for insuring the risks of trading participants.

Research methodology of the modern derivatives market

The issues of the development of the world derivatives market are widely reflected in the works of foreign and domestic economists. The fundamentals of the development of financial derivatives are set out in the fundamental work of W. Sharp "Investments", which reveals their nature and mechanisms of circulation [1]. With regard to Russian practice, derivative financial instruments are considered in detail by A.N. Burenin, who analyzed not only their types, but also the peculiarities of circulation on the Russian securities market [2].

The greatest attention is paid to the development of the world derivatives market after the 2007 crisis. The rapid development of this market is associated with a change in the role of underlying assets (oil, gold, grain, etc.) that underlie derivative financial instruments, namely, a significant increase in their trading volume [3. P. 149]. S.S. Samsonova believes that the growth of the over-the-counter turnover of these financial instruments in the post-crisis period is already 10 times higher than the nominal value of their basic assets [4. P. 71]. According to G.G. Chibrikov, the preponderance of derivatives on the world financial market in comparison with other instruments becomes the cause of financial crises, the overcoming of which he associates with the need to reduce the growth in the volume of these instruments [5. P. 11].

The point of view of K.L. Astapov on the methodology for regulating the over-the-counter circulation of derivatives [6. C. 60], proposing to introduce universal principles of investor protection, which, in his opinion, should reduce conflicts of interest and prevent market manipulation. He also believes that the creation of a system for the exchange of information between different states, which does not undermine the national banking secrecy, will help to streamline the circulation of derivatives in the global financial market. Thus, the majority of scholars studying the circulation of derivatives are concerned about the uncontrollable growth of the volume of these financial instruments and are looking for ways to regulate their circulation.

Features of the development of the derivatives market in the post-crisis period

The modern derivatives market is developing as an independent segment of the stock market, and thanks to the circulation of these financial instruments outside the exchange, they have the opportunity to circulate in unlimited quantities and be issued on various basic assets, including stock indices and other calculated indicators. At the same time, the main trends in the development of the financial derivatives market are largely determined by the ongoing changes in the post-crisis period in the markets of basic assets. Thus, the multiple growth in the trading volume on the stock market entailed an equally rapid development of the market for standard contracts for stocks and stock indices. At the same time, the derivatives market continues to grow at a faster pace compared to other financial instruments, and this creates volatility on stock exchanges.

Derivatives as a crisis mechanism

The main reason for the global economic crisis in 2007 and the subsequent recession in the economies of most countries was the inflated “bubble” in the US derivatives market. In the event of a series of non-payments and refusals to execute contracts, derivatives gave rise to a domino effect: the collapse of one instrument led to the fall of others. Following this, the development of the crisis in the Eurozone pushed the speculative nature of credit default swaps issued on debt obligations of the Greek government, which significantly intensified the manifestation of the crisis in the global financial system.

In the emergence of the crisis, derivatives played the role of a trigger, which is associated with the peculiarities of the circulation of this financial instrument. In essence, derivatives should create hedging instruments and infrastructure for market participants to reduce the overall volume of risk through its redistribution. In other words, the derivatives market should theoretically serve as additional support or insurance for business associated with the real movement of goods or capital.

In practice, in the last decade, there has been a huge gap between speculative players in this market and companies that really hedge the risks of their core activities. This is reflected in the fact that derivatives, in fact, began to circulate independently of the movement of goods that lie in their underlying asset. As a result, their turnover went beyond the national economies, since these instruments no longer participate in the formation of the domestic capital of countries where the goods underlying the underlying assets are produced.

In short, all threats to the development of the derivatives market for the global financial system can be formulated as follows:

—The market has become too large and does not stop growing;

—derivatives as financial instruments are not secured by anything;

—the system of derivatives circulation is almost completely uncontrollable;

—this system is dominated by the largest banks in the world;

—The uncontrolled (unregistered) and non-transparent issue of new forms of derivative financial instruments is constantly taking place;

—The derivatives market is developing in isolation from the real economy.

Problems of derivatives market regulation

Due to the presence of a pronounced upward trend in financial derivatives, caused by an increase in the number of participants and the volume of attracted capital, the derivatives market needs urgent regulation. According to experts, measures to regulate the derivatives market can develop in two directions: first, through tightening the legislation of the main countries participating in the derivatives market; secondly, in the absence of a positive effect of measures to regulate the derivatives market, it is proposed to zero the market by abandoning the main currencies that provide settlements for derivative transactions [8].

In September 2013, at the G20 Summit in St. Petersburg, the G20 countries agreed to tighten the rules for regulating the derivatives market. The G20 Summit Declaration [9] pointed to the need to establish common minimum margin requirements for derivatives trading and to form a centralized clearing system for derivatives transactions based on international consensus. According to the G20 recommendations, financial market regulators should ensure that high-risk assets are traded strictly through clearing centers and exchanges. It becomes obvious that international regulation should be aimed at limiting the emission of derivative financial instruments. It should be borne in mind that a direct ban on derivatives as a financial instrument is unlikely to have a positive effect, since the overwhelming majority of these instruments are traded on the OTC market. In this regard, it is the OTC derivatives turnover, especially interbank swap transactions, that should be subject to regulation. This presupposes the transfer of all transactions to the exchange circulation system, i.e. trading these instruments only on stock exchanges. This approach will eliminate the problem of conflicts of interest among participants in the derivatives turnover, when the same trading participant in one person acts as an issuer, seller and buyer. First of all, this should apply to the relationship between banks and their clients that make transactions with derivatives, which should be carried out only with the participation of a third independent party - an exchange or a clearing center, which provide guarantees for the fulfillment of obligations by all participants in this operation.

The latest financial crisis revealed the need for strict antimonopoly regulation of the activities of derivatives market participants, which is primarily associated with the need to eliminate the dependence of a significant share of world financial flows on the management of global American banks. So, during the last financial crisis after the collapse of the Lehman Brothers bank only on CDS default swaps there were debts of $ 400 billion [10. P. 151]. The lack of control of global financial holdings allows them to ignore all principles of risk management and continue to issue on the market new highly speculative instruments that not only fail to reduce financial risks, but also contribute to their growth by including an unlimited number of new participants in these operations.

Consequently, the main problems of the modern derivatives market are generated by the liberalization of the terms of transactions, as well as the uncontrolled activity in this market of global financial institutions, which are the main suppliers of credit default swaps to the stock market. It is this segment that operates only in the over-the-counter market mode, which is based on opaque pricing and ineffective monitoring of risks, including the risk of solvency of credit protection sellers under CDS. However, other sectors of the derivatives market operating within the framework of exchange trading (options, futures, etc.) are more resistant to the crisis, since they operate under standard contracts and constant control by the exchange. In addition, banks' CDS risks are increasing due to the lack of a unified methodology for accounting for derivatives on the balance sheets of credit institutions. At present, banks have the opportunity, due to tricks in the accounting of derivatives, not to fully reflect the risks and possible losses associated with their circulation. Today, this aspect is most in need of regulation. In this regard, the question of the mandatory introduction of unified standard rules for accounting for credit default swaps as a necessary condition for improving the turnover of derivatives by banks arises. In this regard, it is necessary to make a decision at the state level to prohibit operations with OTC derivatives for commercial banks, which should eliminate most of the risks associated with the circulation of these financial instruments.

From the point of view of improving the circulation of derivatives, two fundamental points should be highlighted. First, there is a need to create an analogue of a central depository for the purpose of accounting for derivative financial instruments, the activity of which can significantly facilitate and streamline transactions with all types of such instruments. Secondly, it is necessary to increase the role of self-regulatory organizations in the derivatives market, which could take on such issues as interaction with state regulatory bodies, resolving disputes between market participants, etc. There is already some experience in the world in terms of self-regulation of international circulation. securities, when the Association of International Stock Market Participants (ISMA) assumes responsibility for the formation of conditions and control over the circulation of international securities and the activities of market participants [11. P. 74].

Thus, minimizing the threat of the collapse of the global financial system lies in the plane of creating a system of regulation and control of the world derivatives market, which in modern conditions has prospects for implementation with the solidarity participation of the governments of countries whose banks are active emitters and buyers of derivative financial instruments.

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